# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549** 

# **FORM 10-Q**

(Mark One)	
<b>■</b> Quarterly report pursuant to Section 13 or 15(d) quarterly period ended September 30, 2012	of the Securities Exchange Act of 1934 for the
or	
☐ Transition report pursuant to Section 13 or 15(d) transition period from to	of the Securities Exchange Act of 1934 for the
Commission file nu	nmber 001-32352
NEWS CORI	
Delaware (State or Other Jurisdiction of Incorporation or Organization)	26-0075658 (I.R.S. Employer Identification No.)
1211 Avenue of the Americas, New York, New York (Address of Principal Executive Offices)	10036 (Zip Code)
Registrant's telephone number, inc	cluding area code (212) 852-7000
Indicate by check mark whether the registrant: (1) has filed all Securities Exchange Act of 1934 during the preceding 12 months (or such reports), and (2) has been subject to such filing requirements for	r for such shorter period that the registrant was required to file
Indicate by check mark whether the registrant has submitted ele Interactive Data File required to be submitted and posted pursuant to for such shorter period that the registrant was required to submit and	Rule 405 of Regulation S-T during the preceding 12 months (or
Indicate by check mark whether the registrant is a large acceler reporting company. See the definitions of "large accelerated filer," " of the Exchange Act.	rated filer, an accelerated filer, a non-accelerated filer or a smaller accelerated filer" and "smaller reporting company" in Rule 12b-2
Large accelerated filer   ☐ Accelerated filer ☐ Non-	-accelerated filer □ Smaller reporting company □
Indicate by check mark whether the registrant is a shell comparance. Yes $\square$ No $\boxtimes$	ny (as defined in Rule 12b-2 of the Exchange
As of October 26, 2012, 1,546,011,394 shares of Class A Common Stock, par value \$0.01 per share, were outstanding	mon Stock, par value \$0.01 per share, and 798,520,953 shares of g.

## FORM 10-Q

## TABLE OF CONTENTS

		Page
Part I. Financi	ial Information	
Item 1.	Financial Statements	
	<u>Unaudited Consolidated Statements of Operations for the three months ended September 30, 2012 and 2011</u>	3
	<u>Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three months ended</u>	
	<u>September 30, 2012 and 2011</u>	4
	Consolidated Balance Sheets at September 30, 2012 (unaudited) and June 30, 2012 (audited)	5
	<u>Unaudited Consolidated Statements of Cash Flows for the three months ended September 30, 2012 and 2011</u>	6
	Notes to the Unaudited Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	54
Item 4.	Controls and Procedures	55
Part II. Other	Information	
Item 1.	<u>Legal Proceedings</u>	56
Item 1A.	Risk Factors	60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	65
Item 3.	<u>Defaults Upon Senior Securities</u>	65
Item 4.	Mine Safety Disclosures	65
Item 5.	Other Information	65
Item 6.	<u>Exhibits</u>	66
<u>Signature</u>		67

# UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the thr ended Sept 2012		
Revenues	\$ 8,136	\$ 7,959	
Operating expenses	(4,848)	(4,753)	
Selling, general and administrative	(1,610)	(1,527)	
Depreciation and amortization	(300)	(294)	
Impairment and restructuring charges	(152)	(91)	
Equity earnings of affiliates	190	121	
Interest expense, net	(267)	(258)	
Interest income	31	36	
Other, net	1,375	(130)	
Income before income tax expense	2,555	1,063	
Income tax expense	(259)	(277)	
Net income	2,296	786	
Less: Net income attributable to noncontrolling interests	(63)	(48)	
Net income attributable to News Corporation stockholders	\$ 2,233	\$ 738	
Weighted average shares:			
Basic	2,366	2,607	
Diluted	2,370	2,612	
Net income attributable to News Corporation stockholders per share:			
Basic	\$ 0.94	\$ 0.28	
Diluted	\$ 0.94	\$ 0.28	

# UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (IN MILLIONS)

		ree months tember 30,
	2012	2011
Net income	\$2,296	\$ 786
Other comprehensive income (loss):		
Foreign currency translation adjustments	279	(1,216)
Unrealized holding losses on securities	(1)	(122)
Benefit plan adjustments	14	14
Other comprehensive income (loss)	292	(1,324)
Comprehensive income (loss)	2,588	(538)
Less: Net income attributable to noncontrolling interests <sup>(a)</sup>	(63)	(48)
Less: Other comprehensive income attributable to noncontrolling interests	(1)	9
Comprehensive income (loss) attributable to News Corporation stockholders	\$2,524	\$ (577)

<sup>(</sup>a) Net income attributable to noncontrolling interests includes \$22 million and \$7 million relating to redeemable noncontrolling interests for the three months ended September 30, 2012 and 2011, respectively.

# CONSOLIDATED BALANCE SHEETS (IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

		As of September 30, 2012		As of June 30, 2012	
Assets:	(u	naudited)	(:	audited)	
Current assets:					
Cash and cash equivalents	\$	12,007	\$	9,626	
Receivables, net	Ψ	6,634	Ψ	6,608	
Inventories, net		2,856		2,595	
Other		770		619	
Total current assets		22,267		19,448	
Non-current assets:					
Receivables		464		387	
Investments		4,725		4,968	
Inventories, net		4,835		4,596	
Property, plant and equipment, net		5,830		5,814	
Intangible assets, net		7,128		7,133	
Goodwill		13,190		13,174	
Other non-current assets		1,237		1,143	
Total assets	\$	59,676	\$	56,663	
Liabilities and Equity:					
Current liabilities:					
Borrowings	\$	273	\$	273	
Accounts payable, accrued expenses and other current liabilities		5,615		5,405	
Participations, residuals and royalties payable		1,862		1,691	
Program rights payable		1,292		1,368	
Deferred revenue		1,003		880	
Total current liabilities		10,045		9,617	
Non-current liabilities:					
Borrowings		16,184		15,182	
Other liabilities		3,693		3,650	
Deferred income taxes		2,329		2,388	
Redeemable noncontrolling interests		648		641	
Commitments and contingencies					
Equity:					
Class A common stock <sup>(a)</sup>		15		15	
Class B common stock <sup>(b)</sup>		8		8	
Additional paid-in capital		16,016		16,140	
Retained earnings and accumulated other comprehensive income		10,225	_	8,521	
Total News Corporation stockholders' equity		26,264		24,684	
Noncontrolling interests		513		501	
Total equity		26,777		25,185	
Total liabilities and equity	\$	59,676	\$	56,663	

Class A common stock, \$0.01 par value per share, 6,000,000,000 shares authorized, 1,555,194,481 shares and 1,584,519,372 shares issued and outstanding, net of 1,775,950,044 and 1,775,983,637 treasury shares at par at September 30, 2012 and June 30, 2012, respectively.

<sup>(</sup>b) Class B common stock, \$0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 313,721,702 treasury shares at par at September 30, 2012 and June 30, 2012.

# UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN MILLIONS)

	For the three s	
	2012	2011
Operating activities:		
Net income	\$ 2,296	\$ 786
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	300	294
Amortization of cable distribution investments	21	24
Equity earnings of affiliates	(190)	(121)
Cash distributions received from affiliates	18	64
Impairment charges	35	
Other, net	(1,375)	130
Change in operating assets and liabilities, net of acquisitions:		(2==)
Receivables and other assets	(164)	(275)
Inventories, net	(465)	(537)
Accounts payable and other liabilities	234	59
Net cash provided by operating activities	710	424
Investing activities:		
Property, plant and equipment, net of acquisitions	(176)	(248)
Acquisitions, net of cash acquired	(227)	(67)
Investments in equity affiliates	69	(34)
Other investments	(30)	(78)
Proceeds from dispositions	1,825	334
Net cash provided by (used in) investing activities	1,461	(93)
Financing activities:		
Borrowings	988	_
Repayment of borrowings	<del></del>	(32)
Issuance of shares	111	12
Repurchase of shares	(877)	(1,272)
Dividends paid	(52)	(23)
Other, net	9	<del></del>
Net cash provided by (used in) financing activities	179	(1,315)
Net increase (decrease) in cash and cash equivalents	2,350	(984)
Cash and cash equivalents, beginning of year	9,626	12,680
Exchange movement on opening cash balance	31	(267)
Cash and cash equivalents, end of year	\$ 12,007	\$ 11,429
1 2 27 2 2 2	, ,,,,,,	<u> </u>

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1. BASIS OF PRESENTATION

News Corporation, a Delaware corporation, with its subsidiaries (together, "News Corporation" or the "Company"), is a diversified global media company, which manages and reports its businesses in six segments: Cable Network Programming, Filmed Entertainment, Television, Direct Broadcast Satellite Television, Publishing and Other.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2013.

These interim unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as filed with the Securities and Exchange Commission ("SEC") on August 14, 2012 and as amended on October 1, 2012 (the "2012 Form 10-K").

The consolidated financial statements include the accounts of News Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not exercise control and is not the primary beneficiary are accounted for using the equity method. Investments in which the Company is not able to exercise significant influence over the investee are designated as available-for-sale if readily determinable fair values are available. If an investment's fair value is not readily determinable, the Company accounts for its investment under the cost method.

The Company has an investment in Sky Deutschland AG ("Sky Deutschland") which it considers a variable interest entity ("VIE"). The Company's aggregate risk of loss related to this investment was approximately \$510 million and \$515 million as of September 30, 2012 and June 30, 2012, respectively, which consisted of debt and equity securities and a loan. (See Note 6—Investments)

The Company also has a consolidated investment in a VIE; however, the assets, liabilities, net income and cash flows attributable to this entity were not material to the Company in any of the periods presented.

The preparation of consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

The Company's fiscal year ends on the Sunday closest to June 30. Fiscal 2013 and fiscal 2012 include 52 weeks. All references to September 30, 2012 and September 30, 2011 relate to the three months ended September 30, 2012 and October 2, 2011, respectively. For convenience purposes, the Company continues to date its financial statements as of September 30.

Certain fiscal 2012 amounts have been reclassified to conform to the fiscal 2013 presentation.

#### Recently Adopted and Recently Issued Accounting Guidance

Adopted

In the first quarter of fiscal 2013, the Company adopted Accounting Standards Update ("ASU") 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," ("ASU 2011-05") which requires an entity to present total comprehensive income, the components of net income and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of ASU 2011-05 resulted in two separate but consecutive statements.

In the first quarter of fiscal 2013, the Company adopted ASU 2011-08, "Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment" ("ASU 2011-08"). Under ASU 2011-08 the Company has the option to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### Issued

In July 2012, the Financial Accounting Standards Board ("FASB") issued ASU 2012-02, "Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"), which permits an entity to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit's indefinite-lived intangible asset is less than the asset's carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that the fair value of a reporting unit's indefinite-lived intangible asset is more likely than not greater than the asset's carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2012-02 will have on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-07, "Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs" ("ASU 2012-07"), which would have the effect of incorporating into the fair value measurement used for the impairment analysis of unamortized film costs only information that is known or knowable as of the measurement date, consistent with how information is incorporated into other fair value measurements. ASU 2012-07 is effective for the Company for impairment assessments performed on or after December 15, 2012. The Company is currently evaluating the impact ASU 2012-07 will have on its consolidated financial statements.

#### NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

#### Fiscal 2013

Acquisitions

In July 2012, the Company acquired Thomas Nelson, Inc. ("Thomas Nelson"), one of the leading Christian book publishers in the United States, for approximately \$200 million in cash. In accordance with Accounting Standards Codification ("ASC") 350, "Intangibles—Goodwill and Other," the purchase price has been preliminarily allocated to intangibles. The amount allocated to intangibles is subject to change pending the completion of final valuations of certain assets and liabilities. A change in the purchase price allocation and any estimates of useful lives could result in a change in the value allocated to the intangible assets that could impact future amortization expense.

In August 2012, the Company entered into an agreement to acquire a 51% equity interest in Eredivisie Media & Marketing CV ("EMM"). EMM is a media company based in the Netherlands which holds the Dutch Premier League soccer rights and operates several channels in the Netherlands. EMM is owned by the 18 Dutch Premier League soccer clubs and the global TV production company Endemol. The acquisition is subject to regulatory clearances and other customary closing conditions.

In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports ("ESS") it did not already own for approximately \$335 million in cash. ESS is the leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of ESS. Accordingly, the results of ESS will be included in the Company's consolidated results of operations in November 2012.

#### Other

In July 2011, the Company announced that it would close its publication, *The News of the World*, after allegations of phone hacking and payments to public officials. As a result of management's approval of the shutdown of *The News of the World*, the Company has reorganized portions of the U.K. newspaper business and has recorded restructuring charges in fiscal 2013 and 2012 primarily for termination benefits and certain organizational restructuring at the U.K. newspapers. (See Note 4—Restructuring Programs) The Company is subject to several ongoing investigations by U.K. and U.S. regulators and governmental authorities, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations. In addition, the Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company created an independently-chaired Management & Standards Committee (the "MSC"), which operates independently from NI Group Limited ("News International") and has full authority to ensure cooperation with all relevant investigations and inquiries into *The News of the World* matters and all other related

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

issues across News International. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Gerson Zweifach, Senior Executive Vice President and Group General Counsel of the Company. Mr. Zweifach reports to the independent members of the Board of Directors (the "Board") through their representative Viet Dinh, an independent director and Chairman of the Company's Nominating and Corporate Governance Committee. The independent directors of the Board have retained independent outside counsel and are actively engaged in these matters. The MSC conducted an internal investigation of the three other titles at News International and engaged independent outside counsel to advise it on these investigations and all other matters it handles. News International has instituted governance reforms and issued certain enhanced policies to its employees. The Company has also engaged independent outside counsel to assist it in responding to U.S. governmental inquiries. (See Note 13—Commitments and Contingencies for a summary of the costs of *The News of the World* Investigations and Litigation.)

In May 2012, the Company renewed its existing FOX affiliation agreement with a major FOX affiliate group ("Network Affiliate"). As part of the transaction, the Company received a one-time payment of \$25 million and an option to buy Network Affiliate's stations in any three of four markets or, if such option is not exercised, receive an additional \$25 million cash payment. Further, Network Affiliate has an option to buy the Company's Baltimore station. Both options may be exercised at any time through March 30, 2013. Network Affiliate has exercised its option to purchase the Baltimore station.

In June 2012, the Company announced that it intends to pursue the separation of its publishing and its media and entertainment businesses into two distinct publicly traded companies. The global publishing company that would be created through the proposed transaction would consist of the Company's publishing businesses, its education division and other Australian assets. The global media and entertainment company would consist of the Company's cable and television assets, filmed entertainment, and direct satellite broadcasting businesses. Following the separation, each company would maintain two classes of common stock: Class A Common and Class B Common Voting Shares. The separation is expected to be completed in approximately one year from the date of announcement. In addition to final approval from the Board and stockholder approval, the completion of the separation will be subject to receipt of regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and to its stockholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the SEC.

At the end of fiscal 2012, the Company identified certain businesses as held for sale and reclassified the net assets to other current assets. In the three months ended September 30, 2012, as a result of revised projections, the Company recorded a \$35 million non-cash impairment charge related to its assets held for sale to reduce the carrying value of these assets to fair value less cost to sell. The assets, liabilities and cash flows attributable to these businesses were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

#### Fiscal 2012

Acquisitions

In December 2011, the Company acquired the 67% equity interest it did not already own in Fox Pan American Sports LLC ("FPAS") for approximately \$400 million. FPAS, an international sports programming and production entity, which owns and operates Fox Sports Latin America network, a Spanish and Portuguese-language sports network distributed to subscribers in certain Caribbean and Central and South American nations, and partially through its ownership in FPAS, a 53% interest in Fox Deportes, a Spanish-language sports programming service distributed in the United States. As a result of this transaction, the Company now owns 100% of FPAS and Fox Deportes. Accordingly, the results of FPAS are included in the Company's consolidated results of operations beginning in December 2011.

The FPAS acquisition was accounted for in accordance with ASC 805, "Business Combinations," which requires an acquirer to remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. The carrying amount of the Company's previously held equity interest in FPAS was revalued to fair value at the acquisition date, resulting in a non-taxable gain of approximately \$158 million which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012. In accordance with ASC 350 the excess purchase price preliminarily allocated to goodwill will not be amortized for the FPAS acquisition. The amount allocated to goodwill is subject to change pending the completion of final valuations of certain assets and liabilities. A future reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets could reduce future earnings as a result of additional amortization.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In May 2012, the Company acquired an approximate 23% interest in Latin America Pay Television ("LAPTV"), a partnership that distributes premium and basic television channels in Latin America, for approximately \$64 million in cash. As a result of this transaction, the Company increased its interest in LAPTV to approximately 78% from the 55% it owned at June 30, 2011.

#### Disposals

In July 2011, the Company sold its majority interest in its outdoor advertising businesses in Russia and Romania ("News Outdoor Russia") for cash consideration of approximately \$360 million. In connection with the sale, the Company repaid \$32 million of News Outdoor Russia debt. (See Note 9—Borrowings) The Company recorded a gain related to the sale of this business, which was included in Other, net in the unaudited consolidated statements of operations for the three months ended September 30, 2011. The gain on the sale and the net income, assets, liabilities and cash flow attributable to the News Outdoor Russia operations were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

In May 2012, the Company sold its former U.K. newspaper division headquarters located in East London, which it relocated from in August 2010, for consideration of approximately £150 million, of which £25 million was received on closing of the sale. The remaining £125 million is in the form of a secured note and the Company will receive £25 million on May 31, 2013, and annually thereafter until May 31, 2017. The Company recorded a loss of approximately \$22 million on this transaction, which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012.

#### Other

In fiscal 2012, the Company entered into an asset acquisition agreement with a third party in exchange for a noncontrolling ownership interest in one of the Company's majority-owned Regional Sports Networks ("RSN"). The noncontrolling shareholder has a put option related to its ownership interest that is exercisable beginning in fiscal 2015. Since redemption of the noncontrolling interest is outside of the control of the Company, the Company has accounted for this put option in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity" ("ASC 480-10-S99-3A"), and has recorded the put option at its fair value as a redeemable noncontrolling interest in the consolidated balance sheets.

### NOTE 3. RECEIVABLES, NET

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. In determining the allowance for returns, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of the Company's products. Based on this information, management reserves a percentage of each dollar of product sales that provide the customer with the right of return. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at risk of not being paid.

The Company has receivables with original maturities greater than one year in duration principally related to the Company's sale of program rights in the television syndication markets within the Filmed Entertainment segment. Allowances for credit losses are established against these non-current receivables as necessary. As of September 30, 2012 and June 30, 2012, these allowances were not material.

#### Receivables, net consisted of:

	At ember 30, 2012	At June 30, 2012
	(in millio	
Total receivables	\$ 8,072	\$ 7,981
Allowances for returns and doubtful accounts	 (974)	(986)
Total receivables, net	7,098	6,995
Less: current receivables, net	 (6,634)	(6,608)
Non-current receivables, net	\$ 464	\$ 387

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### **NOTE 4. RESTRUCTURING PROGRAMS**

#### Fiscal 2013

During the three months ended September 30, 2012, the Company recorded restructuring charges of \$117 million, of which \$112 million related to the newspaper businesses. The restructuring charges primarily relate to the reorganization of the Australian newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded in the first quarter of fiscal 2013 are primarily for termination benefits in Australia and contract termination payments in the U.K.

#### Fiscal 2012

During the three months ended September 30, 2011, the Company recorded restructuring charges of \$91 million, of which \$88 million related to the newspaper businesses. The Company reorganized portions of the U.K. newspaper business and recorded restructuring charges in the first quarter of fiscal 2012 primarily for termination benefits as a result of the shutdown of *The News of the World* and certain organizational restructurings at other newspapers.

Changes in the program liabilities were as follows:

						For th	e thr	ee months	ended S	eptember	30,				
				201	2							201	1		
	term	time nation efits	re	elated costs		Other costs		<u>Fotal</u> (in mi	term	e time ination nefits	re	cility lated costs		Other costs	 otal
Balance, beginning of period	\$	64	\$	185	\$	_	\$	249	\$	27	\$	207	\$		\$ 234
Additions		64		2		51		117		74		3		14	91
Payments		(77)		(8)		(49)		(134)		(22)		(10)		(10)	(42)
Other						(1)		(1)		(5)		1		(3)	(7)
Balance, end of period	\$	51	\$	179	\$	1	\$	231	\$	74	\$	201	\$	1	\$ 276

The Company expects to record an additional \$65 million of restructuring charges, principally related to accretion on facility termination obligations through fiscal 2021 and additional termination benefits related to the newspaper businesses. At September 30, 2012, restructuring liabilities of approximately \$82 million and \$149 million were included in the consolidated balance sheets in other current liabilities and other liabilities, respectively. Amounts included in other liabilities primarily relate to facility termination obligations, which are expected to be paid through fiscal 2021.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### **NOTE 5. INVENTORIES**

The Company's inventories were comprised of the following:

	At		At	
	Sept	tember 30, 2012	June 30, 2012	
		(in millio		
Programming rights	\$	4,527	\$ 4,285	
Books, DVDs, Blu-rays, paper and other merchandise	-	404	348	
Filmed entertainment costs:				
Films:				
Released (including acquired film libraries)		755	846	
Completed, not released		14	135	
In production		756	502	
In development or preproduction		141	140	
		1,666	1,623	
Television productions:				
Released (including acquired libraries)		582	561	
In production		506	370	
In development or preproduction		6	4	
		1,094	935	
Total filmed entertainment costs, less accumulated amortization <sup>(a)</sup>		2,760	2,558	
Total inventories, net		7,691	7,191	
Less: current portion of inventory, net <sup>(b)</sup>		(2,856)	(2,595)	
Total noncurrent inventories, net	\$	4,835	\$ 4,596	

Does not include \$389 million and \$397 million of net intangible film library costs as of September 30, 2012 and June 30, 2012, respectively, which are included in intangible assets subject to amortization in the consolidated balance sheets.

#### **NOTE 6. INVESTMENTS**

The Company's investments were comprised of the following:

		Ownership Percentage	At ember 30, 2012 (in millio	At June 30, 2012
Equity method investments:				
British Sky Broadcasting Group plc <sup>(a)</sup>	U.K. DBS operator	39%	\$ 1,896	\$1,710
Sky Network Television Ltd.(a)	New Zealand media company	44%	399	390
Sky Deutschland <sup>(a)</sup>	German pay-TV operator	49.9%	223	231
NDS Group Limited <sup>(b)</sup>	Digital technology company	— %	_	492
Other equity method investments		various	954	904
Fair value of available-for-sale investments <sup>(c)</sup>		various	572	561
Other investments		various	 681	680
Total Investments			\$ 4,725	\$4,968

<sup>(</sup>a) The market value of the Company's investment in British Sky Broadcasting Group plc ("BSkyB"), Sky Deutschland and Sky Network Television Ltd., of \$7,783 million, \$1,559 million and \$719 million at September 30, 2012, respectively, were valued using quoted market prices.

Current inventory as of September 30, 2012 and June 30, 2012 is comprised of programming rights (\$2,484 million and \$2,279 million, respectively), books, DVDs, Blu-rays, paper and other merchandise.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In July 2012, the Company sold its 49% investment in NDS Group Limited ("NDS") and the investment basis in NDS did not change significantly from June 30, 2012. See Other section below for more information on this transaction.

Includes investments in publicly traded common stock, which were valued using quoted market prices, and the convertible bond issued by Sky Deutschland, which consists of the host and derivative financial instrument components. The convertible bond components were measured using the discounted cash flows and Black-Scholes valuation methods. Inputs to these valuation measures include observable market data such as stock prices and interest rates.

The cost basis, unrealized gains, unrealized losses and fair market value of available-for-sale investments are set forth below:

	Septen	At nber 30, <u>012</u> (in million	At June 30, 2012
Cost basis of available-for-sale investments	\$	278	\$ 278
Accumulated gross unrealized gain		304	305
Accumulated gross unrealized loss		(10)	(22)
Fair value of available-for-sale investments	\$	572	\$ 561
Net deferred tax liability <sup>(a)</sup>	\$	111	\$ 108

The net deferred tax liability includes \$107 million related to unrealized gains recorded in comprehensive income as of September 30, 2012 and June 30, 2012.

#### BSkyB

During fiscal 2010, the Company announced that it had proposed to the board of directors of BSkyB, in which the Company currently has an approximate 39% interest, to make a cash offer for the BSkyB shares that the Company does not already own. On July 13, 2011, the Company announced that it no longer intended to make an offer for the BSkyB shares that the Company does not already own. As a result of the July 2011 announcement, the Company paid BSkyB a termination fee of approximately \$63 million in accordance with a cooperation agreement between the parties. The termination fee was reflected in Other, net in the Company's unaudited consolidated statements of operations for the three months ended September 30, 2011.

In November 2011, BSkyB's shareholders and board of directors authorized a share repurchase program and in November 2012 they authorized an increase in the share repurchase program. The Company entered into an agreement with BSkyB under which, following any market purchases of shares by BSkyB, the Company will sell to BSkyB sufficient shares to maintain its approximate 39% interest subsequent to those market purchases, for a price equal to the price paid by BSkyB in respect of the relevant market purchases. BSkyB began repurchasing shares as part of this share repurchase program during the second quarter of fiscal 2012. As a result, during the three months ended September 30, 2012, the Company received cash consideration of approximately \$93 million and recognized a gain of \$75 million which was included in Equity earnings of affiliates in the Company's unaudited consolidated statements of operations.

#### Sky Deutschland

The Company's investment in Sky Deutschland consists of common stock, convertible bonds and loans.

The Company currently has the right to convert the bonds into 53.9 million underlying Sky Deutschland shares, subject to certain black-out periods. If not converted, the Company will have the option to redeem the bonds for cash upon their maturity in January 2015. The convertible bonds were separated into its host and derivative financial instrument components, both of which were recorded at their estimated fair value in Investments in the consolidated balance sheets. The change in estimated fair value of the derivative instrument of approximately \$7 million and \$(82) million was recorded in Other, net in the Company's unaudited consolidated statements of operations for the three months ended September 30, 2012 and 2011, respectively. The change in estimated fair value of the host was not material for the three months ended September 30, 2012 and 2011.

In February 2012, the Company agreed to backstop €300 million (approximately \$395 million) of financing measures that were being initiated by Sky Deutschland. The first step of the financing was completed in February 2012, in which Sky Deutschland raised

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

approximately €155 million, and the Company acquired 35.3 million additional shares of Sky Deutschland maintaining its ownership at 49.9%. The aggregate cost of the shares acquired by the Company was approximately €80 million (approximately \$100 million) and the shares were newly registered shares issued pursuant to the capital increase. The second capital increase of €145 million (approximately \$195 million) is expected to be raised by Sky Deutschland within the next six months and is planned through any or a combination of the following measures: a rights offering, a private placement, a loan provided by the Company and/or a convertible bond underlying Sky Deutschland shares. In the event that a convertible bond is issued, the remaining €145 million funding will be increased by the amount of interest payable on the bond from the date of issue until December 31, 2013. The Company's backstop commitment is subject to certain customary conditions such as the absence of a material adverse change in Sky Deutschland's business.

In addition to the financing measures noted above, the Company has also agreed to loan Sky Deutschland approximately \$70 million to support the launch of a sports news channel which it expects to fund within fiscal 2013.

#### Other

In March 2012, the Company sold its 17% interest in Hathway Cable and Datacom Limited for approximately \$71 million. The Company recorded a gain of approximately \$23 million on this transaction which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012.

In May 2012, FOXTEL, a cable and satellite television service in Australia, in which the Company currently owns a 25% interest, purchased Austar United Communications Ltd to create a national subscription television service in Australia. The transaction was funded by FOXTEL bank debt and FOXTEL's shareholders made pro-rata capital contributions in the form of subordinated shareholder notes based on their respective ownership interest. The Company's share of the funding contribution was approximately \$230 million. The subordinated shareholder note has a maximum term of 15 years, with interest payable on June 30th each year and at maturity. The subordinated shareholder note can be repaid in 10 years provided that FOXTEL's senior debt has been repaid. Upon maturity, the principal advanced will be repayable.

In May 2012, the Company acquired a 17% interest in Bona Film Group ("Bona"), a film distributor in China, for approximately \$70 million in cash. As a result of this transaction, the Company has significant influence and therefore, accounts for its investment in Bona under the equity method of accounting.

In July 2012, the Company sold its 49% investment in NDS to Cisco Systems Inc. for approximately \$1.9 billion, of which approximately \$60 million has been set aside in escrow to satisfy any indemnification obligations. The Company recorded a gain of approximately \$1.4 billion on this transaction which was included in Other, net in the unaudited consolidated statements of operations for the three months ended September 30, 2012.

In September 2012, the Company agreed to acquire Consolidated Media Holdings Ltd. ("CMH"), a media investment company that operates in Australia, for approximately \$2 billion. CMH has a 25% interest in FOXTEL and a 50% interest in FOX Sports Australia, a producer of Australia's leading sports channels. The acquisition will double the Company's stakes in FOX Sports Australia and FOXTEL to 100% and 50%, respectively. The transaction was approved by CMH shareholders in October 2012 and by the Federal Court of Australia in November 2012, and is expected to close on November 19, 2012.

#### NOTE 7. FAIR VALUE

In accordance with ASC 820, "Fair Value Measurement," fair value measurements are required to be disclosed using a three-tiered fair value hierarchy which distinguishes market participant assumptions into the following categories: (i) inputs that are quoted prices in active markets ("Level 1"); (ii) inputs other than quoted prices included within Level 1 that are observable, including quoted prices for similar assets or liabilities ("Level 2"); and (iii) inputs that require the entity to use its own assumptions about market participant assumptions ("Level 3"). Additionally, in accordance with ASC 815, "Derivatives and Hedging," the Company has included additional disclosures about the Company's derivatives and hedging activities (Level 2).

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The tables below present information about financial assets and liabilities carried at fair value on a recurring basis:

		Fair Value Measurements						
	As of September 30, 2012							
<u>Description</u>	<u>Total</u>	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2) millions)	Significant Unobservable Inputs (Level 3)				
Assets		(III I	minous)					
Available-for-sale securities(a)	\$ 572	\$ 349	\$ 223	\$ —				
Derivatives <sup>(b)</sup>	8	_	8	_				
Redeemable noncontrolling interests(c)	(648)	_	_	(648)				
Total	<del>\$ (68</del> )	\$ 349	<b>\$ 231</b>	\$ (648)				
		As of Ju Quoted Prices	ine 30, 2012					
Description	Total	in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)				
			millions)	(======)				
Assets								
Available-for-sale securities <sup>(a)</sup>	\$ 561	\$ 351	\$ 210	\$ —				
Derivatives <sup>(b)</sup>	17	_	17	_				
Redeemable noncontrolling interests(c)	(641)		<u> </u>	(641)				
Total	<u>\$ (63)</u>	<b>\$</b> 351	<b>\$ 227</b>	<b>\$</b> (641)				

<sup>(</sup>a) See Note 6—Investments.

The Company accounts for the redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A because their exercise is outside the control of the Company and, accordingly, as of September 30, 2012 and June 30, 2012, has included the fair value of the redeemable noncontrolling interests in the consolidated balance sheets. The majority of redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in two of the Company's majority-owned RSNs and in one of the Company's Asian general entertainment television joint ventures.

The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures. Inputs to such measures could include observable market data obtained from independent sources such as broker quotes and recent market transactions for similar assets. It is the Company's policy to maximize the use of observable inputs in the measurement of its Level 3 fair value measurements. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset. Examples of utilized unobservable inputs are future cash flows, long term growth rates and applicable discount rates.

Significant unobservable inputs used in the fair value measurement of the Company's redeemable noncontrolling interests are earnings before interest, taxes, depreciation and amortization ("EBITDA") growth rates (3%-4% range) and discount rates (8%-9% range). Significant increases (decreases) in growth rates and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significantly higher (lower) fair value measurement. a significantly higher (lower) fair value measurement.

The fair value of the redeemable noncontrolling interests in the RSNs were primarily determined by (i) applying a multiples-based formula that is intended to approximate fair value for one of the RSNs and (ii) using a discounted EBITDA valuation model, assuming a 9% discount rate for the other RSN. At September 30, 2012, the minority shareholder's put right in one of the RSNs is currently exercisable.

The fair value of the redeemable noncontrolling interest in the Asian general entertainment television joint venture was determined using a market approach. At September 30, 2012, the minority shareholder's put right is exercisable.

<sup>(</sup>b) Represents derivatives associated with the Company's foreign exchange forward contracts designated as hedges.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The remaining redeemable noncontrolling interest is currently not exercisable and is not material.

The changes in redeemable noncontrolling interests classified as Level 3 measurements were as follows:

	For the three months ended September 30,				
	2012 2011				
Decipping of poriod	¢		nillions)	(242)	
Beginning of period	\$	(641)	•	(242)	
Total gains (losses) included in net income		(22)		(7)	
Total gains (losses) included in other comprehensive					
income		_		_	
Other		15		5	
End of period	\$	(648)	\$	(244)	

#### Financial Instruments

The carrying value of the Company's financial instruments, including cash and cash equivalents, receivables, payables and cost investments, approximates fair value.

The aggregate fair value of the Company's borrowings at September 30, 2012 was approximately \$20,263 million compared with a carrying value of \$16,457 million and, at June 30, 2012, was approximately \$18,300 million compared with a carrying value of \$15,455 million. Fair value is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market.

#### Foreign Currency Forward Contracts

The Company uses financial instruments designated as cash flow hedges primarily to hedge certain exposures to foreign currency exchange risks associated with the cost for producing or acquiring films and television programming abroad. The notional amount of foreign exchange forward contracts with foreign currency risk outstanding at September 30, 2012 and June 30, 2012 was \$180 million and \$294 million, respectively. As of September 30, 2012 and June 30, 2012, the fair values of the foreign exchange forward contracts of approximately \$8 million and \$17 million, respectively, were recorded in the underlying hedged balances. The Company's foreign currency forward contracts are valued using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The effective changes in fair value of derivatives designated as cash flow hedges for the three months ended September 30, 2012 and 2011 of \$1 million and \$46 million, respectively, were recorded in accumulated other comprehensive income with foreign currency translation adjustments. The ineffective changes in fair value of derivatives designated as cash flow hedges were immaterial. Amounts are reclassified from accumulated other comprehensive income when the underlying hedged item is recognized in earnings. During the three months ended September 30, 2012 and 2011, the Company reclassified gains (losses) of approximately \$10 million and \$(4) million, respectively, from other comprehensive income to net income. The Company expects to reclassify the cumulative change in fair value included in other comprehensive income within the next 24 months. Cash flows from the settlement of foreign exchange forward contracts offset cash flows from the underlying hedged item and are included in operating activities in the consolidated statements of cash flows.

### Concentrations of Credit Risk

Cash and cash equivalents are maintained with several financial institutions. The Company has deposits held with banks that exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Company's receivables did not represent significant concentrations of credit risk at September 30, 2012 or June 30, 2012 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. At September 30, 2012, the Company did not anticipate nonperformance by any of the counterparties.

#### NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

The increase in the carrying value of Intangible assets, net and Goodwill of \$11 million during the three months ended September 30, 2012 was primarily due to acquisitions at the Publishing segment and foreign currency adjustments. These increases were partially offset by amortization expense and an impairment at the Other segment.

#### NOTE 9. BORROWINGS

#### Notes Due 2022

In September 2012, News America Incorporated ("NAI"), a wholly-owned subsidiary of the Company, issued \$1.0 billion of 3.00% Senior Notes due 2022. The net proceeds of approximately \$988 million will be used for general corporate purposes.

#### Notes Due 2013

The Company has \$273 million of 9.25% Senior Debentures due February 1, 2013 outstanding which is included in Borrowings within current liabilities as of September 30, 2012.

#### Other

In August 2006, the Company entered into a loan agreement with Raiffeisen Zentralbank Österreich AG ("RZB"), which was subsequently amended in September 2009. The Company repaid the outstanding balance of \$32 million in July 2011 in connection with the disposal of News Outdoor Russia.

#### NOTE 10. FILM PRODUCTION FINANCING

The Company enters into arrangements with third parties to co-produce certain of its theatrical productions. These arrangements, which are referred to as co-financing arrangements, take various forms. The parties to these arrangements include studio and non-studio entities both domestic and international. In several of these agreements, other parties control certain distribution rights. The Filmed Entertainment segment records the amounts received for the sale of an economic interest as a reduction of the cost of the film, as the investor assumes full risk for that portion of the film asset acquired in these transactions. The substance of these arrangements is that the third-party investors own an interest in the film and, therefore, receive a participation based on the third-party investor's contractual interest in the profits or losses incurred on the film. Consistent with the requirements of ASC 926, "Entertainment – Films," the estimate of the third-party investor's interest in profits or losses incurred on the film is determined by reference to the ratio of actual revenue earned to date in relation to total estimated ultimate revenues.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 11. STOCKHOLDERS' EQUITY

The following table summarizes changes in equity:

For the three months ended September 30,										
	2	2012		2011						
News Corporation Stockholders			Total Equity	News Corporation Stockholders		Noncontrolling Interests		Total Equity		
			(in mi	llions)		_				
\$ 24,684	\$	501	\$25,185	\$	30,069	\$	578	\$30,647		
2,233		41 <sup>(a)</sup>	2,274		738		41 <sup>(a)</sup>	779		
291		1	292		(1,315)		(9)	(1,324)		
(687)		_	(687)		(1,204)		_	(1,204)		
(201)		_	(201)		(246)		_	(246)		
(56)		$(30)^{(b)}$	(86)		(113)		$(120)^{(b)}$	(233)		
\$ 26,264	\$	513	\$26,777	\$	27,929	\$	490	\$28,419		
	Corporation Stockholders  \$ 24,684	News   Corporation   Stockholders   Interest	News   Corporation   Stockholders   Noncontrolling   Interests	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		

Net income attributable to noncontrolling interests excludes \$22 million and \$7 million for the three months ended September 30, 2012 and 2011, respectively, relating to redeemable noncontrolling interests which are reflected in temporary equity.

#### Dividends

The Company declared a dividend of \$0.085 per share on both the Class A common stock, par value \$0.01 per share ("Class A Common Stock") and the Class B common stock, par value \$0.01 per share ("Class B Common Stock") in the three months ended September 30, 2012, which was paid in October 2012 to stockholders of record on September 12, 2012. The related total aggregate dividend paid to stockholders in October 2012 was approximately \$200 million.

The Company declared a dividend of \$0.095 per share on both the Class A Common Stock and the Class B Common Stock in the three months ended September 30, 2011, which was paid in October 2011 to stockholders of record on September 14, 2011. The related total aggregate dividend paid to stockholders in October 2011 was approximately \$246 million.

### Stock Repurchase Program

The Board had previously authorized a total stock repurchase program of \$6 billion with a remaining authorized amount under the program of approximately \$1.8 billion, excluding commissions as of June 30, 2011. In July 2011, the Company announced that the Board had authorized increasing the total amount of the stock repurchase program remaining by approximately \$3.2 billion to \$5 billion.

In May 2012, the Company announced that the Board approved a \$5 billion increase to the Company's stock repurchase program for the repurchase of Class A Common Stock.

The remaining authorized amount under the Company's stock repurchase program at September 30, 2012, excluding commissions, was approximately \$4.5 billion.

The program may be modified, extended, suspended or discontinued at any time.

Other activity attributable to noncontrolling interests excludes \$(15) million and \$(5) million for the three months ended September 30, 2012 and 2011, respectively, relating to redeemable noncontrolling interests. The activity for the three months ended September 30, 2011 primarily relates to the disposal of News Outdoor Russia.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Temporary Suspension of Voting Rights Affecting Non-U.S. Stockholders

On April 18, 2012, the Company announced that it suspended 50% of the voting rights of the Class B Common Stock held by stockholders who are not U.S. citizens ("Non-U.S. Stockholders") in order to maintain compliance with U.S. law which states that no broadcast station licensee may be owned by a corporation if more than 25% of that corporation's stock was owned or voted by Non-U.S. Stockholders. The Company owns broadcast station licensees in connection with its ownership and operation of 27 U.S. television stations. On September 28, 2012, the Audit Committee of the Company's Board of Directors determined that approximately 32% of the Company's Class B Common Stock is owned by Non-U.S. Stockholders, and the combined ownership of Class A Common Stock and Class B Common Stock by Non-U.S. Stockholders is less than 25% of the combined outstanding shares of Class A Common Stock and Class B Common Stock. The Audit Committee reduced the previously-announced suspension of voting rights of shares of Class B Common Stock held by Non-U.S. Stockholders to 40%. This suspension of voting rights will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. However, the suspension will not apply in connection with any vote on any matter on which holders of Class A Common Stock shall be entitled to vote together with holders of Class B Common Stock as described in the Company's Restated Certificate of Incorporation. The suspension will not impact the rights of Non-U.S. Stockholders of Class B Common Stock to receive dividends and distributions.

### Voting Agreement with the Murdoch Family Interests

On April 18, 2012, the Murdoch Family Trust and K. Rupert Murdoch (together the "Murdoch Family Interests") entered into an agreement with the Company, whereby the Murdoch Family Interests agreed to limit their voting rights during the voting rights suspension period. Under this agreement, the Murdoch Family Interests will not vote or provide voting instructions with respect to a portion of their shares of Class B Common Stock to the extent that doing so would increase their percentage of voting power from what it was prior to the suspension of voting rights. Accordingly, after the suspension of voting rights, the aggregate percentage vote of the Murdoch Family Interests will remain initially at 39.7% of the outstanding shares of Class B Common Stock not subject to the suspension of voting rights, and the percentage vote may be adjusted as provided in the agreement with the Company.

#### NOTE 12. EQUITY BASED COMPENSATION

The following table summarizes the Company's equity-based compensation transactions:

		For the three months ended September 30, 2012  (in millions)  97  \$ 5			
	2	2012		2011	
		(in mi	illions)		
Equity-based compensation	\$	97	\$	51	
Cash received from exercise of equity-based compensation	\$	93	\$	1	

At September 30, 2012, the Company's total compensation cost related to restricted stock units ("RSUs") and performance stock units ("PSUs") not yet recognized for all equity-based compensation plans was approximately \$330 million, and is expected to be recognized over a weighted average period between one and two years. Compensation expense on all equity-based awards is generally recognized on a straight-line basis over the vesting period of the entire award. However, certain performance based awards are recognized on an accelerated basis.

The intrinsic value of stock options exercised during the three months ended September 30, 2012 and 2011 was \$20 million and nil, respectively. The intrinsic value of the stock options outstanding as of September 30, 2012 and June 30, 2012 was \$35 million and \$39 million, respectively.

At September 30, 2012 and June 30, 2012, the liability for cash-settled awards was approximately \$129 million and \$119 million, respectively.

The Company recognized a tax benefit on vested RSUs and stock options exercised of approximately \$23 million and \$10 million for the three months ended September 30, 2012 and 2011, respectively.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### Performance Stock Units

PSUs are fair valued on the date of grant and expensed using a straight-line method as the awards cliff vest at the end of the three year performance period. The Company also estimates the number of shares expected to vest which is based on management's determination of the probable outcome of the performance condition, which requires considerable judgment. The Company records a cumulative adjustment in periods that the Company's estimate of the number of shares expected to vest changes. Additionally, the Company ultimately adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. The number of shares that will be issued upon vesting of PSUs can range from 0% to 200% (certain executives are limited to 150%) of the target award, based on the Company's three-year total shareholder return ("TSR") as measured against the three-year TSR of the companies that comprise the Standard & Poor's 500 Index (excluding financial and energy sector companies) and other performance measures. The fair value of the PSUs is determined using a Monte Carlo simulation model.

In September 2011, certain executives of the Company responsible for various business units within the Company each received a grant of PSUs that has a three year performance measurement period beginning in July 2011. This award is subject to the achievement of pre-defined goals for operating profit, cash flow and key divisional performance indicators for the performance period. The majority of this award will be settled in shares of Class A Common Stock.

In August 2012 and 2011, the Compensation Committee approved a grant of PSUs that has a three year performance measurement period beginning for the fiscal years ending June 30, 2013 and 2012, respectively. For executive directors of the Company, each PSU represents the right to receive the U.S. dollar value of one share of Class A Common Stock in cash after the completion of the three year performance period, subject to the satisfaction of one or more pre-established objective performance measures determined by the Compensation Committee. These awards have a graded vesting and the expense recognition is accelerated.

In fiscal 2013 and 2012, a total of 1.1 million and 9.1 million target PSUs were granted, respectively, of which nil and 6.9 million, respectively, will be settled in shares of Class A Common Stock.

#### Restricted Stock Units

During the three months ended September 30, 2012 and 2011, approximately 1.2 million and 6.5 million RSUs were granted, respectively, of which 1.2 million and 6.3 million, respectively, will be settled in shares of Class A Common Stock. RSUs granted to executive directors and certain awards granted to employees in certain foreign locations are settled in cash.

During the three months ended September 30, 2012 and 2011, approximately 6.7 million and 8.0 million RSUs vested, respectively, of which approximately 5.9 million and 6.9 million, respectively, were settled in shares of Class A Common Stock, before statutory tax withholdings. The fair value of RSUs settled in shares of Class A Common Stock was approximately \$137 million and \$113 million for the three months ended September 30, 2012 and 2011, respectively. The remaining 0.8 million and 1.1 million RSUs settled during the three months ended September 30, 2012 and 2011, respectively, were settled in cash of approximately \$18 million in both periods, before statutory tax withholdings.

#### NOTE 13. COMMITMENTS AND CONTINGENCIES

#### **Commitments**

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of September 30, 2012 and June 30, 2012 were \$68,726 million and \$63,644 million, respectively. The increase from June 30, 2012 was primarily due to the renewal of rights to telecast certain MLB regular season and post season games through the 2021 MLB season and the issuance of 3.00% Senior Notes due 2022.

In October 2012, the Company signed an eight-year contract with NASCAR for the renewal of rights to telecast the Daytona 500 and the first third of the Sprint Cup Series through 2022.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### Guarantees

The Company's guarantees as of September 30, 2012 have not changed significantly from disclosures included in the 2012 Form 10-K.

In October 2012, the Company and the other joint-venture partners guaranteed the debt of an equity associate. The Company's maximum obligation under this guarantee is approximately \$115 million.

#### **Contingencies**

#### Shareholder Litigation

Delaware

On March 16, 2011, a complaint seeking to compel the inspection of the Company's books and records pursuant to 8 Del. C. § 220, captioned Central Laborers Pension Fund v. News Corporation, was filed in the Delaware Court of Chancery. The plaintiff requested the Company's books and records to investigate alleged possible breaches of fiduciary duty by the directors of the Company in connection with the Company's purchase of Shine (the "Shine Transaction"). The Company moved to dismiss the action. On November 30, 2011, the court issued an order granting the Company's motion and dismissing the complaint. The plaintiff filed a notice of appeal on December 13, 2011. The Delaware Supreme Court heard argument on the fully-briefed appeal on April 18, 2012 and issued a decision on May 29, 2012 in which it affirmed the Court of Chancery's dismissal of the complaint.

Also on March 16, 2011, two purported shareholders of the Company, one of which was Central Laborers Pension Fund, filed a derivative action in the Delaware Court of Chancery, captioned The Amalgamated Bank v. Murdoch, et al. (the "Amalgamated Bank Litigation"). The plaintiffs alleged that both the directors of the Company and Rupert Murdoch as a "controlling shareholder" breached their fiduciary duties in connection with the Shine Transaction. The suit named as defendants all directors of the Company, and named the Company as a nominal defendant. Similar claims against the same group of defendants were filed in the Delaware Court of Chancery by a purported shareholder of the Company, New Orleans Employees' Retirement System, on March 25, 2011 (the "New Orleans Employees' Retirement Litigation"). Both the Amalgamated Bank Litigation and the New Orleans Employees' Retirement Litigation were consolidated on April 6, 2011 (the "Consolidated Action"), with The Amalgamated Bank's complaint serving as the operative complaint. The Consolidated Action was captioned In re News Corp. Shareholder Derivative Litigation. On April 9, 2011, the court entered a scheduling order governing the filing of an amended complaint and briefing on potential motions to dismiss.

Thereafter, the plaintiffs in the Consolidated Action filed a Verified Consolidated Shareholder Derivative and Class Action Complaint (the "Consolidated Complaint") on May 13, 2011, seeking declaratory relief and damages. The Consolidated Complaint largely restated the claims in The Amalgamated Bank's initial complaint and also raised a direct claim on behalf of a purported class of Company shareholders relating to the possible addition of Elisabeth Murdoch to the Company's Board. The defendants filed opening briefs in support of motions to dismiss the Consolidated Complaint on June 10, 2011, as contemplated by the court's scheduling order. On July 8, 2011, the plaintiffs filed a Verified Amended Consolidated Shareholder Derivative and Class Action Complaint (the "Amended Complaint"). In addition to the claims that were previously raised in the Consolidated Complaint, the Amended Complaint brought claims relating to the alleged acts of voicemail interception at *The News of the World* (the "NoW Matter"). Specifically, the plaintiffs claimed in the Amended Complaint that the directors of the Company failed in their duty of oversight regarding the NoW Matter.

On July 15, 2011, another purported stockholder of the Company filed a derivative action captioned Massachusetts Laborers' Pension & Annuity Funds v. Murdoch, et al., in the Delaware Court of Chancery (the "Mass. Laborers Litigation"). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The plaintiffs' claims are substantially similar to those raised by the Amended Complaint in the Consolidated Action. Specifically, the plaintiff alleged that the directors of the Company have breached their fiduciary duties by, among other things, approving the Shine Transaction and for failing to exercise proper oversight in connection with the NoW Matter. The plaintiff also brought a breach of fiduciary duty claim against Rupert Murdoch as "controlling shareholder," and a waste claim against the directors of the Company. The action seeks as relief damages, injunctive relief, fees and costs. On July 25, 2011, the plaintiffs in the Consolidated Action requested that the court consolidate the Mass. Laborers Litigation into the Consolidated Action. On August 24, 2011, the Mass. Laborers Litigation was consolidated with the Consolidated Action.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

On September 29, 2011, the plaintiffs filed a Verified Second Amended Consolidated Shareholder Derivative and Class Action Complaint ("Second Amended Complaint"). In the Second Amended Complaint, the plaintiffs removed their claims involving the possible addition of Elisabeth Murdoch to the Company's Board, added some factual allegations to support their remaining claims and added a claim seeking to enjoin a buyback of Common B shares to the extent it would result in a change of control. The Second Amended Complaint seeks declaratory relief, an injunction preventing the buyback of Class B shares, damages, pre- and post-judgment interest, fees and costs.

The defendants filed a motion to dismiss the Second Amended Complaint. The hearing on the defendants' fully-briefed motion to dismiss was postponed to allow further briefing by plaintiffs after the Cohen Litigation, which is defined and described below, was consolidated with the Consolidated Action.

On March 2, 2012, another purported stockholder of the Company filed a derivative action captioned Belle M. Cohen v. Murdoch, et al., in the Delaware Court of Chancery (the "Cohen Litigation"). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The complaint's claims and allegations pertain to the NoW Matter and are substantially similar to the NoW Matter allegations raised in the Second Amended Complaint in the Consolidated Action. The complaint asserts causes of action against the defendants for alleged breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, and waste of corporate assets. The action seeks as relief damages, fees and costs. On March 20, 2012, the Cohen Litigation was consolidated with the Consolidated Action.

On June 18, 2012, the plaintiffs in the Consolidated Action filed a Verified Third Amended Consolidated Shareholder Derivative Complaint (the "Third Amended Complaint"). The Third Amended Complaint alleges claims against director defendants for breach of fiduciary duty arising from the Shine Transaction; against Rupert Murdoch for breach of fiduciary duty as the purported controlling shareholder of the Company in connection with the Shine Transaction; against director defendants for breach of fiduciary duty arising from their purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; against certain defendants for breach of fiduciary duty in their capacity as officers arising from a purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; and against James Murdoch for breach of fiduciary duty for allegedly engaging in a cover up related to the NoW Matter. The class action claim asserted in the Second Amended Complaint pertaining to the buyback of Common B shares and the relief related to that claim were removed. The Third Amended Complaint seeks a declaration that the defendants violated their fiduciary duties, damages, pre- and post-judgment interest, fees and costs.

On July 18, 2012, the defendants renewed their postponed motion to dismiss in the Consolidated Action, and in support thereof, they filed supplemental briefing directed towards the allegations of the Third Amended Complaint. Plaintiffs' response was filed on August 8, 2012. A hearing on the fully briefed motion was held in Chancery Court on September 19, 2012. The Court reserved decision.

On May 30, 2012, a purported stockholder of the Company filed a class action lawsuit in the Delaware Court of Chancery on behalf of all non-U.S. stockholders of the Company's Class B shares, captioned Första Ap-Fonden v. News Corporation, et al. The plaintiff alleges that, by temporarily suspending 50% of the voting rights of the Class B shares held by non-U.S. stockholders to remain in compliance with U.S. governing broadcast licenses (the "Suspension"), the Company and the Board violated the Company's charter and the General Corporation Law of the State of Delaware ("DGCL") and the directors breached their fiduciary duties, both in approving the Suspension and in failing to monitor the Company's ownership by non-U.S. stockholders. The complaint named as defendants the Company and all directors of the Company at the time of the Suspension. The complaint sought a declaration that the defendants violated the Company's charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, damages, fees, and costs. On June 11, 2012, the defendants filed an opening brief in support of a motion to dismiss the complaint in its entirety. On August 2, 2012, the plaintiff filed a Verified Amended and Supplemented Class Action Complaint (the "Amended and Supplemented Complaint"). The Amended and Supplemented Complaint seeks a declaration that the defendants violated the Company's charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, a declaration that non-U.S. stockholders of the Company's Class B shares are entitled to vote all of their shares on the Proposed Separation Transaction, damages, fees, and costs. On August 28, 2012, the parties entered into a Memorandum of Understanding providing for an agreement in principle to settle the lawsuit ("MOU"). The MOU, which was filed with the Court on September 5, 2012, provides in pertinent part: (i) within 5 business days after receiving Court approval, the Company will file a petition with the FCC requesting permission to comply with law governing broadcast licenses for any meeting of stockholders by (a) determining the number of shares held by foreign stockholders that are present at the meeting and that would be entitled to vote but for the Suspension, and (b) counting as votes cast all voted shares held by foreign stockholders, up to a total of 25% of the shares voted; (ii) the Company's Audit Committee will determine on at least an annual basis the total number of voting shares held by non-U.S.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

citizens and will have the power to modify or eliminate any then-existing suspension; the Company will disclose this information in its annual proxy materials and (iii) the Company will not consent to amend, modify or terminate the Murdoch Family Interests agreement without prior approval of the Audit Committee, which in the case of any vote related to the Proposed Separation Transaction, must be unanimous. The settlement is subject to Court approval after notice to the stockholders and a hearing.

Southern District of New York

On July 18, 2011, a purported shareholder of the Company filed a derivative action captioned Shields v. Murdoch, et al. ("Shields Litigation"), in the United States District Court for the Southern District of New York. The plaintiff alleged violations of Section 14(a) of the Securities Exchange Act, as well as state law claims for breach of fiduciary duty, gross mismanagement, waste, abuse of control and contribution/indemnification arising from, and in connection with, the NoW Matter. The complaint names the directors of the Company as defendants and names the Company as a nominal defendant, and seeks damages and costs. On August 4, 2011, the plaintiff filed an amended complaint. The plaintiff seeks compensatory damages, an order declaring the October 15, 2010 shareholder vote on the election of the Company's directors void; an order setting an emergency shareholder vote date for election of new directors; an order requiring the Company to take certain specified corporate governance actions; and an order (i) putting forward a shareholder vote resolution for amendments to the Company's Article of Incorporation and (ii) taking such other action as may be necessary to place before shareholders for a vote on corporate governance policies that: (a) appoint a non-executive Chair of the Board who is not related to the Murdoch family or extended family; (b) appoint an independent Chair of the Board's Audit Committee; (c) appoint at least three independent directors to the Governance and Nominating Committees; (d) strengthen the Board's supervision of financial reporting processes and implement procedures for greater shareholder input into the policies and guidelines of the Board; and (e) appropriately test and strengthen the internal and audit control functions.

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. ("Wilder Litigation"), was filed on behalf of all purchasers of the Company's common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the NoW Matter. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs.

On July 22, 2011, a purported shareholder of the Company filed a derivative action captioned Stricklin v. Murdoch, et al. ("Stricklin Litigation"), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, gross mismanagement, and waste of corporate assets in connection with, among other things, (i) the NoW Matter; (ii) News America's purported payments to settle allegations of anti-competitive behavior; and (iii) the Shine Transaction. The action names as defendants the Company, Les Hinton, Rebekah Brooks, Paul Carlucci and the directors of the Company. On August 3, 2011, the plaintiff served a motion for expedited discovery and to appoint a conservator over the Company, which defendants objected to. The motion has not been formally calendared and there is no briefing schedule yet. On August 16, 2011, the plaintiffs filed an amended complaint. The plaintiff seeks various forms of relief including compensatory damages, injunctive relief, disgorgement, the award of voting rights to Class A shareholders, the appointment of a conservator over the Company to oversee the Company's responses to investigations and litigation related to the NoW Matter, fees and costs.

On August 10, 2011, a purported shareholder of the Company filed a derivative action captioned Iron Workers Mid-South Pension Fund v. Murdoch, et al. ("Iron Workers Litigation"), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment and alleged violations of Section 14(a) of the Securities Exchange Act in connection with the NoW Matter. The action names as defendants the Company, Les Hinton, Rebekah Brooks and the directors of the Company. The plaintiff seeks various forms of relief including compensatory damages, voiding the election of the director defendants, an order requiring the Company to take certain specified corporate governance actions, injunctive relief, restitution, fees and costs.

The Wilder Litigation, the Stricklin Litigation and the Iron Workers Litigation are all now before the judge in the Shields Litigation. On November 21, 2011, the court issued an order setting a briefing schedule for the defendants' motion to stay the Stricklin Litigation, the Iron Workers Litigation and the Shields Litigation pending the outcome of the consolidated action pending in the Delaware Court of Chancery. On December 8, 2011, the defendants and the Company, as a nominal defendant, served their motion to stay. Opposition briefs were served by Stricklin, Iron Workers and Shields. Reply briefs in support of the motion to stay were filed on January 24, 2012. On September 18, 2012, the Court denied the motion as to two of the cases and dismissed the third with leave to replead, which plaintiff has done. Specifically, on October 4, 2012, Stricklin filed a Second Amended Complaint that added a claim under Section 14(a) of the Securities Exchange Act challenging the disclosures in the Company's definitive proxy statements issued during the years of 2005 through 2012. The plaintiff seeks, among other things, to void the election of the director defendants at the Company's 2012

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

annual meeting. The plaintiffs in Shields, Stricklin and Iron Workers have requested a pre-motion conference to address the potential consolidation of these derivative actions and a briefing schedule regarding the potential leadership structure for the plaintiffs. The pre-motion conference has not yet been scheduled. In the Wilder Litigation, on June 5, 2012, the court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. Defendants filed their motion to dismiss on September 25, 2012, and, according to the Court's current briefing schedule, plaintiffs' opposition is due November 6, 2012 and defendants' reply is due November 30, 2012.

The Company's management believes these shareholder claims are entirely without merit, and intends to vigorously defend these actions.

#### The News of the World Investigations and Litigation

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. As of September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition. During the three months ended September 30, 2012 and 2011 the Company incurred \$67 million and \$17 million, respectively, in legal and professional fees related to *The News of the World* investigations and litigation described above and costs for related civil settlements, which were included in Selling, general and administrative expenses in the Company's unaudited consolidated statements of operations.

#### **HarperCollins**

Commencing on August 9, 2011, twenty-nine purported consumer class actions have been filed in the U.S. District Courts for the Southern District of New York and for the Northern District of California, which relate to the decisions by certain publishers, including HarperCollins Publishers L.L.C. ("HarperCollins"), to begin selling their eBooks pursuant to an agency relationship. The cases all involve allegations that certain named defendants in the book publishing and distribution industry, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. The actions seek as relief treble damages, injunctive relief and attorneys' fees. The Judicial Panel on Multidistrict Litigation has transferred the various class actions to the Honorable Denise L. Cote in the Southern District of New York. On January 20, 2012, plaintiffs filed a consolidated amended complaint, again alleging that certain named defendants, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. Defendants filed a motion to dismiss on March 2, 2012. On May 15, 2012, Judge Cote denied defendants' motion to dismiss. On June 22, 2012, Judge Cote held a status conference to address discovery and scheduling issues. On June 25, 2012, Judge Cote issued a scheduling order for the multi-district litigation going forward. Additional information about In re MDL Electronic Books Antitrust Litigation, Civil Action No. 11-md-02293 (DLC), can be found on Public Access to Court Electronic Records (PACER). While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, HarperCollins believes it was compliant with applicable antitrust and competition laws.

Following an investigation, on April 11, 2012, the Department of Justice (the "DOJ") filed an action in the U.S. District Court for the Southern District of New York against certain publishers, including HarperCollins, and Apple, Inc. The DOJ's complaint alleges antitrust violations relating to defendants' decisions to begin selling eBooks pursuant to an agency relationship. This case was assigned to Judge Cote. Simultaneously, the DOJ announced that it had reached a proposed settlement with three publishers, including HarperCollins, and filed a Proposed Final Judgment and related materials detailing that agreement. Among other things, the Proposed Final Judgment requires that HarperCollins terminate its agreements with certain eBook retailers and places certain restrictions on any agreements subsequently entered into with such retailers. Pursuant to the Antitrust Procedures and Penalties Act, the Proposed Final Judgment could not be entered by Judge Cote for at least sixty days while the DOJ received public comments. The public comment

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

period ended on June 25, 2012. Pursuant to Judge Cote's June 25, 2012 scheduling order, the DOJ's motion for entry of the Proposed Final Judgment was fully briefed by August 22, 2012, and on September 5, 2012, Judge Cote granted the DOJ's motion and entered the Final Judgment. A third party has filed a motion to intervene in the case for the purpose of appealing Judge Cote's decision entering the Final Judgment to the United States Court of Appeals for the Second Circuit. Additional information about the Final Judgment can be found on the DOJ's website.

Following an investigation, on April 11, 2012, 16 state Attorneys General led by Texas and Connecticut (the "AGs") filed a similar action against certain publishers and Apple, Inc. in the Western District of Texas. On April 26, 2012, the AGs' action was transferred to Judge Cote. On May 17, 2012, 33 AGs filed a second amended complaint. As a result of a memorandum of understanding agreed upon with the AGs for Texas and Connecticut, HarperCollins was not named as a defendant in this action. Pursuant to the terms of the memorandum of understanding, HarperCollins entered into a settlement agreement with the AGs for Texas, Connecticut and Ohio on June 11, 2012. By August 28, 2012, forty-nine states (all but Minnesota) and five U.S. territories had signed on to that settlement agreement. On August 29, 2012, the AGs simultaneously filed a complaint against HarperCollins and two other publishers, a motion for preliminary approval of that settlement agreement and a proposed distribution plan. On September 14, 2012, Judge Cote granted the AGs' motion for preliminary approval of the settlement agreement and approved the AGs' proposed distribution plan. Notice was subsequently sent to potential class members, and a fairness hearing scheduled for February 8, 2013. If the settlement agreement receives final approval, it would resolve all damage claims of individual citizens from those states and territories.

While the settlement agreement with the AGs is still subject to final approval by the court, the Company believes that the proposed settlement, as currently drafted, will not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that the proposed settlement will receive final approval.

On October 12, 2012, HarperCollins received a Civil Investigative Demand from the Attorney General from the State of Minnesota. HarperCollins is cooperating with that investigation. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

The European Commission is conducting an investigation into whether certain companies in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of the switch to the agency model for eBooks. Following discussions with the European Commission, the Office of Fair Trading closed its investigation in favor of the European Commission's investigation on December 6, 2011. HarperCollins currently is cooperating with the European Commission and working towards resolving its investigation.

While a proposed resolution has not been finalized with the European Commission, the Company believes that such a resolution, as currently contemplated, would not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that such a resolution will be finalized.

Commencing on February 24, 2012, five purported consumer class actions were filed in the Canadian provinces of British Columbia, Quebec and Ontario, which relate to the decisions by certain publishers, including HarperCollins, to begin selling their eBooks in Canada pursuant to an agency relationship. The actions seek as relief special, general and punitive damages, injunctive relief and the costs of the litigations. While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, especially given their early stages, HarperCollins believes it was compliant with applicable antitrust and competition laws and intends to defend itself vigorously.

In early July 2012, HarperCollins Canada, a wholly-owned subsidiary of HarperCollins, learned that the Canadian Competition Bureau ("CCB") had commenced an inquiry regarding the sale of eBooks in Canada. HarperCollins currently is cooperating with the CCB with respect to its inquiry. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

#### Other

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 14. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors non-contributory pension plans and retiree health and life insurance benefit plans covering specific groups of employees which are closed to new participants (with the exception of groups covered by collective bargaining agreements). The benefits payable for the Company's non-contributory pension plans are based primarily on a formula factoring both an employee's years of service and pay near retirement. Participant employees are vested in the pension plans after five years of service. The Company's policy for all pension plans is to fund amounts, at a minimum, in accordance with statutory requirements. Plan assets consist principally of common stocks, marketable bonds and government securities. The retiree health and life insurance benefit plans offer medical and/or life insurance to certain full-time employees and eligible dependents that retire after fulfilling age and service requirements.

The components of net periodic benefits costs were as follows:

		Pension			Postretirement Benefits				
		Fo	r the thi	September	ptember 30,				
	2012 2011			011	2012		2	011	
	(in i			(in m	illions)				
Service cost benefits earned during the period	\$	32	\$	24	\$	1	\$	1	
Interest costs on projected benefit obligation		41		44		4		4	
Expected return on plan assets		(47)		(46)		_		_	
Amortization of deferred losses		24		13		—		_	
Other		1		4		(1)		(4)	
Net periodic benefits costs	\$	51	\$	39	\$	4	\$	1	
Cash contributions	\$	13	\$	16	\$	5	\$	5	

#### NOTE 15. SEGMENT INFORMATION

The Company is a diversified global media company, which manages and reports its businesses in the following six segments:

- Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators primarily in the United States, Latin America, Europe and Asia.
- **Filmed Entertainment**, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.
- **Television**, which principally consists of the broadcasting of network programming in the United States and the operation of 27 full power broadcast television stations, including 9 duopolies, in the United States (of these stations, 17 are affiliated with the FOX Broadcasting Company and 10 are affiliated with Master Distribution Service, Inc. ("My Network TV")).
- **Direct Broadcast Satellite Television**, which consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy.
- **Publishing**, which principally consists of the Company's newspapers and information services, book publishing and integrated marketing services businesses. The newspapers and information services business principally consists of the publication of national newspapers in the United Kingdom, the publication of approximately 140 newspapers in Australia, the publication of a metropolitan newspaper and a national newspaper (with international editions) in the United States and the provision of information services. The book publishing business consists of the publication of English language books throughout the world and the integrated marketing services business consists of the publication of free-standing inserts and the provision of in-store marketing products and services in the United States and Canada.
- Other, which principally consists of the Company's digital media properties and Amplify, the Company's education technology businesses.

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company's operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measures are segment operating income (loss) and segment operating income (loss) before depreciation and amortization.

Segment operating income (loss) does not include: Impairment and restructuring charges, equity earnings of affiliates, interest expense, net, interest income, other, net, income tax expense and net income attributable to noncontrolling interests. The Company believes that information about segment operating income (loss) assists all users of the Company's consolidated financial statements by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing insight into both operations and the other factors that affect reported results.

Segment operating income (loss) before depreciation and amortization is defined as segment operating income (loss) plus depreciation and amortization and the amortization of cable distribution investments and eliminates the variable effect across all business segments of depreciation and amortization. Depreciation and amortization expense includes the depreciation of property and equipment, as well as amortization of finite-lived intangible assets. Amortization of cable distribution investments represents a reduction against revenues over the term of a carriage arrangement and, as such, it is excluded from segment operating income (loss) before depreciation and amortization.

Total segment operating income and segment operating income (loss) before depreciation and amortization are non-GAAP measures and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, these measures do not reflect cash available to fund requirements. These measures exclude items, such as impairment and restructuring charges, which are significant components in assessing the Company's financial performance. Segment operating income (loss) before depreciation and amortization also excludes depreciation and amortization which are also significant components in assessing the Company's financial performance.

Management believes that total segment operating income and segment operating income (loss) before depreciation and amortization are appropriate measures for evaluating the operating performance of the Company's business. Total segment operating income and segment operating income (loss) before depreciation and amortization provide management, investors and equity analysts measures to analyze operating performance of the Company's business and its enterprise value against historical data and competitors' data, although historical results, including total segment operating income and segment operating income (loss) before depreciation and amortization, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

		For the three months end September 30,		
	_	2012	=	2011
Revenues:		(in 1	nillions)	
Cable Network Programming	\$	2,449	\$	2,120
Filmed Entertainment	Ф	1.745	Ф	1,778
Television		959		923
Direct Broadcast Satellite Television		817		922
Publishing		2,018		2,069
Other		148		147
Total revenues	\$	8,136	\$	7,959
Segment operating income (loss):	_		_	
Cable Network Programming	\$	953	\$	775
Filmed Entertainment		400		347
Television		156		133
Direct Broadcast Satellite Television		23		119
Publishing		57		110
Other		(211)		(99)
Total segment operating income		1,378		1,385
Impairment and restructuring charges		(152)		(91)
Equity earnings of affiliates		190		121
Interest expense, net		(267)		(258)
Interest income		31		36
Other, net		1,375		(130)
Income before income tax expense		2,555		1,063
Income tax expense		(259)		(277)
Net income		2,296		786
Less: Net income attributable to noncontrolling interests		(63)		(48)
Net income attributable to News Corporation stockholders	\$	2,233	\$	738

Intersegment revenues, generated primarily by the Filmed Entertainment segment, of approximately \$192 million and \$256 million for the three months ended September 30, 2012 and 2011, respectively, have been eliminated within the Filmed Entertainment segment. Intersegment operating profit generated primarily by the Filmed Entertainment segment of approximately nil and \$39 million for the three months ended September 30, 2012 and 2011, respectively, have been eliminated within the Filmed Entertainment segment.

		For the thre	ee months ende	ed Septemb	er 30, 2012			
	nt operating me (loss)		ation and <u>ization</u> (in milli	of distr	tization cable ibution tments	Segment operating income (loss) before depreciation and amortization		
Cable Network Programming	\$ 953	\$	42	\$	21	\$	1,016	
Filmed Entertainment	400		33		_		433	
Television	156		21		_		177	
Direct Broadcast Satellite Television	23		72		_		95	
Publishing	57		115		_		172	
Other	 (211)		17				(194)	
Total	\$ 1,378	\$	300	\$	21	\$	1,699	

	For the three months ended September 30, 2011									
		t operating ne (loss)		ation and tization (in milli	Amortiz of ca distrib investr ons)	ble ution	Segment operating income (loss) before depreciation and amortization			
Cable Network Programming	\$	775	\$	37	\$	24	\$	836		
Filmed Entertainment		347		39		_		386		
Television		133		21		_		154		
Direct Broadcast Satellite Television		119		74		_		193		
Publishing		110		107		_		217		
Other		(99)		16				(83)		
Total	\$	1,385	\$	294	\$	24	\$	1,703		

	Ser	At otember 30, 2012 (in milli	At June 30, 2012
Total assets:		(111 111111	ons)
Cable Network Programming	\$	15,079	\$14,896
Filmed Entertainment		8,519	8,102
Television		6,319	6,110
Direct Broadcast Satellite Television		2,518	2,455
Publishing		11,089	10,913
Other		11,427	9,219
Investments		4,725	4,968
Total assets	\$	59,676	\$56,663
Goodwill and Intangible assets, net:			·
Cable Network Programming	\$	7,611	\$ 7,626
Filmed Entertainment		2,528	2,531
Television		4,249	4,317
Direct Broadcast Satellite Television		563	554
Publishing		4,737	4,586
Other		630	693
Total goodwill and intangible assets, net	\$	20,318	\$20,307

## NOTE 16. ADDITIONAL FINANCIAL INFORMATION

Supplemental Cash Flows Information

	F0	For the three months ended September 30,				
	20	12	2011			
		(in millions)				
Supplemental cash flows information:						
Cash received (paid) for income taxes	\$	96	\$ (171)			
Cash paid for interest		(262)	(255)			
Purchase of other investments		(30)	(78)			
Supplemental information on businesses acquired:						
Fair value of assets acquired		270	67			
Cash acquired		2	2			
Liabilities assumed		(44)	_			
Noncontrolling interest decrease		1				
Cash paid		(229)	(69)			
Fair value of equity instruments issued to third parties		_	_			
Issuance of subsidiary common units		<u> </u>				
Fair value of equity instruments consideration	\$	<u> </u>	\$			

#### Other, net

The following table sets forth the components of Other, net included in the unaudited consolidated statements of operations:

	 For the three months ended September 30,				
	 2012		2011		
	(in millions)				
Gain on sale of investment in NDS <sup>(a)</sup>	\$ 1,446	\$	_		
Change in fair value of Sky Deutschland convertible securities <sup>(a)</sup>	7		(82)		
BSkyB termination fee <sup>(a)</sup>	—		(63)		
Other	 (78)		15		
Total Other, net	\$ 1,375	\$	(130)		
Total Other, net	\$ 1,375	\$	(130)		

<sup>(</sup>a) See Note 6—Investments

#### NOTE 17. SUPPLEMENTAL GUARANTOR INFORMATION

In May 2012, NAI, a 100% owned subsidiary of the Company as defined in Rule 3-10(h) of Regulation S-X, entered into a credit agreement (the "Credit Agreement"), among NAI as Borrower, the Company as Parent Guarantor, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. ("JPMorgan Chase") and Citibank, N.A. as Co-Administrative Agents, JPMorgan Chase as Designated Agent and Bank of America, N.A. as Syndication Agent. The Credit Agreement provides a \$2 billion unsecured revolving credit facility with a sub-limit of \$400 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2017. Under the Credit Agreement, the Company may request an increase in the amount of the credit facility up to a maximum amount of \$2.5 billion and the Company may request that the maturity date be extended for up to two additional one-year periods. Borrowings are issuable in U.S. dollars only, while letters of credit are issuable in U.S. dollars or Euros. The significant terms of the agreement include the requirement that the Company maintain specific leverage ratios and limitations on secured indebtedness. Fees under the Credit Agreement will be based on the Company's long-term senior unsecured non-credit enhanced debt ratings. Given the current debt ratings, NAI pays a facility fee of 0.125% and an initial drawn cost of LIBOR plus 1.125%.

The Parent Guarantor presently guarantees the senior public indebtedness of NAI and the guarantee is full and unconditional. The supplemental condensed consolidating financial information of the Parent Guarantor should be read in conjunction with these consolidated financial statements.

In accordance with rules and regulations of the SEC, the Company uses the equity method to account for the results of all of the non-guarantor subsidiaries, representing substantially all of the Company's consolidated results of operations, excluding certain intercompany eliminations.

The following condensed consolidating financial statements present the results of operations, financial position and cash flows of NAI, the Company and the subsidiaries of the Company and the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis.

# Supplemental Condensed Consolidating Statement of Operations For the three months ended September 30, 2012 (in millions)

	News America Incorporated		News Corporation		Non-Guarantor			ssifications liminations	Cor	News poration and osidiaries
Revenues	\$		\$	_	\$	8,136	\$		\$	8,136
Expenses		(123)		_		(6,787)		_		(6,910)
Equity earnings (losses) of affiliates		(1)		_		191		_		190
Interest expense, net		(379)		(115)		(8)		235		(267)
Interest income		_		2		264		(235)		31
Earnings (losses) from subsidiary entities		1,225		2,342				(3,567)		_
Other, net		(4)		4		1,375		<u> </u>		1,375
Income (loss) before income tax expense		718		2,233		3,171		(3,567)		2,555
Income tax (expense) benefit		(73)		_		(321)		135		(259)
Net income (loss)		645		2,233		2,850	<u></u>	(3,432)		2,296
Less: Net income attributable to noncontrolling interests				_		(63)		_	_	(63)
Net income (loss) attributable to News Corporation stockholders	\$	645	\$	2,233	\$	2,787	\$	(3,432)	\$	2,233
Comprehensive income (loss) attributable to News Corporation stockholders	\$	621	\$	2,524	\$	2,866	\$	(3,487)	\$	2,524

# Supplemental Condensed Consolidating Statement of Operations For the three months ended September 30, 2011 (in millions)

	News America Incorporated				Non-Guarantor		Reclassifications and Eliminations		Cor	News poration and osidiaries
Revenues	\$		\$		\$	7,959	\$		\$	7,959
Expenses		(77)		_		(6,588)				(6,665)
Equity earnings (losses) of affiliates		(2)		_		123		_		121
Interest expense, net		(372)		(336)		(3)		453		(258)
Interest income		1		2		486		(453)		36
Earnings (losses) from subsidiary entities		113		1,137		_		(1,250)		_
Other, net		13		(65)		(78)		<u> </u>		(130)
Income (loss) before income tax expense		(324)		738		1,899		(1,250)		1,063
Income tax (expense) benefit		84				(495)		134		(277)
Net income (loss)	· · ·	(240)	· ·	738	· <u> </u>	1,404	<u></u>	(1,116)		786
Less: Net income attributable to noncontrolling interests						(48)				(48)
Net income (loss) attributable to News Corporation stockholders	\$	(240)	\$	738	\$	1,356	\$	(1,116)	\$	738
Comprehensive income (loss) attributable to News Corporation stockholders	\$	(156)	\$	(577)	\$	(16)	\$	172	\$	(577)

# Supplemental Condensed Consolidating Balance Sheet At September 30, 2012 (in millions)

	News America Incorporated		News Corporation		Non-Guarantor		Reclassifications and Eliminations		News Corporation and Subsidiaries	
ASSETS:										
Current assets:										
Cash and cash equivalents	\$	554	\$	8,211	\$	3,242	\$	_	\$	12,007
Receivables, net		14		1		6,619		_		6,634
Inventories, net		_		_		2,856		_		2,856
Other		34		9		727				770
Total current assets		602		8,221		13,444				22,267
Non-current assets:										
Receivables		19		_		445		_		464
Inventories, net		_		_		4,835		_		4,835
Property, plant and equipment, net		117		_		5,713		_		5,830
Intangible assets, net		_		_		7,128				7,128
Goodwill		_		_		13,190		_		13,190
Other		368		_		869		_		1,237
Investments										
Investments in associated companies										
and other investments		96		54		4,575		_		4,725
Intragroup investments		49,354		52,585				(101,939)		
Total investments		49,450		52,639		4,575		(101,939)		4,725
TOTAL ASSETS	\$	50,556	\$	60,860	\$	50,199	\$	(101,939)	\$	59,676
LIABILITIES AND EQUITY										
Current liabilities:										
Borrowings	\$	273	\$	_	\$		\$	_	\$	273
Other current liabilities		480		201		9,091		<u> </u>		9,772
Total current liabilities		753		201		9,091		_		10,045
Non-current liabilities:										
Borrowings		16,184		_		_		_		16,184
Other non-current liabilities		474		_		5,548		_		6,022
Intercompany		25,979		34,395		(60,374)		_		_
Redeemable noncontrolling interests		_		_		648		_		648
Total equity		7,166	_	26,264		95,286		(101,939)	_	26,777
TOTAL LIABILITIES AND EQUITY	\$	50,556	\$	60,860	\$	50,199	\$	(101,939)	\$	59,676

# Supplemental Condensed Consolidating Balance Sheet At June 30, 2012

(in millions)

	News America Incorporated		News Corporation		Non-Guarantor		Reclassifications and Eliminations		News Corporation and Subsidiaries	
ASSETS										
Current Assets:	ф	5.61	Φ	6.005	Φ	2.060	Φ		Φ	0.606
Cash and cash equivalents	\$	561	\$	6,005	\$	3,060	\$	_	\$	9,626
Receivables, net		1		9		6,598 2,595		_		6,608 2,595
Inventories, net Other		17		<u> </u>		588		_		619
Total current assets	_	579	_	6,028	_	12,841			_	
		319		0,028		12,841				19,448
Non-current assets:		19				260				387
Receivables Inventories, net		19		_		368 4,596		_		4,596
Property, plant and equipment, net		119				5,695				5,814
Intangible assets, net		119				7,133		_		7,133
Goodwill						13,174		<u> </u>		13,174
Other		334		2		807		_		1,143
										-,
Investments:  Investments in associated companies and other										
investments		95		39		4,834		_		4,968
Intragroup investments		49,266		49,953				(99,219)		
Total investments		49,361		49,992		4,834		(99,219)		4,968
TOTAL ASSETS	\$	50,412	\$	56,022	\$	49,448	\$	(99,219)	\$	56,663
LIABILITIES AND EQUITY	-									
Current liabilities:										
Borrowings	\$	273	\$	_	\$	_	\$	_	\$	273
Other current liabilities		510		_		8,834		_		9,344
Total current liabilities		783				8,834				9,617
Non-current liabilities:										
Borrowings		15,182		_		_		_		15,182
Other non-current liabilities		384		_		5,654		_		6,038
Intercompany		27,470		31,338		(58,808)				_
Redeemable noncontrolling interests		_		_		641		_		641
Total equity		6,593		24,684		93,127		(99,219)		25,185
TOTAL LIABILITIES AND EQUITY	\$	50,412	\$	56,022	\$	49,448	\$	(99,219)	\$	56,663

# Supplemental Condensed Consolidating Statement of Cash Flows For the three months ended September 30, 2012 (in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries	
Operating activities:						
Net cash provided by (used in) operating activities	\$ (994)	\$ 2,987	<u>\$ (1,283)</u>	\$	\$ 710	
Investing activities:						
Property, plant and equipment, net of acquisitions	_	_	(176)	_	(176)	
Investments	(1)	(15)	(172)	_	(188)	
Proceeds from dispositions			1,825		1,825	
Net cash provided by (used in) investing activities	(1)	(15)	1,477		1,461	
Financing activities:						
Borrowings	988	_	_	_	988	
Issuance of shares	_	111	_	_	111	
Repurchase of shares	_	(877)	_	_	(877)	
Dividends paid	_	_	(52)	_	(52)	
Other, net			9		9	
Net cash provided by (used in) financing activities	988	(766)	(43)		179	
Net increase (decrease) in cash and cash equivalents	(7)	2,206	151	_	2,350	
Cash and cash equivalents, beginning of period	561	6,005	3,060	_	9,626	
Exchange movement on opening cash balance			31		31	
Cash and cash equivalents, end of period	<u>\$ 554</u>	\$ 8,211	\$ 3,242	<u>\$</u>	<u>\$ 12,007</u>	

# **NEWS CORPORATION** NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

# Supplemental Condensed Consolidating Statement of Cash Flows For the three months ended September 30, 2011 (in millions)

	Aı	News nerica rporated		ews oration	Non-G	Guarantor	sifications and inations	Corp	News poration and sidiaries
Operating activities:									
Net cash provided by (used in) operating activities	\$	412	\$	44	\$	(32)	\$ 	\$	424
Investing activities:									
Property, plant and equipment, net of acquisitions		(8)		_		(240)	_		(248)
Investments		(2)		(63)		(114)	_		(179)
Proceeds from dispositions				<u>11</u>		323	 		334
Net cash used in investing activities		(10)		(52)		(31)	_		(93)
Financing activities:			<u></u>				 		
Repayment of borrowings		_		_		(32)	_		(32)
Issuance of shares		_		12		_	_		12
Repurchase of shares		_	(	(1,272)		_	_		(1,272)
Dividends paid						(23)	 		(23)
Net cash used in financing activities			(	(1,260)		(55)			(1,315)
Net (decrease) increase in cash and cash equivalents		402	(	(1,268)		(118)	_		(984)
Cash and cash equivalents, beginning of									
period		360		7,816		4,504	_	-	12,680
Exchange movement on opening cash balance						(267)	 		(267)
Cash and cash equivalents, end of period	\$	762	\$	6,548	\$	4,119	\$ 	\$ 1	11,429

See notes to supplemental guarantor information

#### **NEWS CORPORATION**

#### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Supplemental Guarantor Information

- (1) Investments in the Company's subsidiaries, for purposes of the supplemental consolidating presentation, are accounted for by their parent companies under the equity method of accounting whereby earnings of subsidiaries are reflected in the respective parent company's investment account and earnings.
- (2) The guarantees of NAI's senior public indebtedness constitute senior indebtedness of the Company, and rank pari passu with all present and future senior indebtedness of the Company. Because the factual basis underlying the obligations created pursuant to the various facilities and other obligations constituting senior indebtedness of the Company differ, it is not possible to predict how a court in bankruptcy would accord priorities among the obligations of the Company.

# ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of News Corporation, its directors or its officers with respect to, among other things, trends affecting News Corporation's financial condition or results of operations. The readers of this document are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other factors is set forth under the heading Part II "Other Information," Item 1A "Risk Factors" in this report. News Corporation does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by News Corporation with the Securities and Exchange Commission ("SEC"). This section should be read together with the unaudited consolidated financial statements of News Corporation and related notes set forth elsewhere herein and News Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as filed with the SEC on August 14, 2012 and as amended on October 1, 2012 (the "2012 Form 10-K").

#### INTRODUCTION

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of News Corporation and its subsidiaries' (together, "News Corporation" or the "Company") financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- Overview of the Company's Business—This section provides a general description of the Company's businesses, as well as developments that have occurred to date during fiscal 2013 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.
- **Results of Operations**—This section provides an analysis of the Company's results of operations for the three months ended September 30, 2012 and 2011. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that have an impact on the comparability of the results being analyzed.
- Liquidity and Capital Resources—This section provides an analysis of the Company's cash flows for the three months ended September 30, 2012 and 2011. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

#### OVERVIEW OF THE COMPANY'S BUSINESS

The Company is a diversified global media company, which manages and reports its businesses in the following six segments:

- Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators primarily in the United States, Latin America, Europe and Asia.
- **Filmed Entertainment**, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.
- **Television**, which principally consists of the broadcasting of network programming in the United States and the operation of 27 full power broadcast television stations, including 9 duopolies, in the United States (of these stations, 17 are affiliated with the FOX Broadcasting Company ("FOX") and 10 are affiliated with Master Distribution Service, Inc. ("MyNetworkTV")).
- **Direct Broadcast Satellite Television**, which consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy.

- **Publishing**, which principally consists of the Company's newspapers and information services, book publishing and integrated marketing services businesses. The newspapers and information services business principally consists of the publication of national newspapers in the United Kingdom, the publication of approximately 140 newspapers in Australia, the publication of a metropolitan newspaper and a national newspaper (with international editions) in the United States and the provision of information services. The book publishing business consists of the publication of English language books throughout the world and the integrated marketing services business consists of the publication of free-standing inserts and the provision of in-store marketing products and services in the United States and Canada.
- Other, which principally consists of the Company's digital media properties and Amplify, the Company's education technology businesses.

#### **Television and Cable Network Programming**

The Company's television operations primarily consist of FOX, MyNetworkTV and the 27 television stations owned by the Company.

The television operations derive revenues primarily from the sale of advertising and to a lesser extent retransmission consent revenue. Adverse changes in general market conditions for advertising may affect revenues. The U.S. television broadcast environment is highly competitive and the primary methods of competition are the development and acquisition of popular programming. Program success is measured by ratings, which are an indication of market acceptance, with the top rated programs commanding the highest advertising prices. FOX is a broadcast network and MyNetworkTV is a programming distribution service, airing original and off-network programming. FOX and MyNetworkTV compete with broadcast networks, such as ABC, CBS, NBC and The CW Television Network, independent television stations, cable and Direct Broadcast Satellite Television program services, as well as other media, including DVDs, Blu-rays, video games, print and the Internet for audiences, programming and, in the case of FOX, advertising revenues. In addition, FOX and MyNetworkTV compete with the other broadcast networks and other programming distribution services to secure affiliations with independently owned television stations in markets across the United States. ABC, NBC and CBS each broadcasts a significantly greater number of hours of programming than FOX and, accordingly, may be able to designate or change time periods in which programming is to be broadcast with greater flexibility than FOX. In addition, future technological developments may affect competition within the television marketplace.

Retransmission consent rules provide a mechanism for the television stations owned by the Company to seek and obtain payment from multi-channel video programming distributors who carry broadcasters' signals. Retransmission consent revenue consists of per subscriber-based compensatory fees paid to the Company from cable and satellite distribution systems for FOX and MyNetworkTV as well as a portion of the retransmission consent revenue the affiliates generate for their retransmission of FOX.

The television stations owned and operated by the Company compete for programming, audiences and advertising revenues with other television stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and in the case of advertising revenues, with other local and national media. The competitive position of the television stations owned by the Company is largely influenced by the quality and strength of FOX and MyNetworkTV programming, and, in particular, the prime-time viewership of the respective network.

The Company's U.S. cable network operations primarily consist of the Fox News Channel ("FOX News"), FX Networks, LLC ("FX"), Regional Sports Networks ("RSNs"), the National Geographic Channels, SPEED and the Big Ten Network. The Company's international cable networks consist of the Fox International Channels ("FIC") and STAR. FIC produces and distributes entertainment, factual, sports, and movie channels through distribution channels in Europe, Africa, Asia and Latin America using several brands, including Fox, Fox Crime, Fox Life and National Geographic Channel. STAR's owned and affiliated channels are distributed in the following countries and regions: India; Greater China; Indonesia; the rest of South East Asia; Pakistan; the Middle East and Africa; the United Kingdom and Europe; and North America.

Generally, the Company's cable networks, which target various demographics, derive a majority of their revenues from monthly affiliate fees received from cable television systems and direct broadcast satellite operators based on the number of their subscribers. Affiliate fee revenues are net of the amortization of cable distribution investments (capitalized fees paid to multi-channel video programming distributors to typically facilitate the carriage of a cable network). The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period. Cable television and direct broadcast satellite are currently the predominant means of distribution of the Company's program services in the United States. Internationally, distribution technology varies region by region.

The Company's cable networks compete for carriage on cable television systems, direct broadcast satellite systems and other distribution systems with other program services. A primary focus of competition is for distribution of the Company's cable network channels that are not already distributed by particular cable television or direct broadcast satellite systems. For such program services, distributors make decisions on the use of bandwidth based on various considerations, including amounts paid by programmers for launches, subscription fees payable by distributors and appeal to the distributors' subscribers.

The most significant operating expenses of the Television segment and the Cable Network Programming segment are the acquisition and production expenses related to programming and the expenses related to operating the technical facilities of the broadcaster or cable network. Other expenses include promotional expenses related to improving the market visibility and awareness of the broadcaster or cable network and its programming. Additional expenses include sales commissions paid to the in-house advertising sales force, as well as salaries, employee benefits, rent and other routine overhead expenses.

The Company has several multi-year sports rights agreements, including contracts with the National Football League ("NFL") through fiscal 2022, contracts with the National Association of Stock Car Auto Racing ("NASCAR") for certain races and exclusive rights for certain ancillary content through calendar year 2022, a contract with Major League Baseball ("MLB") through calendar year 2021 and other sports rights contracts. These contracts provide the Company with the broadcast rights to certain U.S. national sporting events during their respective terms. The costs of these sports contracts are charged to expense based on the ratio of each period's operating profit to estimated total operating profit for the remaining term of the contract.

The profitability of these long-term U.S. national sports contracts is based on the Company's best estimates at September 30, 2012 of attributable revenues and costs; such estimates may change in the future and such changes may be significant. Should revenues decline from estimates applied at September 30, 2012, additional amortization of rights may be recorded. Should revenues improve as compared to estimated revenues, the Company may have an improved operating profit related to the contract, which may be recognized over the remaining contract term.

While the Company seeks to ensure compliance with federal indecency laws and related Federal Communications Commission ("FCC") regulations, the definition of "indecency" is subject to interpretation and there can be no assurance that the Company will not broadcast programming that is ultimately determined by the FCC to violate the prohibition against indecency. Such programming could subject the Company to regulatory review or investigation, fines, adverse publicity or other sanctions, including the loss of station licenses.

#### **Filmed Entertainment**

The Filmed Entertainment segment derives revenue from the production and distribution of live-action and animated motion pictures and television series. In general, motion pictures produced or acquired for distribution by the Company are exhibited in U.S. and foreign theaters, followed by home entertainment, including sale and rental of DVDs and Blu-rays, video-on-demand and payper-view television, on-line and mobile distribution, premium subscription television, network television and basic cable and syndicated television exploitation. Television series initially produced for the networks and first-run syndication are generally licensed to domestic and international markets concurrently and subsequently released in seasonal DVD and Blu-ray box sets and made available via digital distribution platforms. More successful series are later syndicated in domestic markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production and, therefore, may cause fluctuations in operating results. License fees received for television exhibition (including international and U.S. premium television and basic cable television) are recorded as revenue in the period that licensed films or programs are available for such exhibition, which may cause substantial fluctuations in operating results.

The revenues and operating results of the Filmed Entertainment segment are significantly affected by the timing of the Company's theatrical and home entertainment releases, the number of its original and returning television series that are aired by television networks and the number of its television series in off-network syndication. Theatrical and home entertainment release dates are determined by several factors, including timing of vacation and holiday periods and competition in the marketplace. The distribution windows for the release of motion pictures theatrically and in various home entertainment products and services (including subscription rentals, rental kiosks and Internet streaming services), have been compressing and may continue to change in the future. A further reduction in timing between theatrical and home entertainment releases could adversely affect the revenues and operating results of this segment.

The Company enters into arrangements with third parties to co-produce many of its theatrical productions. These arrangements, which are referred to as co-financing arrangements, take various forms. The parties to these arrangements include studio and non-studio entities, both domestic and foreign. In several of these agreements, other parties control certain distribution rights. The Filmed Entertainment segment records the amounts received for the sale of an economic interest as a reduction of the cost of the film, as the

investor assumes full risk for that portion of the film asset acquired in these transactions. The substance of these arrangements is that the third-party investors own an interest in the film and, therefore, receive a participation based on the respective third-party investor's interest in the profits or losses incurred on the film. Consistent with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 926 "Entertainment—Films" ("ASC 926"), the estimate of a third-party investor's interest in profits or losses incurred on the film is determined by reference to the ratio of actual revenue earned to date in relation to total estimated ultimate revenues.

Operating costs incurred by the Filmed Entertainment segment include: exploitation costs, primarily theatrical prints and advertising and home entertainment marketing and manufacturing costs; amortization of capitalized production, overhead and interest costs; and participations and talent residuals. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

The Company competes with other film studios, such as Disney, Paramount, Sony, Universal, Warner Bros. and independent film producers in the production and distribution of motion pictures, DVDs and Blu-rays. As a producer and distributor of television programming, the Company competes with studios, television production groups and independent producers and syndicators, such as Disney, Sony, NBC Universal, Warner Bros. and Paramount Television, to sell programming both domestically and internationally. The Company also competes to obtain creative talent and story properties, which are essential to the success of the Company's filmed entertainment businesses.

#### **Direct Broadcast Satellite Television**

The Direct Broadcast Satellite Television ("DBS") segment's operations consist of SKY Italia, which provides basic and premium programming services via satellite directly to subscribers in Italy. SKY Italia derives revenues principally from subscriber fees. The Company believes that the quality and variety of programming, audio and interactive programming including personal video recorders, quality of picture including high definition channels, access to service, customer service and price are the key elements for gaining and maintaining market share. SKY Italia's competition includes companies that offer video, audio, interactive programming, telephony, data and other information and entertainment services, including broadband Internet providers, digital terrestrial transmission ("DTT") services, wireless companies and companies that are developing new media technologies.

SKY Italia's most significant operating expenses are those related to the acquisition of entertainment, movie and sports programming and subscribers and the expenses related to operating the technical facilities. Operating expenses related to sports programming are generally recognized over the course of the related sport season, which may cause fluctuations in the operating results of this segment.

The continued challenging economic environment in Italy has contributed to a reduction in consumer spending and has posed challenges for subscriber retention and growth. If this trend continues, it could have a material effect on the operating results of the DBS segment.

### **Publishing**

The Company's Publishing segment consists of the Company's newspapers and information services, book publishing and integrated marketing services businesses and the related digital formats.

Revenue is derived from the sale of advertising space, newspapers, books and subscriptions, as well as licensing. Adverse changes in general market conditions for advertising may affect revenues. Circulation and subscription revenues can be greatly affected by changes in the prices of the Company's and/or competitors' products, as well as by promotional activities.

Operating expenses include costs related to paper, production, distribution, editorial, commissions and royalties. Selling, general and administrative expenses include promotional expenses, salaries, employee benefits, rent and other routine overhead.

The Publishing segment's advertising volume, circulation, the price of paper and salaries and employee benefits are the key variables whose fluctuations can have a material effect on the Company's operating results and cash flow. The Company has to anticipate the level of advertising volume, circulation and paper prices in managing its businesses to maximize operating profit during expanding and contracting economic cycles. The Company continues to be exposed to risks associated with paper used for printing. Paper is a basic commodity and its price is sensitive to the balance of supply and demand. The Company's expenses are affected by the cyclical increases and decreases in the price of paper. The Publishing segment's products compete for readership and advertising with local and national competitors and also compete with other media alternatives in their respective markets. Competition for

circulation and subscriptions is based on the content of the products provided, service, pricing and, from time to time, various promotions. The success of these products depends upon advertisers' judgments as to the most effective use of their advertising budgets. Competition for advertising is based upon the reach of the products, advertising rates and advertiser results. Such judgments are based on factors such as cost, availability of alternative media, distribution and quality of readership demographics.

Like other newspaper publishing groups, the Company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The Company is also exposed to the impact of long-term structural movements in advertising spending as digital advertising rates are lower due to the additional supply of available advertisements, especially impacting classified advertising. These new media formats could impact the Company's performance, positively or negatively.

As a multi-platform news provider, the Company recognizes the importance of maximizing revenues from new media, both in terms of paid-for content and in new advertising models, and continues to invest in its digital products. The development of technologies such as smartphones, tablets and similar devices and their related applications provides opportunities for the Company to make available its journalism to a new audience of readers, introduce new or different pricing schemes, develop its products to continue to attract advertisers and/or affect the relationship between publisher and consumer. The Company continues to develop and implement strategies to exploit its content in new media channels, including the introduction of paywalls around its newspaper websites.

#### Other

The Other segment consists primarily of:

#### Digital Media Group

The Company sells advertising, sponsorships and subscription services on the Company's various digital media properties. Significant expenses associated with the Company's digital media properties include development costs, advertising and promotional expenses, salaries, employee benefits and other routine overhead.

#### **Education Group**

Amplify, the Company's education technology businesses, is dedicated to improving K-12 education by creating digital products and services that empower teachers, students and parents in new ways. Amplify is focused on transforming teaching and learning by creating and scaling digital innovations in three areas: analytics and assessment, content and curriculum and distribution and delivery. Amplify focuses on educational analytics and formative assessment through Wireless Generation, Inc. ("Wireless Generation"). Significant expenses associated with the Company's education technology businesses include salaries, employee benefits and other routine overhead.

#### Other Business Developments

In July 2011, the Company announced that it would close its publication, The News of the World, after allegations of phone hacking and payments to public officials. As a result of management's approval of the shutdown of The News of the World, the Company has reorganized portions of the U.K. newspaper business and has recorded restructuring charges in fiscal 2013 and 2012 primarily for termination benefits and certain organizational restructuring at the U.K. newspapers. The Company is subject to several ongoing investigations by U.K. and U.S. regulators and governmental authorities, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations. In addition, the Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company created an independently-chaired Management & Standards Committee (the "MSC"), which operates independently from NI Group Limited ("News International") and has full authority to ensure cooperation with all relevant investigations and inquiries into The News of the World matters and all other related issues across News International. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Gerson Zweifach, Senior Executive Vice President and Group General Counsel of the Company. Mr. Zweifach reports to the independent members of the Board of Directors (the "Board") through their representative Viet Dinh, an independent director and Chairman of the Company's Nominating and Corporate Governance Committee. The independent directors of the Board have retained independent outside counsel and are actively engaged in these matters. The MSC conducted an internal investigation of the three other titles at News International and engaged independent outside counsel to advise it on these investigations and all other matters it handles. News International has instituted governance reforms and issued certain enhanced policies to its employees. The Company has also engaged independent outside counsel to assist it in responding to U.S. governmental inquiries.

In February 2012, the Company agreed to backstop €300 million (approximately \$395 million) of financing measures that are being initiated by Sky Deutschland AG ("Sky Deutschland"), of which €145 million (approximately \$195 million) remains as of September 30, 2012.

In June 2012, the Company announced that it intends to pursue the separation of its publishing and its media and entertainment businesses into two distinct publicly traded companies. The global publishing company that would be created through the proposed transaction would consist of the Company's publishing businesses, its education division and other Australian assets. The global media and entertainment company would consist of the Company's cable and television assets, filmed entertainment, and direct satellite broadcasting businesses. Following the separation, each company would maintain two classes of common stock: Class A Common and Class B Common Voting Shares. The separation is expected to be completed in approximately one year from the date of announcement. In addition to final approval from the Board and stockholder approval, the completion of the separation will be subject to receipt of regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and to its stockholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the SEC.

In July 2012, the Company acquired Thomas Nelson, Inc. ("Thomas Nelson"), one of the leading Christian book publishers in the United States, for approximately \$200 million in cash.

In July 2012, the Company sold its 49% investment in NDS Group Limited ("NDS") to Cisco Systems Inc. for approximately \$1.9 billion in total consideration.

In August 2012, the Company entered into an agreement to acquire a 51% equity interest in Eredivisie Media & Marketing CV ("EMM"). EMM is a media company based in the Netherlands which holds the Dutch Premier League soccer rights and operates several channels in the Netherlands. EMM is owned by the 18 Dutch Premier League soccer clubs and the global TV production company Endemol. The acquisition is subject to regulatory clearances and other customary closing conditions.

In September 2012, the Company agreed to acquire Consolidated Media Holdings Ltd. ("CMH"), a media investment company that operates in Australia, for approximately \$2 billion. CMH has a 25% interest in FOXTEL and a 50% interest in FOX Sports Australia, a producer of Australia's leading sports channels. The acquisition will double the Company's stakes in FOX Sports Australia and FOXTEL to 100% and 50%, respectively. The transaction was approved by CMH shareholders in October 2012 and by the Federal Court of Australia in November 2012, and is expected to close on November 19, 2012.

In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports ("ESS") it did not already own for approximately \$335 million in cash. ESS is the leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of ESS. Accordingly, the results of ESS will be included in the Company's consolidated results of operations in November 2012.

## RESULTS OF OPERATIONS

#### Results of Operations—For the three months ended September 30, 2012 versus the three months ended September 30, 2011

The following table sets forth the Company's operating results for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

	For t	For the three months ended			
		September 30,			
	2012	2011	% Change		
	(ir	millions, except	%)		
Revenues	\$ 8,136	\$ 7,959	2%		
Operating expenses	(4,848)	(4,753)	2%		
Selling, general and administrative	(1,610)	(1,527)	5%		
Depreciation and amortization	(300)	(294)	2%		
Impairment and restructuring charges	(152)	(91)	67%		
Equity earnings of affiliates	190	121	57%		
Interest expense, net	(267)	(258)	3%		
Interest income	31	36	(14)%		
Other, net	1,375	(130)	**		
Income before income tax expense	2,555	1,063	**		
Income tax expense	(259)	(277)	(6)%		
Net income	2,296	786	**		
Less: Net income attributable to noncontrolling interests	(63)	(48)	31%		
Net income attributable to News Corporation stockholders	<b>\$ 2,233</b>	\$ 738	**		

<sup>\*\*</sup> not meaningful

*Overview*—The Company's revenues increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher net affiliate and advertising revenues at the Cable Network Programming segment, partially offset by decreased revenues at the DBS segment resulting from unfavorable foreign exchange fluctuations.

Operating expenses increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher sports programming costs at the Cable Network Programming, Television and DBS segments, and the inclusion of operating expenses resulting from the consolidation of Fox Pan American Sports LLC ("FPAS") and the acquisition of Thomas Nelson. These increases were partially offset by decreased operating expenses at the Filmed Entertainment segment resulting from lower production amortization costs.

Selling, general and administrative expenses increased 5% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to \$67 million of legal and professional fees related to *The News of the World* investigations and litigation and costs for related civil settlements and the inclusion of expenses resulting from the consolidation of FPAS.

Depreciation and amortization increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to additional amortization from the consolidation of FPAS at the Cable Networking Programming segment. These increases were partially offset by favorable foreign exchange fluctuations.

*Impairment and restructuring charges*—At the end of fiscal 2012, the Company identified certain businesses as held for sale. During the three months ended September 30, 2012, the Company recorded a \$35 million non-cash impairment charge related to its assets held for sale to reduce the carrying value of these assets to estimated fair value less cost to sell.

During the three months ended September 30, 2012, the Company recorded restructuring charges of \$117 million, of which \$112 million related to the newspaper businesses. The restructuring charges primarily relate to the reorganization of the Australian

newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded in the first quarter of fiscal 2013 are primarily for termination benefits in Australia and contract termination payments in the U.K.

During the three months ended September 30, 2011, the Company recorded approximately \$91 million of restructuring charges, of which \$88 million related to the newspaper businesses. The Company commenced the reorganization of portions of the newspaper business and recorded a restructuring charge primarily for termination benefits as a result of the shutdown of *The News of the World* and certain organizational restructurings at other newspapers.

*Equity earnings of affiliates*—Equity earnings of affiliates increased \$69 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to a \$75 million gain on the sale of a portion of the Company's British Sky Broadcasting Group plc investment in accordance with its share repurchase program and improved results from Sky Deutschland, partially offset by the sale of the Company's investment in NDS in July 2012.

	For the three months		
	eı	er 30,	
	2012	2011	% Change
	(in	millions, exce	ept %)
DBS equity affiliates	\$213	\$123	73%
Cable channel equity affiliates	4	_	**
Other equity affiliates	(27)	(2)	**
Total Equity earnings of affiliates	\$190	\$121	57%

<sup>\*\*</sup> not meaningful

*Interest expense, net*—Interest expense, net increased \$9 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher public debt due to the issuance of \$1.0 billion of 3.00% Senior Notes due 2022.

#### Other, net—

	<u> </u>	For the three months ended September 30,		
		2012		2011
		(in m	illions)	
Gain on sale of investment in NDS <sup>(a)</sup>	\$	1,446	\$	_
Change in fair value of Sky Deutschland convertible securities <sup>(a)</sup>		7		(82)
BSkyB termination fee <sup>(a)</sup>		_		(63)
Other		(78)		15
Total Other, net	\$	1,375	\$	(130)

<sup>(</sup>a) See Note 6—Investments to the accompanying unaudited consolidated financial statements.

*Income tax expense*—The Company's effective income tax rate for the three months ended September 30, 2012 was lower than the statutory rate of 35%, primarily due to the utilization of foreign tax credits in connection with the NDS sale and permanent differences.

The effective income tax rate for the three months ended September 30, 2011 was 26% which was lower than the statutory rate of 35%, primarily due to the sale of interests in subsidiaries and permanent differences.

*Net income*—Net income increased for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to the gain on the sale of the Company's investment in NDS.

*Net income attributable to noncontrolling interests*—Net income attributable to noncontrolling interests increased for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to the issuances of additional noncontrolling interests at the Company's cable businesses.

#### **Segment Analysis**

The following table sets forth the Company's revenues and segment operating income (loss) for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

	For t	For the three months ended		
	2012	September 30, 2012 2011 % Chan		
		millions, excep	% Change	
Revenues:	(II	i iiiiiioiis, caecp		
Cable Network Programming	\$2,449	\$2,120	16%	
Filmed Entertainment	1,745	1,778	(2)%	
Television	959	923	4%	
Direct Broadcast Satellite Television	817	922	(11)%	
Publishing	2,018	2,069	(2)%	
Other	148	147	1%	
Total revenues	<u>\$8,136</u>	\$7,959	2%	
Segment operating income (loss):				
Cable Network Programming	\$ 953	\$ 775	23%	
Filmed Entertainment	400	347	15%	
Television	156	133	17%	
Direct Broadcast Satellite Television	23	119	(81)%	
Publishing	57	110	(48)%	
Other	(211)	(99)	**	
Total segment operating income	<u>\$1,378</u>	\$1,385	(1)%	

<sup>\*\*</sup> not meaningful

Management believes that total segment operating income is an appropriate measure for evaluating the operating performance of the Company's business segments because it is the primary measure used by the Company's chief operating decision maker to evaluate the performance and allocate resources within the Company's businesses. Total segment operating income provides management, investors and equity analysts a measure to analyze operating performance of each of the Company's business segments and its enterprise value against historical data and competitors' data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The following table reconciles total segment operating income to income before income tax expense.

	For the thr ended Sept	
	2012	2011
	(in mi	llions)
Total segment operating income	\$ 1,378	\$ 1,385
Impairment and restructuring charges	(152)	(91)
Equity earnings of affiliates	190	121
Interest expense, net	(267)	(258)
Interest income	31	36
Other, net	1,375	(130)
Income before income tax expense	\$ 2,555	\$ 1,063

*Cable Network Programming* (30% and 27% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Cable Network Programming segment increased \$329 million, or 16%, as compared to the corresponding period of fiscal 2012, primarily due to higher net affiliate and advertising revenues, partially offset by unfavorable foreign exchange fluctuations, primarily at FIC and STAR. The strengthening of the U.S dollar against the local currencies resulted in a revenue decrease of approximately \$67 million for the three months ended September 30, 2012, as compared to the corresponding period of fiscal 2012.

Domestic net affiliate revenues increased 16% for the three months ended September 30, 2012, primarily due to higher average rates per subscriber at the RSNs, FOX News and FX. For the three months ended September 30, 2012, domestic advertising revenues increased 8% primarily due to higher pricing at FOX News and FX and higher MLB advertising revenues. Also contributing to the increase in domestic affiliate and advertising revenues was the launch of Fox Sports San Diego.

For the three months ended September 30, 2012, international net affiliate revenues increased 25%, primarily due to higher subscribers at FIC and the consolidation of FPAS partially offset by foreign exchange fluctuations. International advertising revenues improved on a local currency basis, but decreased 1% for the three months ended September 30, 2012. The decrease in international advertising revenues was primarily due to foreign exchange fluctuations and was partially offset by higher advertising revenues in Latin America due to the consolidation of FPAS.

For the three months ended September 30, 2012, operating income at the Cable Network Programming segment increased \$178 million, or 23%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue increases noted above, partially offset by a \$151 million increase in expenses, primarily due to higher sports programming costs and the consolidation of FPAS. Contributing to the sports programming increase were new contracts to broadcast cricket matches at Star India, mixed martial arts matches and additional U.S college football games. Also contributing to the increase was the launch of Fox Sports San Diego and other MLB contractual rights increases. The strengthening of the U.S. dollar against local currencies resulted in an operating income decrease of approximately \$30 million for the three months ended September 30, 2012, as compared to the corresponding period of fiscal 2012.

*Filmed Entertainment* (21% and 22% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Filmed Entertainment segment decreased \$33 million, or 2%, as compared to the corresponding period of fiscal 2012, primarily due to lower home entertainment revenues at Fox Filmed Entertainment and lower licensing revenues from *Avatar*. The three months ended September 30, 2011, included the home entertainment releases of *Rio* and *X-Men: First Class* with no comparable titles in the corresponding period of fiscal 2013. These revenue decreases were partially offset by increased worldwide theatrical revenues resulting from the success of *Ice Age: Continental Drift* in the three months ended September 30, 2012, compared to the corresponding fiscal 2012 period which included the worldwide theatrical release of *Rise of the Planet of the Apes*. These revenue decreases were also partially offset by increased digital distribution revenue related to the timing of content availability to Netflix.

For the three months ended September 30, 2012, operating income at the Filmed Entertainment segment increased \$53 million, or 15%, as compared to the corresponding period of fiscal 2012, primarily due to lower production amortization costs partially offset by the revenue decreases noted above.

Television (12% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012)

For the three months ended September 30, 2012, revenues at the Television segment increased \$36 million, or 4%, as compared to the corresponding period of fiscal 2012, primarily due to higher retransmission consent revenues and higher political advertising revenues at the Company's television stations due to the 2012 Presidential election. These revenue increases were partially offset by lower advertising revenues at FOX primarily due to lower primetime ratings, the absence of the Emmy® Awards, which was broadcast on FOX in fiscal 2012 and the impact of the broadcast of the Summer Olympics on a different network.

For the three months ended September 30, 2012, operating income at the Television segment increased \$23 million, or 17%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue increases noted above, partially offset by an increase in sports programming and production costs principally related to the launch of Saturday night college football broadcasts.

*Direct Broadcast Satellite Television* (10% and 11% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, SKY Italia's revenues decreased \$105 million, or 11%, as compared to the corresponding period of fiscal 2012. For the three months ended September 30, 2012, revenues, on a local currency basis, were relatively consistent with the corresponding period of fiscal 2012 as higher subscription revenues were offset by lower activation fees and pay per view revenue. SKY Italia had a net decrease of approximately 40,000 subscribers during the first quarter of fiscal 2013, which decreased SKY Italia's total subscriber base to 4.9 million at September 30, 2012, reflecting the continued challenging economic environment in Italy. The total churn for three months ended September 30, 2012 was approximately 169,000 subscribers on an average subscriber base of 4.9 million, as compared to churn of approximately 157,000 subscribers on an average subscriber base of 5.0 million in the corresponding period of fiscal 2012. Subscriber churn for the period represents the number of SKY Italia subscribers whose service was disconnected during the period. During the three months ended September 30, 2012, the strengthening of the U.S. dollar against the Euro resulted in a revenue decrease of approximately \$107 million as compared to the corresponding period of fiscal 2012.

Average revenue per subscriber ("ARPU") of approximately €41 in the three months ended September 30, 2012 increased from approximately €40 reported in the corresponding period of fiscal 2012, primarily due to a price increase. SKY Italia calculates ARPU by dividing total subscriber-related revenues for the period by the average subscribers for the period and dividing that amount by the number of months in the period. Subscriber-related revenues are comprised of total subscription revenue, pay-per-view revenue and equipment rental revenue for the period. Average subscribers are calculated for the respective periods by adding the beginning and ending subscribers for the period and dividing by two.

Subscriber acquisition costs per subscriber ("SAC") of approximately €415 in the three months ended September 30, 2012 increased from the corresponding period of fiscal 2012, primarily due to higher marketing costs on a per subscriber basis, although total marketing expense was flat as compared to the corresponding prior period. SAC is calculated by dividing total subscriber acquisition costs for a period by the number of gross SKY Italia subscribers added during the period. Subscriber acquisition costs include the cost of the commissions paid to retailers and other distributors, the cost of equipment sold directly by SKY Italia to subscribers and the costs related to installation and acquisition advertising net of any upfront activation fee. SKY Italia excludes the value of equipment capitalized under SKY Italia's equipment lease program, as well as payments and the value of returned equipment related to disconnected lease program subscribers from subscriber acquisition costs.

For the three months ended September 30, 2012, SKY Italia's operating income decreased \$96 million, or 81%, as compared to the corresponding period of fiscal 2012. On a local currency basis, expenses were higher by 12% primarily due to an increase in sports programming costs resulting from the inclusion of \$70 million in rights cost associated with the broadcast of the Summer Olympics. During the three months ended September 30, 2012, the strengthening of the U.S. dollar against the Euro did not have a material impact on operating income.

**Publishing** (25% and 26% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Publishing segment decreased \$51 million, or 2%, as compared to the corresponding period of fiscal 2012, primarily due to lower advertising revenues. The revenue decreases were partially offset by the inclusion of revenues from Thomas Nelson which was acquired in fiscal 2013 and increased revenues at the U.K. newspapers primarily due to the launch of the Sunday edition of *The Sun* in February 2012 and third party printing contracts. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately \$17 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012.

For the three months ended September 30, 2012, operating income at the Publishing segment decreased \$53 million, or 48%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue decreases noted above and the inclusion of expenses at Thomas Nelson.

Other (2% of the Company's consolidated revenues in the first three months of fiscal 2013 and 2012)

For the three months ended September 30, 2012, revenues at the Other segment increased approximately \$1 million, or 1%, as compared to the corresponding period of fiscal 2012, primarily due to higher online advertising revenues at REA Group, the Company's Australian online real estate advertising service, and higher revenues at the Company's education business, partially offset by the absence of revenues from News Outdoor Russia which was sold in July 2011.

For the three months ended September 30, 2012, operating results at the Other segment decreased \$112 million, as compared to the corresponding period of fiscal 2012, primarily due to the impact of legal and professional fees related to *The News of the World* investigations and litigation and costs for related civil settlements, higher stock based compensation expense and increased operating losses of \$15 million at the Company's education business, reflecting higher product development costs.

#### LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds. The Company also has a five-year unused \$2 billion revolving credit facility, which expires in May 2017, and has access to various film co-production alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of September 30, 2012, the Company was in compliance with all of the covenants under the revolving credit facility, and it does not anticipate any violation of such covenants. The Company's internally generated funds are highly dependent upon the state of the advertising markets and public acceptance of its film and television products.

The principal uses of cash that affect the Company's liquidity position include the following: investments in the production and distribution of new feature films and television programs; the acquisition of and payments under programming rights for entertainment and sports programming; paper purchases; operational expenditures including employee costs; capital expenditures; interest expenses; income tax payments; investments in associated entities; dividends; acquisitions; debt repayments; and stock repurchases. The capitalization of the global publishing company that would be created through the proposed separation of the Company's publishing and media and entertainment businesses into two distinct publicly traded companies may affect the Company's liquidity position.

In addition to the acquisitions, sales and possible acquisitions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, the Company's securities or the assumption of additional indebtedness.

Sources and Uses of Cash

Net cash provided by operating activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	2012	2011
Net cash provided by operating activities	\$710	\$424

The increase in net cash provided by operating activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 primarily reflects lower sports rights payments at the DBS segment, higher advertising receipts at the Television segment and lower income taxes paid. These increases were partially offset by lower advertising receipts at the Publishing segment.

Net cash provided by (used in) investing activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	2012	2011
Net cash provided by (used in) investing activities	\$1,461	\$(93)

The change in net cash provided by investing activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 was primarily due to the net cash proceeds received from the sale of NDS.

Net cash provided by (used in) financing activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	2012	2011
Net cash provided by (used in) financing activities	\$179	\$(1,315)

The change in net cash provided by financing activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 was primarily due to the issuance of \$1.0 billion of 3.00% Senior Notes due 2022 and lower share repurchases during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012.

The Company currently has approximately \$4.5 billion remaining of the \$10 billion stock repurchase program. The Company may repurchase the remaining amount under the stock repurchase program in fiscal 2013 and expects to fund this through a combination of cash generated by operations and cash on hand.

#### **Debt Instruments**

The following table summarizes borrowings and repayment of borrowings for the three months ended September 30, 2012 and 2011.

	For the thr ended Sept	
	2012 (in mil	2011 llions)
Borrowings:		
Notes due September 2022 <sup>(a)</sup>	988	
Total borrowings	\$ 988	\$ —
Repayment of borrowings:	<del></del>	
Bank loans <sup>(a)</sup>	<u> </u>	(32)
Total repayment of borrowings	<u>\$ —</u>	<u>\$ (32)</u>

<sup>(</sup>a) See Note 9—Borrowings to the accompanying unaudited consolidated financial statements for further discussion.

## Ratings of the Public Debt

The table below summarizes the Company's credit ratings as of September 30, 2012.

Rating Agency	Senior Debt	Outlook
Moody's	Baa1	Stable
S&P	BBB+	CreditWatch/Negative

#### Revolving Credit Agreement

In May 2012, NAI entered into a credit agreement (the "Credit Agreement"), among NAI as Borrower, the Company as Parent Guarantor, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. ("JPMorgan Chase") and Citibank, N.A. as Co-Administrative Agents, JPMorgan Chase as Designated Agent and Bank of America, N.A. as Syndication Agent. The Credit Agreement provides a \$2 billion unsecured revolving credit facility with a sub-limit of \$400 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2017. Under the Credit Agreement, the Company may request an increase in the amount of the credit facility up to a maximum amount of \$2.5 billion and the Company may request that the maturity date be extended for up to two additional one-year periods. Borrowings are issuable in U.S. dollars only, while letters of credit are issuable in U.S. dollars or Euros. The significant terms of the agreement include the requirement that the Company maintain specific leverage ratios and limitations on secured indebtedness. Fees under the Credit Agreement will be based on the Company's long-term senior unsecured non-credit enhanced debt ratings. Given the current debt ratings, NAI pays a facility fee of 0.125% and an initial drawn cost of LIBOR plus 1.125%.

#### **Commitments**

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of September 30, 2012 and June 30, 2012 were \$68,726 million and \$63,644 million, respectively. The increase from June 30, 2012 was primarily due to the renewal of rights to telecast certain MLB regular season and post season games through the 2021 MLB season and the issuance of 3.00% Senior Notes due 2022.

In October 2012, the Company signed an eight-year contract with NASCAR for the renewal of rights to telecast the Daytona 500 and the first third of the Sprint Cup Series through 2022.

#### Guarantees

The Company's guarantees as of September 30, 2012 have not changed significantly from disclosures included in the 2012 Form 10-K.

In October 2012, the Company and the other joint-venture partners guaranteed the debt of an equity associate. The Company's maximum obligation under this guarantee is approximately \$115 million.

#### Contingencies

Other than as disclosed in the notes to the accompanying unaudited consolidated financial statements, the Company is party to several other purchase and sale arrangements which become exercisable over the next ten years by the Company or the counter-party to the agreement. None of these arrangements that become or are exercisable in the next twelve months are material. Purchase arrangements that are exercisable by the counter-party to the agreement, and that are outside the sole control of the Company, are accounted for in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity." Accordingly, the fair values of such purchase arrangements are classified in redeemable noncontrolling interests.

As disclosed in the notes to the accompanying unaudited consolidated financial statements, U.K. and U.S. regulators and governmental authorities are conducting investigations after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. At September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition.

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

#### Intangible Assets

The Company has a significant amount of intangible assets, including goodwill, FCC licenses, and other copyright products and trademarks. Intangible assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair values assigned to its tangible and identifiable intangible net assets and is assigned to one or more reporting units for purposes of testing for impairment. The judgments made in determining the estimated fair value assigned to each class of intangible assets acquired, their reporting unit, as well as their useful lives can significantly impact net income.

The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the tangible net assets acquired is recorded as intangibles. Amounts recorded as goodwill are assigned to one or more reporting units. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and

often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Identifying reporting units and assigning goodwill to them requires judgment involving the aggregation of business units with similar economic characteristics and the identification of existing business units that benefit from the acquired goodwill. The Company allocates goodwill to disposed businesses using the relative fair value method.

Carrying values of goodwill and intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC 350, "Intangibles—Goodwill and Other." The Company's impairment review is based on, among other methods, a discounted cash flow approach that requires significant management judgments. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel and acts by governments and courts, may signal that an asset has become impaired.

The Company uses direct valuation methods to value identifiable intangibles for purchase accounting and impairment testing. The direct valuation method used for FCC licenses requires, among other inputs, the use of published industry data that are based on subjective judgments about future advertising revenues in the markets where the Company owns television stations. This method also involves the use of management's judgment in estimating an appropriate discount rate reflecting the risk of a market participant in the U.S. broadcast industry. The resulting fair values for FCC licenses are sensitive to these long-term assumptions and any variations to such assumptions could result in an impairment to existing carrying values in future periods and such impairment could be material.

The Company's goodwill impairment reviews are determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by primarily using a discounted cash flow analysis and market-based valuation approach methodologies. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company's estimated outlook and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable public company trading values. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment review is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment review is required to be performed to estimate the implied fair value of the reporting unit's goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the purchase price paid. The implied fair value of the reporting unit's goodwill is compared with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As a result of the fiscal 2012 annual impairment review performed, the Company recorded non-cash impairment charges of approximately \$2.8 billion (\$2.4 billion, net of tax) during the fiscal year ended June 30, 2012. The charges consisted of a write-down of goodwill of \$1.5 billion and a write-down of indefinite-lived intangible assets of \$1.3 billion. The Publishing and Other segments have reporting units with goodwill that continue to be at risk for future impairment. Goodwill was \$2.2 billion as of September 30, 2012 at these reporting units where goodwill is at risk for future impairment. The Company will continue to monitor its goodwill and intangible assets for possible future impairment.

#### Recent Accounting Pronouncements

See Note 1—Basis of Presentation to the accompanying unaudited consolidated financial statements for discussion of recent accounting pronouncements.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to several types of market risk: changes in foreign currency exchange rates, interest rates and stock prices. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative information on the Company's exposure to foreign currency exchange rate risk, interest rate risk and stock price risk. The Company makes use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

#### **Foreign Currency Exchange Rates**

The Company conducts operations in four principal currencies: the U.S. dollar; the British pound sterling; the Euro; and the Australian dollar. These currencies operate as the functional currency for the Company's U.S., United Kingdom, Italian and Australian operations, respectively. Cash is managed centrally within each of the four regions with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, draw downs in the appropriate local currency are available from intercompany borrowings. Since earnings of the Company's Australian, United Kingdom and Italian operations are expected to be reinvested in those businesses indefinitely, the Company does not hedge its investment in the net assets of those foreign operations.

At September 30, 2012, the Company's outstanding financial instruments with foreign currency exchange rate risk exposure had an aggregate fair value of \$148 million (including the Company's non-U.S. dollar-denominated fixed rate debt). The potential increase in the fair values of these instruments resulting from a 10% adverse change in quoted foreign currency exchange rates would be approximately \$22 million at September 30, 2012.

#### **Interest Rates**

The Company's current financing arrangements and facilities include approximately \$16,457 million of outstanding fixed-rate debt and the Credit Agreement, which carries variable interest. Fixed and variable rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed rate debt will only impact the fair market value of such debt, while a change in the interest rate of variable debt will impact interest expense, as well as the amount of cash required to service such debt. As of September 30, 2012, substantially all of the Company's financial instruments with exposure to interest rate risk were denominated in U.S. dollars and had an aggregate fair value of approximately \$20,263 million. The potential change in fair market value for these financial instruments from an adverse 10% change in quoted interest rates across all maturities, often referred to as a parallel shift in the yield curve, would be approximately \$862 million at September 30, 2012.

# **Stock Prices**

The Company has common stock investments in several publicly traded companies that are subject to market price volatility. These investments principally represent the Company's equity method affiliates and had an aggregate fair value of approximately \$10,474 million as of September 30, 2012. A hypothetical decrease in the market price of these investments of 10% would result in a fair value of approximately \$9,426 million. Such a hypothetical decrease would result in a before tax decrease in comprehensive income of approximately \$35 million, as any changes in fair value of the Company's equity method affiliates are not recognized unless deemed other-than-temporary.

#### Credit Risk

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Company's receivables did not represent significant concentrations of credit risk at September 30, 2012 or June 30, 2012 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. At September 30, 2012, the Company did not anticipate nonperformance by any of the counterparties.

#### ITEM 4. CONTROLS AND PROCEDURES

#### (a) Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chairman and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, the Company's Chairman and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chairman and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### (b) Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the Company's first quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **PART II**

#### ITEM 1. LEGAL PROCEEDINGS

#### **Shareholder Litigation**

#### Delaware

On March 16, 2011, a complaint seeking to compel the inspection of the Company's books and records pursuant to 8 Del. C. § 220, captioned Central Laborers Pension Fund v. News Corporation, was filed in the Delaware Court of Chancery. The plaintiff requested the Company's books and records to investigate alleged possible breaches of fiduciary duty by the directors of the Company in connection with the Company's purchase of Shine (the "Shine Transaction"). The Company moved to dismiss the action. On November 30, 2011, the court issued an order granting the Company's motion and dismissing the complaint. The plaintiff filed a notice of appeal on December 13, 2011. The Delaware Supreme Court heard argument on the fully-briefed appeal on April 18, 2012 and issued a decision on May 29, 2012 in which it affirmed the Court of Chancery's dismissal of the complaint.

Also on March 16, 2011, two purported shareholders of the Company, one of which was Central Laborers Pension Fund, filed a derivative action in the Delaware Court of Chancery, captioned The Amalgamated Bank v. Murdoch, et al. (the "Amalgamated Bank Litigation"). The plaintiffs alleged that both the directors of the Company and Rupert Murdoch as a "controlling shareholder" breached their fiduciary duties in connection with the Shine Transaction. The suit named as defendants all directors of the Company, and named the Company as a nominal defendant. Similar claims against the same group of defendants were filed in the Delaware Court of Chancery by a purported shareholder of the Company, New Orleans Employees' Retirement System, on March 25, 2011 (the "New Orleans Employees' Retirement Litigation"). Both the Amalgamated Bank Litigation and the New Orleans Employees' Retirement Litigation were consolidated on April 6, 2011 (the "Consolidated Action"), with The Amalgamated Bank's complaint serving as the operative complaint. The Consolidated Action was captioned In re News Corp. Shareholder Derivative Litigation. On April 9, 2011, the court entered a scheduling order governing the filing of an amended complaint and briefing on potential motions to dismiss.

Thereafter, the plaintiffs in the Consolidated Action filed a Verified Consolidated Shareholder Derivative and Class Action Complaint (the "Consolidated Complaint") on May 13, 2011, seeking declaratory relief and damages. The Consolidated Complaint largely restated the claims in The Amalgamated Bank's initial complaint and also raised a direct claim on behalf of a purported class of Company shareholders relating to the possible addition of Elisabeth Murdoch to the Company's Board. The defendants filed opening briefs in support of motions to dismiss the Consolidated Complaint on June 10, 2011, as contemplated by the court's scheduling order. On July 8, 2011, the plaintiffs filed a Verified Amended Consolidated Shareholder Derivative and Class Action Complaint (the "Amended Complaint"). In addition to the claims that were previously raised in the Consolidated Complaint, the Amended Complaint brought claims relating to the alleged acts of voicemail interception at *The News of the World* (the "NoW Matter"). Specifically, the plaintiffs claimed in the Amended Complaint that the directors of the Company failed in their duty of oversight regarding the NoW Matter.

On July 15, 2011, another purported stockholder of the Company filed a derivative action captioned Massachusetts Laborers' Pension & Annuity Funds v. Murdoch, et al., in the Delaware Court of Chancery (the "Mass. Laborers Litigation"). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The plaintiffs' claims are substantially similar to those raised by the Amended Complaint in the Consolidated Action. Specifically, the plaintiff alleged that the directors of the Company have breached their fiduciary duties by, among other things, approving the Shine Transaction and for failing to exercise proper oversight in connection with the NoW Matter. The plaintiff also brought a breach of fiduciary duty claim against Rupert Murdoch as "controlling shareholder," and a waste claim against the directors of the Company. The action seeks as relief damages, injunctive relief, fees and costs. On July 25, 2011, the plaintiffs in the Consolidated Action requested that the court consolidate the Mass. Laborers Litigation into the Consolidated Action. On August 24, 2011, the Mass. Laborers Litigation was consolidated with the Consolidated Action.

On September 29, 2011, the plaintiffs filed a Verified Second Amended Consolidated Shareholder Derivative and Class Action Complaint ("Second Amended Complaint"). In the Second Amended Complaint, the plaintiffs removed their claims involving the possible addition of Elisabeth Murdoch to the Company's Board, added some factual allegations to support their remaining claims and added a claim seeking to enjoin a buyback of Common B shares to the extent it would result in a change of control. The Second Amended Complaint seeks declaratory relief, an injunction preventing the buyback of Class B shares, damages, pre- and post-judgment interest, fees and costs.

The defendants filed a motion to dismiss the Second Amended Complaint. The hearing on the defendants' fully-briefed motion to dismiss was postponed to allow further briefing by plaintiffs after the Cohen Litigation, which is defined and described below, was consolidated with the Consolidated Action.

On March 2, 2012, another purported stockholder of the Company filed a derivative action captioned Belle M. Cohen v. Murdoch, et al., in the Delaware Court of Chancery (the "Cohen Litigation"). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The complaint's claims and allegations pertain to the NoW Matter and are substantially similar to the NoW Matter allegations raised in the Second Amended Complaint in the Consolidated Action. The complaint asserts causes of action against the defendants for alleged breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, and waste of corporate assets. The action seeks as relief damages, fees and costs. On March 20, 2012, the Cohen Litigation was consolidated with the Consolidated Action.

On June 18, 2012, the plaintiffs in the Consolidated Action filed a Verified Third Amended Consolidated Shareholder Derivative Complaint (the "Third Amended Complaint"). The Third Amended Complaint alleges claims against director defendants for breach of fiduciary duty arising from the Shine Transaction; against Rupert Murdoch for breach of fiduciary duty as the purported controlling shareholder of the Company in connection with the Shine Transaction; against director defendants for breach of fiduciary duty arising from their purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; against certain defendants for breach of fiduciary duty in their capacity as officers arising from a purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; and against James Murdoch for breach of fiduciary duty for allegedly engaging in a cover up related to the NoW Matter. The class action claim asserted in the Second Amended Complaint pertaining to the buyback of Common B shares and the relief related to that claim were removed. The Third Amended Complaint seeks a declaration that the defendants violated their fiduciary duties, damages, pre- and post-judgment interest, fees and costs.

On July 18, 2012, the defendants renewed their postponed motion to dismiss in the Consolidated Action, and in support thereof, they filed supplemental briefing directed towards the allegations of the Third Amended Complaint. Plaintiffs' response was filed on August 8, 2012. A hearing on the fully briefed motion was held in Chancery Court on September 19, 2012. The Court reserved decision.

On May 30, 2012, a purported stockholder of the Company filed a class action lawsuit in the Delaware Court of Chancery on behalf of all non-U.S. stockholders of the Company's Class B shares, captioned Första Ap-Fonden v. News Corporation, et al. The plaintiff alleges that, by temporarily suspending 50% of the voting rights of the Class B shares held by non-U.S. stockholders to remain in compliance with U.S. governing broadcast licenses (the "Suspension"), the Company and the Board violated the Company's charter and the General Corporation Law of the State of Delaware ("DGCL") and the directors breached their fiduciary duties, both in approving the Suspension and in failing to monitor the Company's ownership by non-U.S. stockholders. The complaint named as defendants the Company and all directors of the Company at the time of the Suspension. The complaint sought a declaration that the defendants violated the Company's charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, damages, fees, and costs. On June 11, 2012, the defendants filed an opening brief in support of a motion to dismiss the complaint in its entirety. On August 2, 2012, the plaintiff filed a Verified Amended and Supplemented Class Action Complaint (the "Amended and Supplemented Complaint"). The Amended and Supplemented Complaint seeks a declaration that the defendants violated the Company's charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, a declaration that non-U.S. stockholders of the Company's Class B shares are entitled to vote all of their shares on the Proposed Separation Transaction, damages, fees, and costs. On August 28, 2012, the parties entered into a Memorandum of Understanding providing for an agreement in principle to settle the lawsuit ("MOU"). The MOU, which was filed with the Court on September 5, 2012, provides in pertinent part: (i) within 5 business days after receiving Court approval, the Company will file a petition with the FCC requesting permission to comply with law governing broadcast licenses for any meeting of stockholders by (a) determining the number of shares held by foreign stockholders that are present at the meeting and that would be entitled to vote but for the Suspension, and (b) counting as votes cast all voted shares held by foreign stockholders, up to a total of 25% of the shares voted; (ii) the Company's Audit Committee will determine on at least an annual basis the total number of voting shares held by non-U.S. citizens and will have the power to modify or eliminate any then-existing suspension; the Company will disclose this information in its annual proxy materials and (iii) the Company will not consent to amend, modify or terminate the Murdoch Family Interests agreement without prior approval of the Audit Committee, which in the case of any vote related to the Proposed Separation Transaction, must be unanimous. The settlement is subject to Court approval after notice to the stockholders and a hearing.

#### Southern District of New York

On July 18, 2011, a purported shareholder of the Company filed a derivative action captioned Shields v. Murdoch, et al. ("Shields Litigation"), in the United States District Court for the Southern District of New York. The plaintiff alleged violations of Section 14(a)

of the Securities Exchange Act, as well as state law claims for breach of fiduciary duty, gross mismanagement, waste, abuse of control and contribution/indemnification arising from, and in connection with, the NoW Matter. The complaint names the directors of the Company as defendants and names the Company as a nominal defendant, and seeks damages and costs. On August 4, 2011, the plaintiff filed an amended complaint. The plaintiff seeks compensatory damages, an order declaring the October 15, 2010 shareholder vote on the election of the Company's directors void; an order setting an emergency shareholder vote date for election of new directors; an order requiring the Company to take certain specified corporate governance actions; and an order (i) putting forward a shareholder vote resolution for amendments to the Company's Article of Incorporation and (ii) taking such other action as may be necessary to place before shareholders for a vote on corporate governance policies that: (a) appoint a non-executive Chair of the Board who is not related to the Murdoch family or extended family; (b) appoint an independent Chair of the Board's Audit Committee; (c) appoint at least three independent directors to the Governance and Nominating Committees; (d) strengthen the Board's supervision of financial reporting processes and implement procedures for greater shareholder input into the policies and guidelines of the Board; and (e) appropriately test and strengthen the internal and audit control functions.

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. ("Wilder Litigation"), was filed on behalf of all purchasers of the Company's common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the NoW Matter. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs.

On July 22, 2011, a purported shareholder of the Company filed a derivative action captioned Stricklin v. Murdoch, et al. ("Stricklin Litigation"), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, gross mismanagement, and waste of corporate assets in connection with, among other things, (i) the NoW Matter; (ii) News America's purported payments to settle allegations of anti-competitive behavior; and (iii) the Shine Transaction. The action names as defendants the Company, Les Hinton, Rebekah Brooks, Paul Carlucci and the directors of the Company. On August 3, 2011, the plaintiff served a motion for expedited discovery and to appoint a conservator over the Company, which defendants objected to. The motion has not been formally calendared and there is no briefing schedule yet. On August 16, 2011, the plaintiffs filed an amended complaint. The plaintiff seeks various forms of relief including compensatory damages, injunctive relief, disgorgement, the award of voting rights to Class A shareholders, the appointment of a conservator over the Company to oversee the Company's responses to investigations and litigation related to the NoW Matter, fees and costs.

On August 10, 2011, a purported shareholder of the Company filed a derivative action captioned Iron Workers Mid-South Pension Fund v. Murdoch, et al. ("Iron Workers Litigation"), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment and alleged violations of Section 14(a) of the Securities Exchange Act in connection with the NoW Matter. The action names as defendants the Company, Les Hinton, Rebekah Brooks and the directors of the Company. The plaintiff seeks various forms of relief including compensatory damages, voiding the election of the director defendants, an order requiring the Company to take certain specified corporate governance actions, injunctive relief, restitution, fees and costs.

The Wilder Litigation, the Stricklin Litigation and the Iron Workers Litigation are all now before the judge in the Shields Litigation. On November 21, 2011, the court issued an order setting a briefing schedule for the defendants' motion to stay the Stricklin Litigation, the Iron Workers Litigation and the Shields Litigation pending the outcome of the consolidated action pending in the Delaware Court of Chancery. On December 8, 2011, the defendants and the Company, as a nominal defendant, served their motion to stay. Opposition briefs were served by Stricklin, Iron Workers and Shields. Reply briefs in support of the motion to stay were filed on January 24, 2012. On September 18, 2012, the Court denied the motion as to two of the cases and dismissed the third with leave to replead, which plaintiff has done. Specifically, on October 4, 2012, Stricklin filed a Second Amended Complaint that added a claim under Section 14(a) of the Securities Exchange Act challenging the disclosures in the Company's definitive proxy statements issued during the years of 2005 through 2012. The plaintiff seeks, among other things, to void the election of the director defendants at the Company's 2012 annual meeting. The plaintiffs in Shields, Stricklin and Iron Workers have requested a pre-motion conference to address the potential consolidation of these derivative actions and a briefing schedule regarding the potential leadership structure for the plaintiffs. The pre-motion conference has not yet been scheduled. In the Wilder Litigation, on June 5, 2012, the court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. Defendants filed their motion to dismiss on September 25, 2012, and, according to the Court's current briefing schedule, plaintiffs' opposition is due November 6, 2012 and defendants' reply is due November 30, 2012.

The Company's management believes these shareholder claims are entirely without merit, and intends to vigorously defend these actions.

#### The News of the World Investigations and Litigation

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. As of September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition.

#### **HarperCollins**

Commencing on August 9, 2011, twenty-nine purported consumer class actions have been filed in the U.S. District Courts for the Southern District of New York and for the Northern District of California, which relate to the decisions by certain publishers, including HarperCollins Publishers L.L.C. ("HarperCollins"), to begin selling their eBooks pursuant to an agency relationship. The cases all involve allegations that certain named defendants in the book publishing and distribution industry, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. The actions seek as relief treble damages, injunctive relief and attorneys' fees. The Judicial Panel on Multidistrict Litigation has transferred the various class actions to the Honorable Denise L. Cote in the Southern District of New York. On January 20, 2012, plaintiffs filed a consolidated amended complaint, again alleging that certain named defendants, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. Defendants filed a motion to dismiss on March 2, 2012. On May 15, 2012, Judge Cote denied defendants' motion to dismiss. On June 22, 2012, Judge Cote held a status conference to address discovery and scheduling issues. On June 25, 2012, Judge Cote issued a scheduling order for the multi-district litigation going forward. Additional information about In re MDL Electronic Books Antitrust Litigation, Civil Action No. 11-md-02293 (DLC), can be found on Public Access to Court Electronic Records (PACER). While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, HarperCollins believes it was compliant with applicable antitrust and competition laws.

Following an investigation, on April 11, 2012, the Department of Justice (the "DOJ") filed an action in the U.S. District Court for the Southern District of New York against certain publishers, including HarperCollins, and Apple, Inc. The DOJ's complaint alleges antitrust violations relating to defendants' decisions to begin selling eBooks pursuant to an agency relationship. This case was assigned to Judge Cote. Simultaneously, the DOJ announced that it had reached a proposed settlement with three publishers, including HarperCollins, and filed a Proposed Final Judgment and related materials detailing that agreement. Among other things, the Proposed Final Judgment requires that HarperCollins terminate its agreements with certain eBook retailers and places certain restrictions on any agreements subsequently entered into with such retailers. Pursuant to the Antitrust Procedures and Penalties Act, the Proposed Final Judgment could not be entered by Judge Cote for at least sixty days while the DOJ received public comments. The public comment period ended on June 25, 2012. Pursuant to Judge Cote's June 25, 2012 scheduling order, the DOJ's motion for entry of the Proposed Final Judgment was fully briefed by August 22, 2012, and on September 5, 2012, Judge Cote granted the DOJ's motion and entered the Final Judgment. A third party has filed a motion to intervene in the case for the purpose of appealing Judge Cote's decision entering the Final Judgment to the United States Court of Appeals for the Second Circuit. Additional information about the Final Judgment can be found on the DOJ's website.

Following an investigation, on April 11, 2012, 16 state Attorneys General led by Texas and Connecticut (the "AGs") filed a similar action against certain publishers and Apple, Inc. in the Western District of Texas. On April 26, 2012, the AGs' action was transferred to Judge Cote. On May 17, 2012, 33 AGs filed a second amended complaint. As a result of a memorandum of understanding agreed upon with the AGs for Texas and Connecticut, HarperCollins was not named as a defendant in this action. Pursuant to the terms of the memorandum of understanding, HarperCollins entered into a settlement agreement with the AGs for Texas, Connecticut and Ohio on June 11, 2012. By August 28, 2012, forty-nine states (all but Minnesota) and five U.S. territories had signed on to that settlement agreement. On August 29, 2012, the AGs simultaneously filed a complaint against HarperCollins and two

other publishers, a motion for preliminary approval of that settlement agreement and a proposed distribution plan. On September 14, 2012, Judge Cote granted the AGs' motion for preliminary approval of the settlement agreement and approved the AGs' proposed distribution plan. Notice was subsequently sent to potential class members, and a fairness hearing scheduled for February 8, 2013. If the settlement agreement receives final approval, it would resolve all damage claims of individual citizens from those states and territories.

While the settlement agreement with the AGs is still subject to final approval by the court, the Company believes that the proposed settlement, as currently drafted, will not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that the proposed settlement will receive final approval.

On October 12, 2012, HarperCollins received a Civil Investigative Demand from the Attorney General from the State of Minnesota. HarperCollins is cooperating with that investigation. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

The European Commission is conducting an investigation into whether certain companies in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of the switch to the agency model for eBooks. Following discussions with the European Commission, the Office of Fair Trading closed its investigation in favor of the European Commission's investigation on December 6, 2011. HarperCollins currently is cooperating with the European Commission and working towards resolving its investigation.

While a proposed resolution has not been finalized with the European Commission, the Company believes that such a resolution, as currently contemplated, would not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that such a resolution will be finalized.

Commencing on February 24, 2012, five purported consumer class actions were filed in the Canadian provinces of British Columbia, Quebec and Ontario, which relate to the decisions by certain publishers, including HarperCollins, to begin selling their eBooks in Canada pursuant to an agency relationship. The actions seek as relief special, general and punitive damages, injunctive relief and the costs of the litigations. While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, especially given their early stages, HarperCollins believes it was compliant with applicable antitrust and competition laws and intends to defend itself vigorously.

In early July 2012, HarperCollins Canada, a wholly-owned subsidiary of HarperCollins, learned that the Canadian Competition Bureau ("CCB") had commenced an inquiry regarding the sale of eBooks in Canada. HarperCollins currently is cooperating with the CCB with respect to its inquiry. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

#### Other

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

#### ITEM 1A. RISK FACTORS

Prospective investors should consider carefully the risk factors set forth below before making an investment in the Company's securities.

A Decline in Advertising Expenditures Could Cause the Company's Revenues and Operating Results to Decline Significantly in any Given Period or in Specific Markets.

The Company derives substantial revenues from the sale of advertising on or in its television stations, broadcast and cable networks, newspapers, integrated marketing services, digital media properties and direct broadcast satellite services. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. Demand for the Company's products is also a factor in determining advertising rates. For example, ratings points for the Company's television stations, broadcast and cable networks and circulation levels for the Company's newspapers are factors that are weighed when determining advertising rates, and with respect to the Company's television stations and broadcast and television networks, when determining the affiliate rates received by the Company. In addition, newer technologies, including new video formats, streaming and downloading capabilities via the Internet, video-on-demand, personal video recorders, digital distribution models for

books and other devices and technologies are increasing the number of media and entertainment choices available to audiences. Some of these devices and technologies allow users to view television or motion pictures from a remote location or on a time-delayed basis and provide users the ability to fast-forward, rewind, pause and skip programming and advertisements. These technological developments are increasing the number of media and entertainment choices available to audiences and may cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to viewers, advertisers and/or distributors. A decrease in advertising expenditures or reduced demand for the Company's offerings can lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company's businesses and assets.

Global Economic Conditions May Have a Continuing Adverse Effect on the Company's Business.

The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending and lower consumer net worth. The resulting pressure on the labor and retail markets and the downturn in consumer confidence weakened the economic climate in certain markets in which the Company does business and has had and may continue to have an adverse effect on the Company's business, results of operations, financial condition and liquidity. A continued decline in these economic conditions could further impact the Company's business, reduce the Company's advertising and other revenues and negatively impact the performance of its motion pictures and home entertainment releases, television operations, newspapers, books and other consumer products. In addition, these conditions could also impair the ability of those with whom the Company does business to satisfy their obligations to the Company. As a result, the Company's results of operations may be adversely affected. Although the Company believes that its operating cash flow and current access to capital and credit markets, including the Company's existing credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that continued or increased volatility and disruption in the global capital and credit markets will not impair the Company's liquidity or increase its cost of borrowing.

Acceptance of the Company's Film and Television Programming by the Public is Difficult to Predict, Which Could Lead to Fluctuations in Revenues.

Feature film and television production and distribution are speculative businesses since the revenues derived from the production and distribution of a feature film or television series depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a feature film or television series also depends upon the quality and acceptance of other competing films and television series released into the marketplace at or near the same time, the availability of a growing number of alternative forms of entertainment and leisure time activities, general economic conditions and their effects on consumer spending and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Further, the theatrical success of a feature film and the audience ratings for a television series are generally key factors in generating revenues from other distribution channels, such as home entertainment and premium pay television, with respect to feature films, and syndication, with respect to television series.

The Company Could Suffer Losses Due to Asset Impairment Charges for Goodwill, Intangible Assets and Programming.

In accordance with applicable generally accepted accounting principles, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including FCC licenses and mastheads, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as the prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units, particularly those in the Publishing, Television and Cable Network Programming segments. A downward revision in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in an impairment and a non-cash charge would be required. Any such charge could be material to the Company's reported net earnings.

Fluctuations in Foreign Exchange Rates Could Have an Adverse Effect on the Company's Results of Operations.

The Company has significant operations in a number of foreign jurisdictions and certain of the Company operations are conducted in foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its results of operations in a given period or in specific markets.

The Loss of Carriage Agreements Could Cause the Company's Revenue and Operating Results to Decline Significantly in any Given Period or in Specific Markets.

The Company is dependent upon the maintenance of affiliation agreements with third party owned television stations and there can be no assurance that these affiliation agreements will be renewed in the future on terms acceptable to the Company. The loss of a significant number of these affiliation arrangements could reduce the distribution of FOX and MyNetworkTV and adversely affect the

Company's ability to sell national and local advertising time. Similarly, the Company's cable networks maintain affiliation and carriage arrangements that enable them to reach a large percentage of cable and direct broadcast satellite households across the United States. The loss of a significant number of these arrangements or the loss of carriage on basic programming tiers could reduce the distribution of the Company's cable networks, which may adversely affect those networks' revenues from subscriber fees and their ability to sell national and local advertising time.

The Inability to Renew Sports Programming Rights Could Cause the Company's Advertising Revenue to Decline Significantly in any Given Period or in Specific Markets.

The sports rights contracts between the Company, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be sought; however, third parties may outbid the current rights holders for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights could impact the extent of the sports coverage offered by the Company and its affiliates, as it relates to FOX, and could adversely affect the Company's advertising and affiliate revenues. Upon renewal, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in advertising rates and, in the case of cable networks, subscriber fees.

The Company Relies on Network and Information Systems and Other Technology That May Be Subject to Disruption or Misuse, Which Could Result in Improper Disclosure of Personal Data or Confidential Information as well as Increased Costs or Loss of Revenue.

Network and information systems and other technologies, including those related to our network management, are important to our business activities. Network and information systems-related events, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, could result in a disruption of our services or improper disclosure of personal data or confidential information. Improper disclosure of such information could harm our reputation, require us to expend resources to remedy such a security breach or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Technological Developments May Increase the Threat of Content Piracy and Signal Theft and Limit the Company's Ability to Protect Its Intellectual Property Rights.

The Company seeks to limit the threat of content piracy and direct broadcast satellite programming signal theft; however, policing unauthorized use of the Company's products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent the infringement by unauthorized third parties. Developments in technology, including digital copying, file compressing and the growing penetration of high-bandwidth Internet connections, increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. In addition, developments in software or devices that circumvent encryption technology increase the threat of unauthorized use and distribution of direct broadcast satellite programming signals and the proliferation of user-generated content sites and live and stored video streaming sites, which deliver unauthorized copies of copyrighted content, including those emanating from other countries in various languages, may adversely impact the Company's businesses. The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of the Company's rights as defined by applicable laws in the United States and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from intellectual property may decrease, or the cost of obtaining and maintaining rights may increase. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. Content piracy and signal theft present a threat to the Company's revenues from products and services, including, but not limited to, films, television shows, books and direct broadcast satellite programming.

The Company Must Respond to Changes in Consumer Behavior as a Result of New Technologies in Order to Remain Competitive.

Technology, particularly digital technology used in the entertainment industry, continues to evolve rapidly, leading to alternative methods for the delivery and storage of digital content. These technological advancements have driven changes in consumer behavior and have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on televisions and portable devices. There is a risk that the Company's responses to these changes and strategies to remain competitive, including distribution of its content on a "pay" basis, may not be adopted by consumers. In addition, enhanced Internet capabilities and other new media may reduce television viewership, the demand for DVDs and Blu-rays, the desire to see motion pictures in theaters and the demand for newspapers, which could

negatively affect the Company's revenues. In publishing, the trending toward digital media may drive down the price consumers are willing to spend on our products disproportionately to the costs associated with generating literary content. The Company's failure to protect and exploit the value of its content, while responding to and developing new technology and business models to take advantage of advancements in technology and the latest consumer preferences, could have a significant adverse effect on the Company's businesses, asset values and results of operations.

Labor Disputes May Have an Adverse Effect on the Company's Business.

In a variety of the Company's businesses, the Company and its partners engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements, including employees of the Company's film and television studio operations and newspapers. If the Company or its partners are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Such actions, as well as higher costs in connection with these collective bargaining agreements or a significant labor dispute, could have an adverse effect on the Company's business by causing delays in production or by reducing profit margins.

Changes in U.S. or Foreign Regulations May Have an Adverse Effect on the Company's Business.

The Company is subject to a variety of U.S. and foreign regulations in the jurisdictions in which its businesses operate. In general, the television broadcasting and multichannel video programming and distribution industries in the United States are highly regulated by federal laws and regulations issued and administered by various federal agencies, including the FCC. The FCC generally regulates, among other things, the ownership of media, broadcast and multichannel video programming and technical operations of broadcast licensees. Our program services and online properties are subject to a variety of laws and regulations, including those relating to issues such as content regulation, user privacy and data protection, and consumer protection, among others. Further, the United States Congress, the FCC and state legislatures currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters, including technological changes and measures relating to privacy and data security, which could, directly or indirectly, affect the operations and ownership of the Company's U.S. media properties. Similarly, changes in regulations imposed by governments in other jurisdictions in which the Company, or entities in which the Company has an interest, operate could adversely affect its business and results of operations.

In addition, changes in tax laws, regulations or the interpretations thereof in the U.S. and other jurisdictions in which the Company has operations could affect the Company's results of operations.

#### U.S. Citizenship Requirements May Limit Common Stock Ownership and Voting Rights.

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company's Restated Certificate of Incorporation authorizes the Board to prevent, cure or mitigate the effect of stock ownership above the applicable foreign ownership threshold by taking any action including: refusing to permit any transfer of common stock to or ownership of common stock by a non-U.S. stockholder; voiding a transfer of common stock to a non-U.S. stockholder; suspending rights of stock ownership if held by a non-U.S. stockholder; or redeeming common stock held by a non-U.S. stockholder. On September 28, 2012, the Audit Committee of the Company's Board of Directors determined that approximately 32% of the Company's Class B Common Stock is owned by non-U.S. stockholders, and the combined ownership of Class A Common Stock and Class B Common Stock by non-U.S. stockholders is less than 25% of the combined outstanding shares of Class A Common Stock and Class B Common Stock. In order to maintain compliance with U.S. law, the Company suspended 40% of the voting rights of the Class B Common Stock held by non-U.S. stockholders, a decrease from the previously-announced suspension in April 2012 of 50% of the voting rights of the Class B Common Stock held by non-U.S. stockholders. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. The Company is not able to predict whether it will need to adjust the suspension or whether additional action pursuant to its Restated Certificate of Incorporation may be necessary. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

We Face Criminal Investigations Regarding Allegations of Phone Hacking and Inappropriate Payments to Public Officials and Other Related Matters and Related Civil Lawsuits.

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company's subsidiaries outside of the U.K. The Company is cooperating with these investigations.

The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed.

We are not able to predict the ultimate outcome or cost of the investigations. Violations of law may result in civil, administrative or criminal fines or penalties. It is also possible that these proceedings could damage our reputation and might impair our ability to conduct our business. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition.

The Proposed Separation of the Company's Publishing and Media and Entertainment Businesses into Two Distinct Publicly Traded Companies May Not Be Completed on the Terms or Timeline Currently Contemplated, If At All.

In June 2012, the Company announced its intention to pursue the separation of its publishing and media and entertainment businesses into two distinct publicly traded companies (the "Proposed Separation Transaction"). Unanticipated developments could delay or negatively impact the Proposed Separation Transaction, including those related to obtaining various regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and its stockholders, completing further due diligence as appropriate, the filing and effectiveness of appropriate filings with the SEC, and changes in market conditions, among other things. In addition, consummation of the Proposed Separation Transaction will require final approval from the Company's Board of Directors and stockholders. Therefore, we cannot assure that we will be able to complete the Proposed Separation Transaction on the terms or on the timeline that we announced, if at all.

We are actively engaged in planning for the Proposed Separation Transaction. We expect to incur expenses in connection with the Proposed Separation Transaction and any delays in the anticipated completion of the Proposed Separation Transaction may increase these expenses. In addition, completion of the Proposed Separation Transaction will require significant amounts of our management's time and effort which may divert management's attention from our businesses. The Proposed Separation Transaction may result in the division of key employees into the two separate public companies which may create a knowledge and skill gap.

Further, shares of our common stock will represent an investment in two smaller separate public companies. These changes may not meet some stockholders' investment strategies, which could cause investors to sell their shares of our common stock in either company. Excessive selling could cause the relative market price of common stock in either or both companies to decrease following completion of the Proposed Separation Transaction.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Board had previously authorized a total stock repurchase program of \$6 billion with a remaining authorized amount under the program of approximately \$1.8 billion, excluding commissions, as of June 30, 2011. In July 2011, the Company announced that the Board had authorized increasing the total amount of the stock repurchase program remaining by approximately \$3.2 billion to \$5 billion. In May 2012, the Company announced that the Board approved a \$5 billion increase to the Company's stock repurchase program for the repurchase of Class A Common Stock.

The remaining authorized amount under the Company's stock repurchase program at September 30, 2012, excluding commissions, was approximately \$4.5 billion.

The program may be extended, modified, suspended or discontinued at any time.

Below is a summary of the Company's purchases of its Class A Common Stock during the three months ended September 30, 2012:

	Total Number of Shares Purchased	Average Price per Share	Total Cost of Purchase (in millions)
July	14,350,000	22.09	317
August	16,755,000	23.28	390
September	_6,952,800	24.45	170
Total	38,057,800		\$ 877

The Company did not purchase any of its Class B Common Stock during the three months ended September 30, 2012.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

#### ITEM 5. OTHER INFORMATION

Not applicable.

#### ITEM 6. EXHIBITS

- (a) Exhibits.
- 4.1 Registration Rights Agreement, dated as of September 14, 2012, by and among News America Incorporated, News Corporation and J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.\*
- 4.2 Form of Notes representing \$1,000,000,000 principal amount of 3.00% Senior Notes due 2022, dated September 14, 2012.\*
- 4.3 Notice to Holders of News Corporation Class B Common Stock, dated September 28, 2012 (Incorporated by reference to Exhibit 4.1 to the Current Report of News Corporation on Form 8-K (File No. 001-32352) filed with the Securities and Exchange Commission on September 28, 2012).
- 10.1 Employment Agreement, effective as of February 1, 2012, between News America Incorporated and Gerson Zweifach.\*
- 12.1 Ratio of Earnings to Fixed Charges.\*
- 31.1 Chairman and Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.\*
- 31.2 Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.\*
- 32.1 Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.\*\*
- The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Statements of Operations for the three months ended September 30, 2012 and 2010; (ii) Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2012 and 2011; (iii) Consolidated Balance Sheets at September 30, 2012 (unaudited) and June 30, 2012 (audited); (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended September 30, 2012 and 2010; and (v) Notes to the Unaudited Consolidated Financial Statements.\*

<sup>\*</sup> Filed herewith.

<sup>\*\*</sup> Furnished herewith.

# **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEWS CORPORATION (Registrant)

By: /s/ David F. DeVoe

David F. DeVoe Senior Executive Vice President and Chief Financial Officer

Date: November 8, 2012

# $$1,000,000,000\ 3.00\%$ Senior Notes due 2022 REGISTRATION RIGHTS AGREEMENT

Dated as of September 14, 2012

by and among

NEWS AMERICA INCORPORATED,

**NEWS CORPORATION,** 

J.P. MORGAN SECURITIES LLC,

CITIGROUP GLOBAL MARKETS INC.,

GOLDMAN, SACHS & CO.,

and

MERRILL LYNCH, PIERCE FENNER & SMITH, INCORPORATED

#### REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "<u>Agreement</u>") is made and entered into as of September 14, 2012 by and among NEWS AMERICA INCORPORATED, a Delaware corporation (the "<u>Issuer</u>"), NEWS CORPORATION, a Delaware corporation (the "<u>Guarantor</u>"), and J.P. MORGAN SECURITIES LLC (the "<u>Purchaser Representative</u>"), CITIGROUP GLOBAL MARKETS INC., GOLDMAN, SACHS & CO., and MERRILL LYNCH, PIERCE FENNER & SMITH, INCORPORATED (collectively, with the Purchaser Representative, the "<u>Initial Purchasers</u>" and each, an "<u>Initial Purchaser</u>").

This Agreement is made pursuant to the Purchase Agreement, dated as of September 11, 2012, by and among the Issuer, the Guarantor and the Initial Purchasers (the "<u>Purchase Agreement</u>"), which provides for, among other things, the sale by the Issuer to the Initial Purchasers of an aggregate of \$1,000,000,000 principal amount of the Issuer's 3.00% Senior Notes Due 2022 (the "<u>Securities</u>"). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuer has agreed to provide to the Initial Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

- 1. <u>Definitions</u>. As used in this Agreement, the following capitalized defined terms shall have the following meanings:
  - "Additional Interest" shall have the meaning set forth in Section 2(e) hereof.
  - "Advice" shall have the meaning set forth in the last paragraph of Section 3 hereof.
  - "Applicable Period" shall have the meaning set forth in Section 3(s) hereof.
- "Business Day" shall mean a day that is not a Saturday, a Sunday, or a day on which banking institutions in New York, New York are required to be closed.
  - "Closing Time" shall mean the Closing Time as defined in the Purchase Agreement.
- "<u>Depositary</u>" shall mean The Depository Trust Company, or any other depositary appointed by the Issuer; <u>provided</u>, <u>however</u>, that such depositary must have an address in the Borough of Manhattan, in the City of New York.
  - "Effectiveness Period" shall have the meaning set forth in Section 2(b) hereof.
  - "Event Date" shall have the meaning set forth in Section 2(e) hereof.
  - "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Offer" shall mean the exchange offer by the Issuer of Exchange Securities for Securities pursuant to Section 2 (a) hereof.

"Exchange Offer Registration" shall mean a registration under the Securities Act effected pursuant to Section 2(a) hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-1 or S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchange Period" shall have the meaning set forth in Section 2(a)(ii) hereof.

"Exchange Securities" shall mean the senior debt securities issued by the Issuer under the Indenture containing terms identical to the Securities which terms shall include the guarantee of the Guarantor on the original Securities (except that (i) interest thereon shall accrue from the last date on which interest was paid on the Securities or, if no such interest has been paid, from September 14, 2012 and (ii) the transfer restrictions thereon shall be eliminated) to be offered to Holders of Securities in exchange for Securities pursuant to the Exchange Offer.

"<u>Holder</u>" shall mean each of the Initial Purchasers, for so long as it owns any Registrable Securities, and each of its successors, assigns and direct and indirect transferees who become registered owners of Registrable Securities under the Indenture.

"Indenture" shall mean the Amended and Restated Indenture relating to the Securities, dated February 16, 2011, among the Company as issuer of the Securities, the Guarantor, and The Bank of New York Mellon, as trustee (the "Trustee"), as may be amended or supplemented from time to time in accordance with the terms thereof.

"Initial Purchaser" and "Initial Purchasers" shall have the meaning set forth in the preamble to this Agreement.

"Inspectors" shall have the meaning set forth in Section 3(m) hereof.

"Issuer" shall have the meaning set forth in the preamble to this Agreement and also includes the Issuer's successors and permitted assigns.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities.

"Participating Broker-Dealer" shall have the meaning set forth in Section 3(s) hereof.

"Person" shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Private Exchange" shall have the meaning set forth in Section 2(a) hereof.

"Private Exchange Securities" shall have the meaning set forth in Section 2(a) hereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Purchaser Representative" shall have the meaning set forth in the preamble to this Agreement.

"Records" shall have the meaning set forth in Section 3(m) hereof.

"Registrable Securities" shall mean each Security and, if issued, each Private Exchange Security until (i) the date on which such Security has been exchanged by a Person other than a Participating Broker-Dealer for an Exchange Security in the Exchange Offer, (ii) following the exchange by a Participating Broker-Dealer in the Exchange Offer of a Security for an Exchange Security, the date on which such Exchange Security is sold to a purchaser who receives from such Participating Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement, as amended or supplemented, (iii) the date on which such Security or Private Exchange Security, as the case may be, has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement, (iv) the date such Security or Private Exchange Security, as the case may be, shall have been otherwise transferred by the Holder thereof and a new Security not bearing a legend restricting further transfer shall have been delivered by the Issuer and subsequent disposition of such Security shall not require registration or qualification under the Securities Act or any similar state law then in force or (v) such Security or Private Exchange Security, as the case may be, ceases to be outstanding.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Issuer with this Agreement, including without limitation: (i) all SEC, stock exchange or the Financial Industry Regulatory Authority (the "FINRA") registration and filing fees, including, if applicable, the reasonable fees and expenses of any "qualified independent underwriter" (and its counsel) that is required to be retained by

the Initial Purchasers in accordance with the rules and regulations of the FINRA, (ii) all reasonable fees and expenses incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for any underwriters or the Initial Purchasers in connection with "blue sky" qualification of any of the Exchange Securities or Registrable Securities) and compliance with the rules of the FINRA, (iii) all reasonable expenses of any Persons (other than the Holders or Persons acting on the request of the Holders) in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus and any amendments or supplements thereto, and in preparing or assisting in preparing, printing and distributing any underwriting agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) the reasonable fees and disbursements of counsel for the Issuer and the Guarantor and of the independent certified public accountants of the Issuer and the Guarantor, including the expenses of any "cold comfort" letters required by or incident to such performance and compliance, (vi) the reasonable fees and expenses of the Trustee, and any exchange agent or custodian, (vii) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges and (viii) any reasonable fees and disbursements of any underwriter customarily required to be paid by the Issuer or sellers of securities and the reasonable fees and expenses of any special experts retained by the Issuer in connection with any Registration Statement.

"Registration Statement" shall mean any registration statement of the Issuer which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

- "SEC" shall mean the Securities and Exchange Commission.
- "Securities" shall have the meaning set forth in the preamble to this Agreement.
- "Securities Act" shall mean the Securities Act of 1933, as amended.
- "Shelf Registration" shall mean a registration effected pursuant to Section 2(b) hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Issuer pursuant to the provisions of Section 2(b) hereof which covers all of the Registrable Securities or all of the Private Exchange Securities, as the case may be, on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

## 2. Registration Under the Securities Act.

(a) Exchange Offer. To the extent not prohibited by any applicable law or applicable SEC policy, the Issuer shall, for the benefit of the Holders and at the Issuer's cost (i) file with the SEC within 90 days after the Closing Time an Exchange Offer Registration Statement on an appropriate form under the Securities Act covering the offer by the Issuer to the Holders to exchange all of the Registrable Securities (other than Private Exchange Securities, if issued) for a like principal amount of Exchange Securities, (ii) use its reasonable best efforts to cause such Exchange Offer Registration Statement to be declared effective under the Securities Act by the SEC on or prior to the 180th day after the Closing Time, (iii) use its reasonable best efforts to have such Registration Statement remain effective until the closing of the Exchange Offer and (iv) commence the Exchange Offer and use its reasonable best efforts to issue Exchange Securities in exchange for all Registrable Securities (other than the Private Exchange Securities, if issued) properly tendered prior thereto in the Exchange Offer not later than 225 days after the Closing Time. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder eligible and electing to exchange Registrable Securities (other than Private Exchange Securities, if issued) for Exchange Securities (assuming that such Holder is not an affiliate of the Issuer within the meaning of Rule 405 under the Securities Act and is not a broker-dealer tendering Registrable Securities acquired directly from the Issuer or an affiliate of the Issuer for its own account, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any Person to participate in the Exchange Offer for the purpose of "distributing" (within the meaning of the Securities Act) the Exchange Securities), with such Exchange Securities, from and after their receipt, having no limitations or restrictions on their transfer under the Securities Act and under state securities or "blue sky" laws.

In connection with the Exchange Offer, the Issuer shall:

- (i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;
- (ii) keep the Exchange Offer open for acceptance for a period of not less than 20 Business Days after the date notice thereof is mailed to the Holders (or longer if required by applicable law) (such period referred to herein as the "Exchange Period");
  - (iii) utilize the services of the Trustee for the Exchange Offer;
- (iv) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last Business Day of the Exchange Period, by sending to the institution specified in the notice a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Securities delivered for exchange and a statement that such Holder is withdrawing such Holder's election to have such Securities exchanged;

- (v) notify each Holder that any Security not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under this Agreement (except in the case of the Initial Purchasers and Participating Broker-Dealers as provided herein); and
  - (vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

If, prior to consummation of the Exchange Offer, an Initial Purchaser holds any Securities acquired by it and such Securities have the status of an unsold allotment in the initial distribution, the Issuer shall, upon the request of such Initial Purchaser, simultaneously with the delivery of the Exchange Securities in the Exchange Offer, issue and deliver to such Initial Purchaser in exchange (the "Private Exchange") for the Securities held by such Initial Purchaser, a like principal amount of debt securities of the Issuer that are identical (except that such securities shall bear appropriate transfer restrictions) to the Exchange Securities (the "Private Exchange Securities").

The Private Exchange Securities, if any, shall be issued under the Indenture. The Private Exchange Securities shall be of the same series as, and the Issuer shall use its reasonable best efforts to have the Private Exchange Securities bear the same CUSIP number as the applicable Exchange Securities.

As soon as practicable after the close of the Exchange Offer and/or the Private Exchange, as the case may be, the Issuer shall:

- (i) accept for exchange all Securities or portions thereof tendered and not validly withdrawn pursuant to the Exchange Offer;
  - (ii) accept for exchange all Securities duly tendered pursuant to the Private Exchange; and
- (iii) deliver, or cause to be delivered, to the Trustee for cancellation all Securities or portions thereof so accepted for exchange by the Issuer, and issue, and cause the Trustee under the Indenture to promptly authenticate and deliver to each Holder, a new Exchange Security or Private Exchange Security, as the case may be, equal in principal amount to the principal amount of the Securities surrendered by such Holder and accepted for exchange.

To the extent not prohibited by any law or applicable interpretation of the staff of the SEC, the Issuer shall use its reasonable best efforts to complete the Exchange Offer as provided above, and shall comply with the applicable requirements of the Securities Act, the Exchange Act and other applicable laws in connection with the Exchange Offer. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of the staff of the SEC. Each Holder of Registrable Securities (other than Private Exchange Securities, if issued) who wishes to exchange such Registrable Securities (other than Private Exchange Securities, if issued) securities in the Exchange Offer will be required to make certain customary representations in connection therewith,

including representations that such Holder is not an affiliate of the Issuer within the meaning of Rule 405 under the Securities Act, or if it is such an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, that any Exchange Securities to be received by it will be acquired in the ordinary course of business and that at the time of the commencement of the Exchange Offer it has no arrangement with any Person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Securities. The Issuer shall inform the Initial Purchasers, after consultation with the Trustee and the Initial Purchasers, of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right to contact such Holders and otherwise facilitate the tender of Registrable Securities in the Exchange Offer.

Upon consummation of the Exchange Offer in accordance with this Section 2(a), the provisions of this Agreement shall continue to apply, <u>mutatis mutandis</u>, solely with respect to Registrable Securities that are Private Exchange Securities, if issued, and Exchange Securities held by Participating Broker-Dealers, and the Issuer shall have no further obligation to register Registrable Securities (other than Private Exchange Securities, if issued) pursuant to Section 2(b) hereof.

(b) Shelf Registration. To the extent not prohibited by any law or applicable SEC policy, in the event that (i) the Issuer is not permitted to file the Exchange Offer Registration Statement or to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or SEC policy, (ii) the Exchange Offer is not for any other reason declared effective under the Securities Act by the SEC within 180 days after the Closing Time, (iii) any Holder of Securities notifies the Issuer within 30 days after the commencement of the Exchange Offer that (1) due to a change in law or SEC policy it is not entitled to participate in the Exchange Offer, (2) due to a change in law or SEC policy it may not resell the Exchange Securities acquired by it in the Exchange Offer to the public without delivering a Prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such holder or (3) it is a broker-dealer and owns Securities acquired directly from the Issuer or an affiliate of the Issuer, or (iv) the holders of a majority in aggregate principal amount of the Securities may not resell the Exchange Securities acquired by them in the Exchange Offer to the public without restriction under the Securities Act and without restriction under applicable "blue sky" or state securities laws, then in the case of any of (i) through (iv), the Issuer shall, at the Issuer's cost, file as promptly as practicable after such determination or date, as the case may be, and, in any event, prior to the later of (A) 90 days after the Closing Time or (B) 30 days after such filing obligation arises (provided, however, that if the Exchange Offer Registration Statement is not declared effective under the Securities Act by the SEC within 180 days after the Closing Time, then the Issuer shall file the Shelf Registration Statement with the SEC on or prior to the 210th day after the Closing Time, unless the Issuer has consummated the Exchange Offer prior to the 180th day after the Closing Time whereby the Issuer's obligation to file a Shelf Registration Statement pursuant to clause (b)(ii) above shall be cancelled, provided, that such cancellation shall not relieve the Issuer of any obligation to pay Additional Interest, if Additional Interest is otherwise due and payable), a Shelf Registration Statement providing for the sale by the Holders of all of the Registrable Securities affected thereby, and, to the extent not declared effective automatically by the SEC, shall use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the SEC as soon as practicable and, in any event, on or prior to 90 days after the obligation to file the Shelf Registration Statement arises (in the case of

(B) above). No Holder of Registrable Securities may include any of its Registrable Securities in any Shelf Registration pursuant to this Agreement unless and until such Holder furnishes to the Issuer in writing, within 10 days after receipt of a request therefor, such information as the Issuer may, after conferring with counsel with regard to information relating to Holders that would be required by the SEC to be included in such Shelf Registration Statement or Prospectus included therein, reasonably request for inclusion in any Shelf Registration Statement or Prospectus included therein. Each Holder as to which any Shelf Registration is being effected agrees to furnish to the Issuer all information with respect to such Holder necessary to make any information previously furnished to the Issuer by such Holder not materially misleading.

The Issuer agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended for a period of six months from the Closing Time or such shorter period that will terminate when all the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant thereto (subject to extension pursuant to the last paragraph of Section 3 hereof) (the "Effectiveness Period"), provided, however, that with respect to the Private Exchange Securities, if issued, the Issuer shall only be obligated to keep the Shelf Registration Statement effective, supplemented and amended for a period of 60 days. The Issuer shall not permit any securities other than Registrable Securities to be included in the Shelf Registration. The Issuer further agrees, if necessary, to supplement or amend the Shelf Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Issuer for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for shelf registrations, and the Issuer agrees to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

Notwithstanding the requirements contained in this Section 2(b), solely with respect to the Private Exchange Securities, if issued, the Issuer shall have no obligation to file or effect a Shelf Registration Statement registering such Private Exchange Securities if the aggregate principal amount of such Private Exchange Securities does not exceed \$5,000,000.

- (c) Expenses. The Issuer shall pay all Registration Expenses in connection with any registration pursuant to Section 2(a) or 2(b) hereof. Except as provided in the preceding sentence, each Holder shall pay all expenses of its counsel, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.
- (d) <u>Effective Registration Statement</u>. An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; <u>provided</u>, <u>however</u>, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Shelf Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities may legally resume. The Issuer will be deemed not to have used its reasonable best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective

during the requisite period if they voluntarily take any action that would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless such action is required by applicable law. Notwithstanding the foregoing, the only remedy available under this Agreement for the failure of the Issuer to satisfy the obligations set forth in Sections 2(a), 2(b) and 3 hereof shall be payment by the Issuer of the Additional Interest as set forth in Section 2(e) hereof and the remedy of specific enforcement provided by Section 2(f) hereof.

(e) Additional Interest. If (i) the Issuer fails to file an Exchange Offer Registration Statement or the Shelf Registration Statement with respect to the Registrable Securities (other than the Private Exchange Securities, if issued) on or before the date specified herein for such filing, (ii) the Exchange Offer Registration Statement or the Shelf Registration Statement is not declared effective by the SEC on or prior to the date specified herein for such effectiveness (the "Effectiveness Target Date"), (iii) the Exchange Offer is required to be consummated hereunder and the Issuer fails to issue Exchange Securities in exchange for all Securities properly tendered and not withdrawn in the Exchange Offer within 45 days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement, or (iv) the Exchange Offer Registration Statement or the Shelf Registration Statement required to be filed and declared effective hereunder is declared effective but thereafter ceases to be effective or usable in connection with the Exchange Offer or resales of Securities, as the case may be, during the periods specified herein (each such event referred to in clauses (i) through (iv) above, a "Registration Default"), then the interest rate borne by the Registrable Securities (other than the Private Exchange Securities, if issued, as to which no additional amounts shall be payable under this Section 2(e)) as to which the Registration Default exists shall be increased (the "Additional Interest"), with respect to the first 90-day period (or portion thereof) while a Registration Default is continuing immediately following the occurrence of such Registration Default, by 0.25% per annum, such interest rate increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period (or portion thereof) while a Registration Default is continuing until all Registration Defaults have been cured, up to a maximum rate of Additional Interest of 1.00% per annum. Upon (1) the filing of the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, required hereunder (in the case of clause (i) of the preceding sentence), (2) the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, required hereunder (in the case of clause (ii) of the preceding sentence), (3) the issuance of Exchange Securities in exchange for all Securities (other than the Private Exchange Securities, if issued) properly tendered and not withdrawn in the Exchange Offer (in the case of clause (iii) of the preceding sentence), or (4) the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, required hereunder which had ceased to be effective (in the case of clause (iv) of the preceding sentence), Additional Interest as a result of the Registration Default described in such clause shall cease to accrue (but any accrued amount shall be payable) and the interest rate on the Securities shall revert to the original rate if no other Registration Default has occurred and is continuing.

The Issuer shall notify the Trustee within three Business Days after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Additional Interest shall be paid by depositing with the Trustee, in trust, for the

benefit of the Holders of Securities (other than Private Exchange Securities, if issued) on or before the applicable semi-annual interest payment date, immediately available funds in sums sufficient to pay the Additional Interest then due. The Additional Interest due shall be payable on each interest payment date to the record Holder of Securities entitled to receive the interest payment to be paid on such date as set forth in the Indenture. Each obligation to pay Additional Interest shall be deemed to accrue from and including the day following the applicable Event Date.

- (f) <u>Specific Enforcement</u>. Without limiting the remedies available to the Initial Purchasers and the Holders, the Issuer acknowledges that any failure by the Issuer to comply with its obligations under Section 2(a) and Section 2(b) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it would not be possible to measure damages for such injuries precisely and that, in the event of any such failure, any Initial Purchaser or any Holder may obtain such relief as may be required to specifically enforce the Issuer's obligations under Section 2(a) and Section 2(b) hereof.
- 3. <u>Registration Procedures</u>. In connection with the obligations of the Issuer with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Issuer shall:
  - (a) prepare and file with the SEC a Registration Statement or Registration Statements as prescribed by Sections 2(a) and 2 (b) hereof within the relevant time period specified in Section 2 hereof on the appropriate form under the Securities Act, which form (i) shall be selected by the Issuer, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (iii) shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith; and use its reasonable best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof; provided, however, that if (1) such filing is pursuant to Section 2(b) or (2) a Prospectus contained in an Exchange Offer Registration Statement filed pursuant to Section 2(a) is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuer shall furnish to and afford the Holders of the Registrable Securities and each such Participating Broker-Dealer, as the case may be, covered by such Registration Statement, their counsel and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (excluding copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (at least five Business Days prior to such filing). The Issuer shall not file any Registration Statement or Prospectus or any amendments or supplements thereto in respect of which the Holders must be afforded an opportunity to review prior to the filing of such document if the Majority Holders or such Participating Broker-Dealer, as the case may be, their counsel or the managing underwriters, if any, shall reasonably object;
  - (b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement effective for the Effectiveness Period or the Applicable Period, as the case may be; and cause each Prospectus to be supplemented by any required prospectus supplement

and as so supplemented to be filed pursuant to Rule 424 (or any similar provision then in force) under the Securities Act, and comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder applicable to it with respect to the disposition of all securities covered by each Registration Statement during the Effectiveness Period or the Applicable Period, as the case may be, in accordance with the intended method or methods of distribution by the selling Holders thereof described in this Agreement (including sales by any Participating Broker Dealer);

- (c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities, at least three Business Days prior to filing, that a Shelf Registration Statement with respect to the Registrable Securities is being filed and advising such Holder that the distribution of Registrable Securities will be made in accordance with the method selected by the Majority Holders, (ii) furnish to each Holder of Registrable Securities and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary prospectus, and any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities, and (iii) subject to the last paragraph of Section 3(s) hereof, hereby consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;
- (d) in the case of a Shelf Registration, use its reasonable best efforts to register or qualify the Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions by the time the applicable Registration Statement is declared effective by the SEC as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request in advance of such date of effectiveness, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder and underwriter to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder; provided, however, that the Issuer shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (ii) file any general consent to service of process or (iii) subject itself to taxation in any such jurisdiction if it is not so subject;
- (e) in the case of (1) a Shelf Registration or (2) notification from Participating Broker-Dealers that they will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in Section 3(s) hereof, notify each Holder of Registrable Securities, or such Participating Broker-Dealers, as the case may be, their counsel and the managing underwriters, if any, promptly and confirm such notice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for amendments and supplements to a Registration Statement or Prospectus or for additional information after the Registration Statement has become

effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of, a Registration Statement or the initiation of any proceedings for that purpose, (iv) if the Issuer receives any notification with respect to the suspension of the qualification of the Registrable Securities or the Exchange Securities to be sold by any Participating Broker-Dealer for offer or sale in any jurisdiction or the initiation of any proceeding for such purpose, (v) of the happening of any event or the failure of any event to occur or the discovery of any facts or otherwise during the Effectiveness Period or Applicable Period, as the case may be, which makes any statement made in a Registration Statement or the related Prospectus untrue in any material respect or which causes such Registration Statement or Prospectus to omit to state a material fact necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading and (vi) of the Issuer's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate;

- (f) take reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable;
- (g) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities, without charge, at least one conformed copy of each Registration Statement relating to such Shelf Registration and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);
- (h) in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold and not bearing any restrictive legends; and cause such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters may reasonably request at least two Business Days prior to the closing of any sale of Registrable Securities;
- (i) in the case of a Shelf Registration or an Exchange Offer Registration, upon the occurrence of any circumstance contemplated by Section 3(e)(ii), 3(e)(iii), 3(e)(v) or 3(e)(vi) hereof, use its reasonable best efforts to prepare a supplement or post-effective amendment to a Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document (subject to Section 3(a)) so that, as thereafter delivered to the purchasers of the Registrable Securities or Exchange Securities to whom a Prospectus is being delivered by a Participating Broker-Dealer who has notified the Issuer that it will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in Section 3(s) hereof, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to notify each Holder or Participating Broker-Dealer, as the case may be, to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Holder and Participating Broker-Dealer hereby agrees to suspend use of the Prospectus until the Issuer has amended or supplemented the Prospectus to correct such misstatement or omission;

- (j) in the case of a Shelf Registration, upon the filing of any document which is to be incorporated by reference into a Registration Statement or a Prospectus after the initial filing of a Registration Statement, provide a reasonable number of copies of such document to the Holders;
- (k) obtain a CUSIP number for all Exchange Securities or Registrable Securities, as the case may be, not later than the effective date of a Registration Statement, and provide the Trustee with certificates for the Exchange Securities or the Registrable Securities, as the case may be, in a form eligible for deposit with the Depositary;
- (1) in the case of a Shelf Registration, enter into such agreements (including underwriting agreements) as are customary in underwritten offerings and take all such other appropriate actions as are reasonably requested in order to expedite or facilitate the registration or the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, at the time of effectiveness of such Shelf Registration: (i) make such representations and warranties to Holders of such Registrable Securities and the underwriters (if any), with respect to the business of the Issuer and its subsidiaries as then conducted or proposed to be conducted and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form and substance similar to the representations and warranties given by the Issuer in the Purchase Agreement and reasonably satisfactory to the managing underwriters (if any) and the Holders of a majority in principal amount of the Registrable Securities being sold, and confirm the same if and when requested; (ii) obtain opinions of counsel to the Issuer and the Guarantor and updates thereof, if appropriate, in form and substance similar to the opinion given by counsel to the Issuer and the Guarantor pursuant to the Purchase Agreement and reasonably satisfactory to the managing underwriters (if any) and the Holders of a majority in principal amount of the Registrable Securities being sold, addressed to each selling Holder and the underwriters (if any); (iii) obtain "cold comfort" letters and updates thereof in form and substance reasonably satisfactory to the managing underwriters (if any) from the independent certified public accountants of the Issuer and the Guarantor (and, if necessary, any other independent certified public accountants of any subsidiary of the Issuer or of any business acquired by the Issuer for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to the selling Holders of Registrable Securities (if appropriate) and to each of the underwriters (if any), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings and such other matters as reasonably requested by such selling Holders and underwriters; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable than those set forth in Section 4 hereof (or such other less favorable provisions and procedures acceptable to Holders of a majority in aggregate principal amount of Registrable Securities covered by such Registration Statement and the managing underwriters

or agents) with respect to all parties to be indemnified pursuant to said Section (including, without limitation, such underwriters and selling Holders); the above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder;

(m) if (1) a Shelf Registration is filed pursuant to Section 2(b) or (2) a Prospectus contained in an Exchange Offer Registration Statement filed pursuant to Section 2(a) is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, make available for inspection by any selling Holder of such Registrable Securities being sold, or each such Participating Broker Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer, as the case may be, or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of the Issuer, the Guarantor and the other subsidiaries of Guarantor (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuer, the Guarantor and the other subsidiaries of the Guarantor to supply all information in each case reasonably requested by any such Inspector in connection with such Registration Statement. Records which the Issuer or the Guarantor determine to be confidential or any Records which they notify the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary in connection with the Inspectors' assertion of any claims or actions or with their establishment of any defense in an action then pending before a court of competent jurisdiction, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) the information in such Records has been made generally available to the public; each selling Holder of such Registrable Securities and each such Participating Broker-Dealer will be required to agree that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Issuer unless and until such is made generally available to the public; each selling Holder of such Registrable Securities and each such Participating Broker-Dealer will be required to further agree that it will, prior to disclosure of such Records pursuant to clause (i) or (ii) above, give prompt notice to the Issuer and the Guarantor and allow the Issuer and the Guarantor at their expense to undertake appropriate action to prevent disclosure to the public of the Records deemed confidential;

(n) comply with all applicable rules and regulations of the SEC and make generally available to its security holders earnings statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 180 days after the end of any 12-month period (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or reasonable best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Issuer after the effective date of a Registration Statement, which statements shall cover said 12-month period;

- (o) upon consummation of an Exchange Offer or a Private Exchange, obtain an opinion of counsel to the Issuer and the Guarantor addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer or the Private Exchange, as the case may be, and which includes an opinion that (i) the Issuer has duly authorized, executed and delivered the Exchange Securities and Private Exchange Securities and the Indenture, and (ii) each of the Exchange Securities or the Private Exchange Securities, as the case may be, and the Indenture constitute a legal, valid and binding obligation of the Issuer and the Guarantor, enforceable against the Issuer and the Guarantor in accordance with its respective terms (in each case, with customary exceptions);
- (p) if an Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Securities by Holders to the Issuer (or to such other Person as directed by the Issuer) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Issuer shall mark, or cause to be marked, on such Registrable Securities delivered by such Holders that such Registrable Securities are being cancelled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall such Registrable Securities be marked as paid or otherwise satisfied;
- (q) cooperate with each seller of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the FINRA;
- (r) use its reasonable best efforts to take all other steps necessary to effect the registration of the Registrable Securities covered by a Registration Statement contemplated hereby;
- (s) (A) in the case of the Exchange Offer Registration Statement (i) include in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," which section shall be reasonably acceptable to the Purchaser Representative or another representative of the Participating Broker-Dealers, and which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer (a "Participating Broker-Dealer") that holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities and that will be the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Exchange Securities to be received by such broker-dealer in the Exchange Offer, whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies, in the reasonable judgment of the Purchaser Representative or such other representative, represent the prevailing views of the staff of the SEC, including a statement that any such broker-dealer who receives Exchange Securities for Registrable Securities pursuant to the

Exchange Offer may be deemed a statutory underwriter and must deliver a Prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities, (ii) furnish to each Participating Broker-Dealer who has delivered to the Issuer the notice referred to in Section 3(e), without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such Participating Broker-Dealer may reasonably request, (iii) hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any Person subject to the prospectus delivery requirements of the SEC, including all Participating Broker-Dealers, in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, (iv) use its reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the Prospectus contained therein in order to permit such Prospectus to be lawfully delivered by all Persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such Persons must comply with such requirements in order to resell the Exchange Securities (provided, however, that such period shall not be required to exceed 180 days (or such longer period if extended pursuant to the last sentence of this Section 3(s) hereof) (the "Applicable Period")), and (v) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

"If the exchange offeree is a broker-dealer holding Registrable Securities acquired for its own account as a result of marketmaking activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Securities received in respect of such Registrable Securities pursuant to the Exchange Offer;"

and (y) a statement to the effect that by a Participating Broker-Dealer making the acknowledgment described in clause (x) and by delivering a Prospectus in connection with the exchange of Registrable Securities, such Participating Broker-Dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act; and

(B) in the case of any Exchange Offer Registration Statement, deliver to the Initial Purchasers and the Participating Broker-Dealers upon consummation of the Exchange Offer (i) an opinion of counsel substantially in the form attached hereto as Exhibit A, and (ii) an officers' certificate containing certifications substantially similar to those set forth in Section 5(c) of the Purchase Agreement and such additional certifications as are customarily delivered in a public offering of debt securities.

The Issuer may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Issuer such information regarding such seller and the proposed distribution of such Registrable Securities, as the Issuer may from time to time reasonably request in writing. The Issuer may exclude from such registration the Registrable Securities of any seller who fails to furnish any such information which the Issuer reasonably requires in order for

the Shelf Registration Statement to comply with applicable law and SEC policy within a reasonable time after receiving such request (without the accrual of Additional Interest on such excluded Registrable Securities) and shall be under no obligation to include the Registrable Securities of such seller in the Shelf Registration Statement or to compensate any such seller for any lost income, interest or other opportunity foregone, or any liability incurred, as a result of the Issuer's decision to exclude such seller.

In the case of (1) a Shelf Registration Statement or (2) Participating Broker- Dealers who have notified the Issuer that they will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in this Section 3(s) that are seeking to sell Exchange Securities and are required to deliver Prospectuses, each Holder or Participating Broker-Dealer, as the case may be, agrees that, upon receipt of any notice from the Issuer of the happening of any event of the kind described in Section 3(e)(ii), 3(e)(iii), 3(e)(v) or 3(e)(vi) hereof, such Holder or Participating Broker-Dealer, as the case may be, will forthwith discontinue disposition of Registrable Securities pursuant to a Registration Statement or Exchange Securities, as the case may be, until such Holder's or Participating Broker-Dealer's, as the case may be, receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(i) hereof or until it is advised in writing (the "Advice") by the Issuer that the use of the applicable Prospectus may be resumed, and, if so directed by the Issuer, such Holder or Participating Broker-Dealer, as the case may be, will deliver to the Issuer (at the Issuer's expense) all copies in such Holder's or Participating Broker-Dealer's, as the case may be, possession, other than one permanent file copy then in such Holder's or Participating Broker Dealer's, as the case may be, possession, of the Prospectus covering such Registrable Securities or Exchange Securities, as the case may be, current at the time of receipt of such notice. If the Issuer shall give any such notice to suspend the disposition of Registrable Securities or Exchange Securities, as the case may be, pursuant to a Registration Statement: (x) the Issuer shall use its reasonable best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Registration Statement and, in the case of an amendment, have such amendment declared effective as soon as practicable; provided, however, that the Issuer may postpone the filing of such amendment or supplement for a period not to extend beyond the earlier to occur of (I) 30 days after the date of the determination of the Board of Directors and (II) the day after the cessation of the circumstances upon which such postponement is based, if the members of the Issuer determine reasonably and in good faith that such filing would require disclosure of material information which the Issuer has a bona fide purpose for preserving as confidential; provided, further, however, that the Issuer shall be entitled to such postponement only once during any 12-month period and the exercise by the Issuer of its rights under this provision shall not relieve the Issuer of any obligation to pay Additional Interest under Section 2(e) hereof; and (y) the Issuer shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement by the number of days in the period from and including the date of the giving of such notice to and including the date when the Issuer shall have made available to the Holders or Participating Broker-Dealers, as the case may be, copies of the supplemented or amended Prospectus necessary to resume such dispositions or the Advice.

## 4. Indemnification and Contribution.

- (a) The Issuer agrees to indemnify and hold harmless each Initial Purchaser, each Holder, each Participating Broker-Dealer, each underwriter who participates in an offering of Registrable Securities, their respective affiliates, each Person, if any, who controls any of such parties within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each of their respective directors, officers, employees and agents, as follows:
  - (i) against any and all loss, liability, claim, damage and expense whatsoever, joint or several, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment or supplement thereto), covering Registrable Securities or Exchange Securities, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;
  - (ii) against any and all loss, liability, claim, damage and expense whatsoever, joint or several, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the prior written consent of the Issuer; and
  - (iii) against any and all expenses whatsoever, as incurred (including reasonable fees and disbursements of one counsel chosen by the Purchaser Representative (on behalf of the Initial Purchasers), such Holder, such Participating Broker-Dealer or any underwriter (except to the extent otherwise expressly provided in Section 4(c) hereof)), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) of this Section 4(a);

provided, however, that this indemnity does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission (1) made in reliance upon and in conformity with written information furnished in writing to the Issuer or the Guarantor by such Initial Purchaser, such Holder, such Participating Broker-Dealer or an underwriter with respect to such Initial Purchaser, such Holder, such Participating Broker-Dealer or underwriter, as the case may be, expressly for use in the Registration Statement (or any amendment or supplement thereto) or in any Prospectus (or any amendment or supplement thereto) or (2) contained in any preliminary prospectus if such Initial Purchaser, such Holder, such Participating Broker-Dealer or such underwriter failed to send or deliver a copy of

the Prospectus (in the form it was first provided to such parties for confirmation of sales or as amended or supplemented pursuant to Section 3(i) hereof prior to such confirmation of sales) to the Person asserting such losses, claims, damages or liabilities on or prior to the delivery of written confirmation of any sale of securities covered thereby to such Person in any case where such delivery is required by the Securities Act and a court of competent jurisdiction in a judgment not subject to appeal or final review shall have determined that such Prospectus would have corrected such untrue statement or omission. Any amounts advanced by the Issuer to an indemnified party pursuant to this Section 4 as a result of such losses shall be returned to the Issuer if it shall be finally determined by such a court in a judgment not subject to appeal or final review that such indemnified party was not entitled to indemnification by the Issuer.

- (b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Issuer, the Guarantor, each Initial Purchaser, each underwriter who participates in an offering of Registrable Securities and the other selling Holders and each of their respective directors, officers (including each officer of the Issuer who signed the Registration Statement), employees and agents and each Person, if any, who controls the Issuer, the Guarantor, any of the Initial Purchasers, any underwriter or any other selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in Section 4(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or in any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Issuer or the Guarantor by such selling Holder with respect to such Holder expressly for use in the Registration Statement (or any supplement thereto), or in any such Prospectus (or any amendment thereto); provided, however, that, in the case of the Shelf Registration Statement, no such Holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder from the sale or other disposition of Registrable Securities pursuant to the Shelf Registration Statement.
- (c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 4(a) above, counsel to the indemnified parties shall be selected by the Purchaser Representative, and, in the case of parties indemnified pursuant to Section 4(b) above, counsel to the indemnified parties shall be selected by the Issuer. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action,

the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with anyone action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 4 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for reasonable fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement. Notwithstanding the immediately preceding sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party shall not be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its prior written consent if such indemnifying party (1) reimburses such indemnified party in accordance with such request to the extent it considers such request to be reasonable and (2) provides written notice to the indemnified party substantiating the unpaid balance as unreasonable, in each case prior to the date of such settlement.

(e) In order to provide for just and equitable contribution in circumstances under which any of the indemnity provisions set forth in this Section 4 is for any reason held to be unavailable to the indemnified parties although applicable in accordance with its terms, the Issuer and the Holders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Issuer, the Guarantor, the Initial Purchasers, the Holders and the Participating Broker-Dealers; provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11 (f) of the Securities Act) shall be entitled to contribution from any Person that was not guilty of such fraudulent misrepresentation. As between the Issuer, the Guarantor and the Holders, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect the relative fault of the Issuer and the Guarantor on the one hand and of the Holder of Registrable Securities, the Participating Broker-Dealer or the Initial Purchaser, as the case may be, on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative fault of the Issuer and the Guarantor on the one hand and the Holder of Registrable Securities, the Participating Broker-Dealer or the Initial Purchaser, as the case may be, on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer, or the Guarantor, or by the Holder of Registrable Securities, the Participating Broker-Dealer or the Initial Purchaser, as the case may be, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Issuer, the Guarantor, the Holders of the Registrable Securities and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.

For purposes of this Section 4, each affiliate of an Initial Purchaser or Holder, and each director, officer, employee, agent and Person, if any, who controls a Holder of Registrable Securities, an Initial Purchaser or a Participating Broker-Dealer within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such other Person, and each member or director of the Issuer or the Guarantor, as the case may be, each officer of the Issuer who signed the Registration Statement, and each Person, if any, who controls the Issuer or the Guarantor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Issuer or the Guarantor, as the case may be.

- 5. Participation in Underwritten Registrations. No Holder may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements. The Issuer shall be under no obligation to compensate any Holder for lost income, interest or other opportunity foregone, or other liability incurred, as a result of the Issuer's decision to exclude such Holder from any underwritten registration if such Holder has not complied with the provisions of this Section 5 in all material respects following five business days' written notice of noncompliance and the Issuer's decision to exclude such Holder.
- 6. <u>Selection of Underwriters</u>. The Holders of Registrable Securities covered by the Shelf Registration Statement who desire to do so may sell the securities covered by such Shelf Registration in an underwritten offering. In any such underwritten offering, the underwriter or underwriters and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Registrable Securities included in such offering; <u>provided</u>, <u>however</u>, that such underwriters and managers must be reasonably satisfactory to the Issuer.
- 7. <u>Guarantor</u>. The parties to this Agreement agree and acknowledge that all obligations of the Issuer under this Agreement are joint and several obligations of the Issuer and the Guarantor.

## 8. Miscellaneous.

- (a) Rule 144A. For so long as the Issuer is subject to the reporting requirements of Section 13 or 15 of the Exchange Act and any Registrable Securities remain outstanding, the Issuer covenants that it will file the reports required to be filed by it under the Securities Act and Section 13(a) or 15(d) of the Exchange Act and the rules and regulations adopted by the SEC thereunder, that if it ceases to be so required to file such reports, it will upon the request of any Holder of Registrable Securities (i) deliver such information to a prospective purchaser as is necessary to permit sales of Registrable Securities pursuant to Rule 144A under the Securities Act, and (ii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144A under the Securities Act, as such rule may be amended from time to time, or any similar rules or regulations hereafter adopted by the SEC. Upon the reasonable request of any Holder of Registrable Securities, the Issuer will deliver to such Holder a written statement as to whether it has complied with such requirements.
- (b) No Inconsistent Agreements. The Issuer has not entered into nor will the Issuer on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuer's other issued and outstanding securities under any such agreements.

- (c) <u>Amendments and Waivers</u>. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, otherwise than with the prior written consent of the Issuer and the Majority Holders; <u>provided</u>, <u>however</u>, that no amendment, modification, or supplement or waiver or consent to the departure with respect to the provisions of Section 4 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder of Registrable Securities.
- (d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telecopier, or any courier guaranteeing overnight delivery: (i) if to a Holder, at the most current address given by such Holder to the Issuer by means of a notice given in accordance with the provisions of this Section 8(d), which address initially is, with respect to the Initial Purchasers, the addresses set forth in the Purchase Agreement; and (ii) if to the Issuer or the Guarantor, initially at the Issuer's and the Guarantor's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 8(d).

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

- (e) <u>Successors and Assigns</u>. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of the Initial Purchasers, including, without limitation and without the need for an express assignment, subsequent Holders; <u>provided</u>, <u>however</u>, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof.
- (f) <u>Third Party Beneficiary</u>. Each of the Initial Purchasers shall be a third party beneficiary of the agreements made hereunder between the Issuer or the Guarantor, on the one hand, and the Holders, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.
- (g) <u>Counterparts</u>. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be

deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or other electronic transmission (i.e., a "pdf" or "tif") shall be effective as delivery of a manually executed counterpart thereof.

- (h) <u>Headings</u>. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
- (i) <u>GOVERNING LAW</u>. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY PROVISIONS RELATING TO CONFLICTS OF LAWS. Specified times of day refer to New York City time.
- (j) <u>Severability</u>. In the event that anyone or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.
- (k) <u>Securities Held by the Issuer or any of its Affiliates</u>. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Issuer or any of its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

## NEWS AMERICA INCORPORATED

By: /s/ Janet Nova

Name: Janet Nova

Title: Authorized Signatory

## NEWS CORPORATION

By: /s/ Janet Nova

Name: Janet Nova

Title: Authorized Signatory

# CONFIRMED AND ACCEPTED, as of the date first above written:

## J.P. MORGAN SECURITIES LLC

For itself and on behalf of the several Initial Purchasers

By: /s/ Maria Sramek

Name: Maria Sramek Title: Executive Director

## Form of Opinion of Counsel

- 1. Each of the Exchange Offer Registration Statement and the Prospectus (other than the financial statements and schedules thereto and other financial and statistical information and supplemental schedules included or referred to therein or omitted therefrom, as to which such counsel need express no opinion) complies as to form in all material respects with the applicable requirements of the Securities Act and the applicable rules and regulations promulgated under the Securities Act.
- 2. In the course of such counsel's review and discussion of the contents of the Exchange Offer Registration Statement and the Prospectus with certain officers and other representatives of the Issuer and representatives of the independent certified public accountants of the Issuer, but without independent check or verification or responsibility for the accuracy, completeness or fairness of the statements contained therein, on the basis of the foregoing (reasonably relying as to materiality upon representations and opinions of officers and other representatives of the Issuer) no facts have come to such counsel's attention which cause such counsel to believe that the Exchange Offer Registration Statement (other than the financial statements and schedules thereto and other financial and statistical information and supplemental schedules included or referred to therein or omitted therefrom, as to which such counsel need express no opinion), at the time the Exchange Offer Registration Statement became effective and at the time of the consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or that the Prospectus (other than the financial statements and schedules thereto and other financial and statistical information and supplemental schedules included or referred to therein or omitted therefrom, as to which such counsel need express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

#### FORM OF 3.00% SENIOR NOTE

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

## NEWS AMERICA INCORPORATED

### 3.00% SENIOR NOTES DUE SEPTEMBER 15, 2022

**CUSIP 652482CF5** 

see reverse for certain definitions

NEWS AMERICA INCORPORATED, a Delaware corporation ("NAI" or the "Company", which terms include any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to

\*\*CEDE & CO.\*\*

or registered assigns; the principal amount of \*\*[ ] DOLLARS\*\*

on September 15, 2022 and to pay interest thereon from September 14, 2012 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on March 15 and September 15 each year, commencing March 15, 2013, at the rate of 3.00% per annum, until the principal hereof is fully paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date, which shall be the March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Note may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

This Note is unconditionally guaranteed by News Corporation, a Delaware corporation ("News Corporation"), as set forth in Article Twelve of the Indenture and in the Guarantee endorsed hereon.

Payment of the principal of, and interest on, this Note will be made at the offices or agencies of the Company maintained for that purpose in The City of New York, New York in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public debts; *provided*, *however*, that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account maintained by the Person entitled thereto as specified in the Security Register.

Reference is hereby made to the further provisions of this Note set forth herein which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS	WHEREOF, NAI has cause	ed this Note to	be signed manually or by fa	csimile by it	s duly authorized officers.		
Dated: September	, 2012						
NEWS AMERICA INCORPORATED							
		By:		By:			
		Name	: Paula Wardynski	Name	: Janet Nova		
			Senior Vice President and	Title:	Senior Vice President and		
			Treasurer		Deputy General Counsel		
TRUSTEE'S CERTIFICATE OF AUTHENTICATION							
This is one of the So to in the within-mer							
THE BANK OF N Trustee	EW YORK MELLON, as						

By:

Authorized Signatory
Date: September , 2012

## NEWS AMERICA INCORPORATED 3.00% SENIOR NOTES DUE SEPTEMBER 15, 2022

#### **Indenture**

This Security is one of a duly authorized series (this series being the "Securities") of debt securities of News America Incorporated, a Delaware corporation ("NAI" or the "Company"), issued under an Indenture dated as of August 25, 2009, as amended and restated on February 16, 2011 (the "Indenture"), among NAI, News Corporation, a Delaware corporation ("News Corporation" or the "Guarantor"), and The Bank of New York Mellon, as Trustee (the "Trustee", which term includes any successor trustee under the Indenture), which provides for the issuance by NAI from time to time of debt securities (the "Debt Securities") in one or more series, in which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Guarantor, the Trustee and the Holders of the Debt Securities and of the terms upon which the Debt Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the Indenture (the "TIA"), and as provided in the Indenture. The terms of the Securities and Guarantee set forth in this certificate are qualified in their entirety by reference to the terms of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms. The Securities are unconditionally guaranteed on a senior basis (the "Guarantee") by the Guarantor. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture.

## 1. Paying Agent and Security Registrar

Initially, the Trustee will act as Paying Agent and Security Registrar. NAI may appoint and change any Paying Agent or Security Registrar without notice, other than notice to the Trustee. NAI or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Security Registrar or co-registrar.

#### 2. Optional Redemption by the Company

This Note is redeemable, as a whole or in part, at our option, at any time or from time to time, upon mailed notice to the registered address of the Holder at least 30 days but not more than 60 days prior to the redemption. The redemption price will be equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) on such Notes discounted to the date of redemption, on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus 25 basis points. Accrued interest will be paid to the date of redemption. All calculations hereunder shall be made by the Company.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding that redemption date) of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Reference Treasury Dealer (as defined below) as having a maturity comparable to the remaining term of the Notes, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, the Reference Treasury Dealer Quotations (as defined below) for that redemption date.

"Reference Treasury Dealer" means J.P. Morgan Securities LLC and its successor. If the Reference Treasury Dealer shall cease to be a primary U.S. Government securities dealer, we will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

"Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by the Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding that redemption date.

"Remaining Scheduled Payments" means the remaining scheduled payments of principal and interest on the Notes that would be due after the related redemption date but for that redemption. If that redemption date is not an interest payment date with respect to the Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to such redemption date.

On and after the redemption date, interest will cease to accrue on this Note or any portion of this Note called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, the Company will deposit with a paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by a method the trustee deems to be fair and appropriate.

## 3. Repurchase Upon Change of Control Triggering Event

Subject to the terms and conditions of the Indenture, NAI shall become immediately obligated to offer to purchase the Securities pursuant to Section 13.01 of the Indenture upon the occurrence of a Change of Control Triggering Event at a purchase price in cash equal to 101% of aggregate principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

## 4. Denominations; Transfer; Exchange

The Securities are in registered form, without coupons, in denominations of US\$1,000 of principal amount and integral multiples thereof. A Holder may transfer or exchange Securities in accordance with the terms of the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Security Registrar need not register the transfer or exchange of any Securities for a period of 15 days before the selection of any Securities for redemption or of any Securities so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

#### 5. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of the Security for all purposes.

## 6. Amendment; Waiver

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of Securities under the Indenture and the waiver of compliance by the Company with certain provisions of the Indenture at any time with the consent of the Holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding (or, in case less than all of the several series of Debt Securities then outstanding are affected, of the Holders of a majority in principal amount of the Debt Securities at the time outstanding of each affected series). The Indenture also permits the Holders of a majority in principal amount of any series of Outstanding Securities, on behalf of the Holders of all the Securities of that series, to waive certain past Defaults under the Indenture and their consequences with respect to that series. Any such consent or waiver by the Holder hereof shall be conclusive and binding upon such Holder and upon all future Holders hereof and of any Securities issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made hereon.

## 7. Discharge and Defeasance

The Indenture contains provisions for discharge and defeasance at any time of (i) the entire indebtedness of the Securities and (ii) certain restrictive covenants and certain Events of Default applicable to the Securities, upon compliance by the Company with certain conditions set forth in the Indenture.

### 8. Defaults and Remedies

Under the Indenture, Events of Default include (i) default in payment of the principal amount, premium, if any, or interest, in respect of the Securities when the same becomes due and payable subject, in the case of interest, to the grace period contained in the Indenture; (ii) failure by the Company or the Guarantor to perform any other covenant or warranty (other than a covenant included in the Indenture solely for the benefit of another series of Debt Securities), subject to notice and lapse of time; or (iii) certain events of bankruptcy or insolvency of News Corporation, the Company or any Significant Subsidiary of News Corporation. If an Event of Default, other than an Event of Default as a result of certain events of bankruptcy, insolvency or

reorganization, occurs and is continuing, the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series may declare all the Securities of that series to be due and payable immediately. If an Event of Default occurs and is continuing as a result of certain events of bankruptcy, insolvency or reorganization, the principal amount and interest, if any, of all the debt securities of that series automatically will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of such securities.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security satisfactory to the Trustee. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Outstanding Securities of a series may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it determines in good faith that withholding notice is in the interests of the Holders.

## 9. Trustee Dealings with NAI

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by NAI or its Affiliates and may otherwise deal with NAI or its Affiliates with the same rights it would have if it were not Trustee.

#### 10. No Recourse Against Others

A director, officer, employee or stockholder, as such, of NAI shall not have any liability for any obligations of NAI under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

#### 11. Abbreviations

Customary abbreviations may be used in the name of a Principal or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gifts to Minors Acts).

#### 12. Governing Law

THE INDENTURE, THIS SECURITY AND THE GUARANTEE ENDORSED HEREON SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

## OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this	Security purchased by the Company pursuant to Section 13.0	1 of the Indenture, check the Box. $\Box$
If you wish to have a po amount (in original principal	ortion of this Security purchased by the Company pursuant to Samount):	Section 13.01 of the Indenture, state the
	\$	
Date:	_	Your Signature
	(Sign exactly as your name appears in this Note)	_
Signature Guarantee:		

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

## **GUARANTEE**

News Corporation (the "Guarantor") has unconditionally guaranteed on a senior basis (i) the due and punctual payment of the principal of, premium, if any, and interest (including post-petition interest) on the Securities, when and as the same shall become due and payable, whether at maturity, by acceleration, as a result of redemption, upon a Change of Control Triggering Event, by acceleration or otherwise, (ii) the due and punctual payment of interest on the overdue principal of, premium and interest, if any, on the Securities, to the extent lawful, (iii) the due and punctual performance of all other obligations of NAI to the Holders or the Trustee under the Indenture and (iv) in case of any extension of time of payment or renewal of any Securities or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise.

The obligations of the Guarantor to the Holders of the Securities and to the Trustee, pursuant to the Guarantee and the Indenture, are expressly set forth to the extent and in the manner provided in Article Twelve of the Indenture and reference is hereby made to such Indenture for the precise terms of the Guarantee therein made.

No stockholder, officer, director or incorporator, as such, past, present or future, of the Guarantor shall have any personal liability under the Guarantee by reason of his or its status as such stockholder, officer, director or incorporator.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Securities upon which this Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized signatories.

## **GUARANTOR**

News Corporation

Ву:			
	Name: Janet Nova		

Title: Senior Vice President and
Deputy General Counsel
Date: September , 2012

## ASSIGNMENT FORM

To assign the Security, fill in the form belo	w:	
I or we assign and transfer this security to		
INSERT ASSIGNEE'S SOC. SEC. OR TA	X ID NO.	
(F	rint or type assignee's name, address and zip code)	
and irrevocably appoint		
to transfer this Security on the books of NA	I. The agent may substitute another to act for him.	
Date:	Your Signature:(Sign exactly as your name appears in this Security)	
Guaranteed:		

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

#### FORM OF 3.00% SENIOR NOTE

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

#### NEWS AMERICA INCORPORATED

## 3.00% SENIOR NOTES DUE SEPTEMBER 15, 2022

**CUSIP U65249AY7** 

see reverse for certain definitions

NEWS AMERICA INCORPORATED, a Delaware corporation ("NAI" or the "Company", which terms include any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to

\*\*CEDE & CO.\*\*

or registered assigns; the principal amount of \*\*[ ] DOLLARS\*\*

on September 15, 2022 and to pay interest thereon from September 14, 2012 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on March 15 and September 15 each year, commencing March 15, 2013, at the rate of 3.00% per annum, until the principal hereof is fully paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date, which shall be the March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Note may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

This Note is unconditionally guaranteed by News Corporation, a Delaware corporation ("News Corporation"), as set forth in Article Twelve of the Indenture and in the Guarantee endorsed hereon.

Payment of the principal of, and interest on, this Note will be made at the offices or agencies of the Company maintained for that purpose in The City of New York, New York in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public debts; *provided*, *however*, that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account maintained by the Person entitled thereto as specified in the Security Register.

Reference is hereby made to the further provisions of this Note set forth herein which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS	WHEREOF, NAI has caused this Note to be signed manually or by facsimile by its duly authorized officers.
Dated: September	, 2012
	NEWS AMERICA INCORPORATED

Ву:			By:	
	Name:	Paula Wardynski	Name:	Janet Nova
	Title:	Senior Vice President	Title:	Senior Vice President
		and Treasurer		and Deputy General Counsel

## TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture

THE BANK OF NEW YORK MELLON, as Trustee

Ву:			
	Authorized Signat	ory	
	Date: September	, 2012	

# NEWS AMERICA INCORPORATED 3.00% SENIOR NOTES DUE SEPTEMBER 15, 2022

#### **Indenture**

This Security is one of a duly authorized series (this series being the "Securities") of debt securities of News America Incorporated, a Delaware corporation ("NAI" or the "Company"), issued under an Indenture dated as of August 25, 2009, as amended and restated on February 16, 2011 (the "Indenture"), among NAI, News Corporation, a Delaware corporation ("News Corporation" or the "Guarantor"), and The Bank of New York Mellon, as Trustee (the "Trustee", which term includes any successor trustee under the Indenture), which provides for the issuance by NAI from time to time of debt securities (the "Debt Securities") in one or more series, in which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Guarantor, the Trustee and the Holders of the Debt Securities and of the terms upon which the Debt Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the Indenture (the "TIA"), and as provided in the Indenture. The terms of the Securities and Guarantee set forth in this certificate are qualified in their entirety by reference to the terms of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms. The Securities are unconditionally guaranteed on a senior basis (the "Guarantee") by the Guarantor. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture.

## 13. Paying Agent and Security Registrar

Initially, the Trustee will act as Paying Agent and Security Registrar. NAI may appoint and change any Paying Agent or Security Registrar without notice, other than notice to the Trustee. NAI or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Security Registrar or co-registrar.

#### 14. Optional Redemption by the Company

This Note is redeemable, as a whole or in part, at our option, at any time or from time to time, upon mailed notice to the registered address of the Holder at least 30 days but not more than 60 days prior to the redemption. The redemption price will be equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) on such Notes discounted to the date of redemption, on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus 25 basis points. Accrued interest will be paid to the date of redemption. All calculations hereunder shall be made by the Company.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding that redemption date) of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Reference Treasury Dealer (as defined below) as having a maturity comparable to the remaining term of the Notes, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, the Reference Treasury Dealer Quotations (as defined below) for that redemption date.

"Reference Treasury Dealer" means J.P. Morgan Securities LLC and its successor. If the Reference Treasury Dealer shall cease to be a primary U.S. Government securities dealer, we will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

"Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by the Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding that redemption date.

"Remaining Scheduled Payments" means the remaining scheduled payments of principal and interest on the Notes that would be due after the related redemption date but for that redemption. If that redemption date is not an interest payment date with respect to the Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to such redemption date.

On and after the redemption date, interest will cease to accrue on this Note or any portion of this Note called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, the Company will deposit with a paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by a method the trustee deems to be fair and appropriate.

## 15. Repurchase Upon Change of Control Triggering Event

Subject to the terms and conditions of the Indenture, NAI shall become immediately obligated to offer to purchase the Securities pursuant to Section 13.01 of the Indenture upon the occurrence of a Change of Control Triggering Event at a purchase price in cash equal to 101% of aggregate principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

## 16. Denominations; Transfer; Exchange

The Securities are in registered form, without coupons, in denominations of US\$1,000 of principal amount and integral multiples thereof. A Holder may transfer or exchange Securities in accordance with the terms of the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Security Registrar need not register the transfer or exchange of any Securities for a period of 15 days before the selection of any Securities for redemption or of any Securities so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

#### 17. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of the Security for all purposes.

## 18. Amendment; Waiver

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of Securities under the Indenture and the waiver of compliance by the Company with certain provisions of the Indenture at any time with the consent of the Holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding (or, in case less than all of the several series of Debt Securities then outstanding are affected, of the Holders of a majority in principal amount of the Debt Securities at the time outstanding of each affected series). The Indenture also permits the Holders of a majority in principal amount of any series of Outstanding Securities, on behalf of the Holders of all the Securities of that series, to waive certain past Defaults under the Indenture and their consequences with respect to that series. Any such consent or waiver by the Holder hereof shall be conclusive and binding upon such Holder and upon all future Holders hereof and of any Securities issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made hereon.

## 19. Discharge and Defeasance

The Indenture contains provisions for discharge and defeasance at any time of (i) the entire indebtedness of the Securities and (ii) certain restrictive covenants and certain Events of Default applicable to the Securities, upon compliance by the Company with certain conditions set forth in the Indenture.

#### 20. Defaults and Remedies

Under the Indenture, Events of Default include (i) default in payment of the principal amount, premium, if any, or interest, in respect of the Securities when the same becomes due and payable subject, in the case of interest, to the grace period contained in the Indenture; (ii) failure by the Company or the Guarantor to perform any other covenant or warranty (other than a covenant included in the Indenture solely for the benefit of another series of Debt Securities), subject to notice and lapse of time; or (iii) certain events of bankruptcy or insolvency of News Corporation, the Company or any Significant Subsidiary of News Corporation. If an Event of Default, other than an Event of Default as a result of certain events of bankruptcy, insolvency or

reorganization, occurs and is continuing, the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series may declare all the Securities of that series to be due and payable immediately. If an Event of Default occurs and is continuing as a result of certain events of bankruptcy, insolvency or reorganization, the principal amount and interest, if any, of all the debt securities of that series automatically will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of such securities.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security satisfactory to the Trustee. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Outstanding Securities of a series may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it determines in good faith that withholding notice is in the interests of the Holders.

#### 21. Trustee Dealings with NAI

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by NAI or its Affiliates and may otherwise deal with NAI or its Affiliates with the same rights it would have if it were not Trustee.

#### 22. No Recourse Against Others

A director, officer, employee or stockholder, as such, of NAI shall not have any liability for any obligations of NAI under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

#### 23. Abbreviations

Customary abbreviations may be used in the name of a Principal or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gifts to Minors Acts).

#### 24. Governing Law

THE INDENTURE, THIS SECURITY AND THE GUARANTEE ENDORSED HEREON SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

## OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Security purchased by the Company pursuant to Section 13.01 of the Indenture, check the Box. $\Box$					
If you wish to have a portion of this Security purchased by the Company pursuant to Section 13.01 of the Indenture, state the amount (in original principal amount):					
	\$				
Date:	_	Your Signature			
	(Sign exactly as your name appears in this Note)	<u> </u>			
Signature Guarantee:	,				

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

## **GUARANTEE**

News Corporation (the "Guarantor") has unconditionally guaranteed on a senior basis (i) the due and punctual payment of the principal of, premium, if any, and interest (including post-petition interest) on the Securities, when and as the same shall become due and payable, whether at maturity, by acceleration, as a result of redemption, upon a Change of Control Triggering Event, by acceleration or otherwise, (ii) the due and punctual payment of interest on the overdue principal of, premium and interest, if any, on the Securities, to the extent lawful, (iii) the due and punctual performance of all other obligations of NAI to the Holders or the Trustee under the Indenture and (iv) in case of any extension of time of payment or renewal of any Securities or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise.

The obligations of the Guarantor to the Holders of the Securities and to the Trustee, pursuant to the Guarantee and the Indenture, are expressly set forth to the extent and in the manner provided in Article Twelve of the Indenture and reference is hereby made to such Indenture for the precise terms of the Guarantee therein made.

No stockholder, officer, director or incorporator, as such, past, present or future, of the Guarantor shall have any personal liability under the Guarantee by reason of his or its status as such stockholder, officer, director or incorporator.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Securities upon which this Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized signatories.

## **GUARANTOR**

News Corporation

By:			

Name: Janet Nova
Title: Senior Vice President and
Deputy General Counsel
Date: September , 2012

## ASSIGNMENT FORM

To assign the Security, fill in the form below:	
I or we assign and transfer this security to	
INSERT ASSIGNEE'S SOC. SEC. OR TAX ID NO.	
(Print or type assignee	's name, address and zip code)
and irrevocably appoint	
to transfer this Security on the books of NAI. The agent may su	abstitute another to act for him.
Date: Y	our Signature:
	Sign exactly as your name appears in this Security)
Guaranteed:	

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

#### EMPLOYMENT AGREEMENT

AGREEMENT dated as of February 1, 2012, between News America Incorporated, a Delaware corporation, with offices at 1211 Avenue of the Americas, New York, NY 10036 ("NAI") and Gerson Zweifach (the "Executive").

## WITNESSETH:

WHEREAS, NAI desires to employ the Executive on the terms and conditions hereinafter set forth; and

WHEREAS, the Executive desires to be so employed;

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter contained, the parties hereto agree as follows:

1. <u>Duties.</u> NAI agrees to employ the Executive and the Executive agrees to accept employment with NAI for the Term of Employment hereinafter defined. During the Term of Employment, the Executive, subject to the provisions of this Agreement, shall: (a) have the titles and the duties of Senior Executive Vice President and Group General Counsel of News Corporation, a Delaware corporation ("NEWS CORP"), and Senior Executive Vice President and General Counsel of NAI and Fox Entertainment Group, Inc., a Delaware corporation ("FEG"); (b) be a member of the Office of the Chairman of NEWS CORP (the "OOC"); (c) in such capacities, report directly to the Chief Executive Officer of NEWS CORP ("CEO") and the Boards of Directors of NEWS CORP, NAI and FEG, and President and Chief Operating Office, should the CEO so designate; and (e) in such capacities, be the senior most legal officer of NEWS CORP, responsible for, and with supervision of, all legal matters and affairs of NEWS CORP, NAI, FEG and their subsidiaries and divisions and with such other duties and authority as are customarily associated with such position.

During the Term of Employment the Executive shall devote substantially all of his business time and attention and give his best efforts and skill to furthering the business and interests of NEWS CORP and to the performance of such executive duties as the Chief Executive Officer of NEWS CORP and Boards of Directors of NEWS CORP, NAI and FEG may determine, from time to time, consistent with the terms of this Agreement and which are commensurate with the scope of Executive's position.

- 2. <u>Term.</u> "Term of Employment" as used herein shall mean the period from February 1, 2012 (the "Commencement Date") through January 31, 2015; provided, however, if the Term of Employment is terminated earlier, as hereinafter set forth, the Term of Employment shall mean the period from the Commencement Date through the effective date of such earlier termination. The Term of Employment shall be terminated earlier upon any termination of the Executive's employment (including, expiration of the Term of Employment), all as provided for in Sections (8), (9) and (10)(d) hereof.
- 3. <u>Location</u>. The Executive shall be based and essentially render services in the New York City metropolitan area at the principal office maintained by NEWS CORP in such area. The Executive will travel as reasonably required to perform his functions hereunder. NEWS CORP acknowledges that the Executive will travel frequently to Washington to meet with outside counsel to NEWS CORP and in connection with his transitional responsibilities.
- 4. <u>Compensation.</u> As compensation for his services, the Executive shall receive a base salary at an annual rate of not less than \$3,000,000 (the "Base Salary") to be paid in the same manner as other senior executives of NAI are paid. The Executive will be entitled to an annual bonus. The initial bonus for the partial fiscal year ending June 30, 2012 will be \$1,500,000 (the "Initial Bonus") and shall be payable as soon as practicable after the Commencement Date (, but in any event on or before February 8, 2012).

The target annual bonus for fiscal years ending June 30, 2013, 2014 and 2015 will be no less than \$2,250,000 (the "Annual Target Bonus") with a maximum bonus of \$4,500,000. Subject to Section 10 hereof, in the event of the termination of Executive's service other than at the end of a fiscal year, the Annual Target bonus shall be prorated based on the number of days the Executive was employed by NAI in the fiscal year compared to the total number of days in the fiscal year. The criteria for achievement of the bonus amount payable hereunder shall be based on performance metrics set by the CEO and the Compensation Committee of NEWS CORP in good faith. Any bonus shall be paid in cash at the same time as bonuses are paid to the members of the OOC.

The Executive shall also participate in the News Corporation 2005 Long-Term Incentive Plan ("LTIP") pursuant to the terms and conditions set by the LTIP Committee ("PSU Terms and Conditions") consistent with this Agreement. For the 2012-2014 Performance Cycle, Executive shall be awarded a target amount for such Performance-Based LTIP of \$4,000,000 (the "PSU Target Value") and the maximum opportunity for such Performance-Based LTIP (the "PSU Maximum Opportunity") shall be no greater than 150% of the PSU Target Number where the "PSU Target Number" is determined by dividing the PSU Target Value by the 20-day average closing price of NAI's Class A common stock, par value \$0.01 per share, ending on January 31, 2012 (the "2012-14 PSU Award"). The 2012-2014 PSU Award will vest on January 31, 2015, unless otherwise provided for hereunder.

For each of the FY 2013-2015 and FY 2014-2016 performance cycles, Executive shall be awarded a target amount of no less than \$250,000 (collectively, the "2015/2016 PSU Awards") and the PSU Maximum Opportunity shall be no greater than 150% of the PSU Target Number where the "PSU Target Number" is determined by dividing \$250,000 (or such other higher award number) by the 20-day average closing price of NAI's Class A common stock, par value \$0.01 per share, ending on June 30 of the prior Fiscal Year at the start of a performance cycle.

The PSU Maximum Opportunity shall also be subject to the limitations set forth in the News Corporation 2005 Long-Term Incentive Plan. Each of the performance periods shall be three years in length. The performance metrics under all the Performance-Based LTIP shall be the same for the Executive as are applicable to the named executive officers, including in the case of the 2012-2014 PSU, the performance metrics established previously at the outset of the 2012-2014 performance cycle.

If the Executive is employed through and including January 31, 2015, the 2012-2014 PSU Award shall fully vest (unless otherwise subject to earlier vesting hereunder) and the Executive shall be paid the full value of such award on the same basis as pertain to other named executive officers of the 2012-2014 cycle, with such payment to be made on February 13, 2015. In the event the Executive is terminated pursuant to Section 8(c) or the Executive terminates employment pursuant to Section 9(b) prior to January 31, 2015, the value of the 2012-2014 PSU Award will be forfeited in entirety. In the event the Executive is terminated pursuant to Sections 8(a), 8(b), 9(a) or 10(d) on or after February 1, 2012, the 2012-2014 PSU Award shall vest in full and the full value of such awards shall be calculated and paid at the end of the applicable performance period as if no termination had occurred.

In the case of any termination of the Executive on or after February 1, 2015 and which is on or prior to the last day of any applicable performance period of the 2015/2016 PSU Awards, the Executive shall vest on a pro-rata basis so that the award will be reduced by a fraction, the numerator of which is the full months of employment completed by the Executive and the denominator of which is thirty-six and be distributed as originally scheduled, except (i) if the

Executive is terminated for cause pursuant to Section 8(c), all benefits under the LTIP, including but not limited to the Performance-Based LTIPs, will be forfeited and (ii) if Executive has not completed twelve months of employment in the applicable performance cycle, the benefits under both or one of the 2015/2016 Awards will be forfeited.

- 5. Other Benefits. The Executive shall be entitled to the following additional benefits (collectively, the "Benefits"):
- (a) The Executive shall be entitled to participate in all of the incentive, equity or benefit plans or arrangements presently in effect or hereafter adopted by NAI made generally available to all other executives of NEWS CORP in the OOC other than defined benefit plans, including:
  - (i) any stock option or purchase plan, stock appreciation rights plan or any bonus or other incentive or equity compensation plan; and
  - (ii) any profit-sharing, group medical, dental, disability and life insurance or other similar benefit plans, programs and benefits (including, without limitation, all plans and programs providing fringe benefits or perquisites) excluding retiree benefits.
- (b) In order to facilitate the Executive's performance of his duties, he shall receive a car allowance in the amount of \$1,200.00 per month (which may also be applied to ground transportation costs).
- (c) Payment of all reasonable legal fees and disbursements incurred by the Executive in connection with the negotiation and preparation of this Agreement.
- 6. <u>Business Expenses</u>. During the Term of Employment, NAI shall pay, or reimburse the Executive for, all expenses reasonably incurred by him in connection with his performance of his duties hereunder (including, without limitation, the expense of first class travel incurred in the performance of his duties) other than commuting expenses. The Executive shall also be reimbursed for all moving, transportation and storage expenses incurred in connection with the relocation of his family, in each case subject to NAI's policies for executives of comparable rank and status.

## 7. Confidentiality; Covenants; Restriction on Competition.

- (a) Any and all confidential knowledge or information concerning NEWS CORP, NAI and FEG and their affairs obtained by the Executive in the course of his employment will be held inviolate by him and he will conceal the same from any and all other persons, including, but not limited to, competitors of NEWS CORP, NAI and FEG and will not impart any such knowledge acquired by him as an officer or employee of NEWS CORP, NAI and FEG to anyone; provided that the foregoing shall not apply with respect to (i) any use or disclosure by the Executive of such information in the performance of his duties hereunder or (ii) as may otherwise be required by law or legal process, or to the extent such information has been disclosed or is otherwise in the public domain.
- (b) Upon termination of his employment, the Executive will immediately surrender and turn over to NEWS CORP, NAI and FEG (i) all books, forms, records, customer lists and all other papers, writings and recordings obtained or prepared by the Executive and utilized in the course of his employment with NEWS CORP, NAI and FEG and (ii) all other property belonging to NEWS CORP, NAI and FEG.
- (c) Because (i) Executive will become fully familiar with all aspects of NAI's business during the period of his employment with NAI, (ii) Executive's services for NAI are special, unique and/or extraordinary, (iii) certain information of which the Executive will gain knowledge during his employment is proprietary and confidential information which is of special and peculiar value to NAI, (iv) if any such proprietary and confidential information were imparted to or became known by any persons, including Executive, engaging in a business in competition with that of NAI, hardship, loss and irreparable injury and damage would result to NAI, the measurement of which would be difficult if not impossible to ascertain, and (v) it is necessary for NAI to protect its business from such damage, the

following covenants constitute a reasonable and appropriate means, consistent with the best interests of both the Executive and NAI, to protect NAI against such damage and shall apply to and be binding upon Executive as provided herein:

- (i) Non-Competition by Executive. Executive covenants that, while he is an Executive of NAI and for a one-year period after the expiration or termination of this Agreement (whether by the Executive or by NAI for any reason) ("Restrictive Period"), he will not engage in or participate in, directly or indirectly, any business in the United States or any other country in which NAI or NEWS CORP is currently doing business or Executive was aware that NAI or NEWS CORP intends to do business (as an agent, officer, executive, employee, partner, consultant, advisor or otherwise), which is in competition with NAI or NEWS CORP; provided, however, that nothing herein contained shall prohibit the Executive from (i) owning not more than five (5%) percent of the outstanding stock of any publicly held corporation or (ii) accepting employment with, or providing services to, any entity that is in competition with NAI or NEWS CORP so long as the Executive works solely in a subsidiary, division or other distinct unit of such entity that does not engage in, and is not actively planning to engage in, such competition with NAI or NEWS CORP.
- (ii) Non-Interference with Customers/Clients. Executive hereby agrees that, during the Restrictive Period (other than on behalf of NAI or its affiliates and subsidiaries), Executive shall not in any way directly or indirectly, for the purpose of conducting, engaging, working for or providing services to a competing business, call upon, solicit, respond to, advise or otherwise do, or attempt to do business with any then-existing or past customers or clients of NAI or take away or attempt to interfere with any then-existing or past customer, client, business or patronage of NAI.

- (iii) Non-Interference with Employees. Executive hereby agrees, during the Restrictive Period, that Executive shall not, directly or indirectly, hire or retain, or attempt to hire or retain, any of NAI's (including its affiliates and subsidiaries) then-existing officers, executives, employees, representatives, consultants or agents and shall not induce any such individuals to give up employment with or provide services to NAI (including its affiliates and subsidiaries), and shall not otherwise interfere with, or attempt to interfere with, the relationship of any such individuals with NAI (including its affiliates and subsidiaries).
- (d) In the event of breach or threatened breach by Executive of any provision of this Section 6, NAI shall be entitled to apply for relief by temporary restraining order, temporary injunction, preliminary injunction, or permanent injunction, without requirement of posting a bond, and to all other relief to which it may be entitled, including any and all monetary damages which NAI may incur as a result of said breach, violation or threatened breach or violation. NAI may pursue any remedy available to it concurrently or consecutively in any order as to any breach, violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any other of such remedies as to such breach, violation, or as to any other breach, violation, or threatened breach or violation. If any provision contained in this Agreement is held to be unenforceable because of the scope of such provision, including, without limitation, the duration of such provision, or the geographical area or the nature of the business of NAI covered thereby, it is the parties' express intention, and the parties hereby agree, that the court or tribunal making such determination shall have the power to, and is hereby directed to, reduce the scope of such provision, and in its reduced form such provision shall then be enforceable.

- 8. <u>Termination by NAI</u>. The Executive's employment hereunder may be terminated by NAI without any breach of this Agreement pursuant to Sections 8 and 10 of this Agreement:
  - (a) The Executive's employment hereunder shall terminate upon his death.
- (b) If, as a result of the Executive's incapacity and disability due to physical or mental illness, the Executive shall have been absent from his duties hereunder for a period of 365 consecutive days during the Term of Employment, NAI may terminate the Executive's employment hereunder.
- (c) NAI may terminate the Executive's employment hereunder for cause. For purposes of this Agreement, NAI shall have "cause" to terminate the Executive's employment hereunder only in the event of (i) a material breach by the Executive of his duties and responsibilities under this Agreement, which breach is not cured within twenty days after written notice to the Executive specifying such breach, or (ii) the Executive's fraud, embezzlement or conviction of a felony (other than a vehicular felony) or (iii) the Executive's addiction to drugs or alcohol that results in a material breach of his duties and responsibilities under this Agreement. Notwithstanding the foregoing, "cause" shall not mean any action or inaction under sub-clause (i) above to the extent it results from the Executive's required compliance with an ethical obligation applicable to the Executive's conduct as an attorney-at-law.
- (d) Any termination of the Executive's employment by NAI (other than termination pursuant to subsection (a) above) shall be communicated by a written Notice of Termination to the Executive. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in full detail the facts and circumstances claimed to provide the basis for termination of the Executive's employment under the provision so indicated.
- (e) "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of this death, or (ii) if the Executive's employment is terminated pursuant to subsections (b) or (c) above or Sections 9 or 10(d), the date specified in the Notice of Termination.

## 9. Termination by Executive.

- (a) The Executive, at his option, may terminate his employment without any breach of this Agreement under the following circumstances:
- (i) A material reduction of the Executive's base salary (as such Base Salary may be increased from time to time) or material reduction of the Executive's Annual Target Bonus Amount;
- (ii) The assignment to the Executive of any duties inconsistent with the Executive's positions, duties, responsibilities and status as set forth herein, a change in the Executive's reporting responsibilities, title or offices as set forth herein, or any diminution or reduction of Executive's authority, duties or responsibilities (including any material diminution or reduction effected through any arrangement involving the sharing of Executive's position, title, offices, reporting relationships, authorities, duties or responsibilities or Executive ceasing to be the most senior executive officer responsible for legal affairs of NAI and NEWS CORP or any removal of the Executive from any position provided for hereunder (except in connection with the Executive's promotion or termination of employment for Cause);
- (iii) Any relocation of the Executive's work location other than the New York City metropolitan area at the principal office of NEWS CORP in such area;
- (iv) Any material reduction in the Executive's benefits under any employee benefit plan (unless the benefits, as reduced, are commensurate with the benefits afforded to all other senior executives of NEWS CORP in the OOC or the failure to reduce such benefits would constitute a violation of applicable law);
- (v) Any material reduction in fringe benefits and perquisites provided to the Executive (unless the fringe benefits and perquisites, as reduced, are commensurate with the benefits afforded to all other senior executives of NEWS CORP in the OOC, or the failure to reduce such benefits would constitute a violation of applicable law); or

- (vi) Any material breach by NAI or NEWS CORP of this Agreement. Any event specified in this Section 9(a) that has occurred inadvertently or in good faith shall not constitute a right of the Executive to terminate his employment if it is remedied within twenty (20) days after receipt of written notice from the Executive
- (b) In addition, the Executive may terminate his employment without any breach of this Agreement at any time by giving four weeks' prior written Notice of Termination to NAI.
  - (c) Any termination by the Executive shall be communicated by written Notice of Termination.
  - 10. Compensation Upon Termination.
- (a) If the employment of the Executive is terminated pursuant to Section 8(a) hereof, by reason of his death, NAI agrees to pay directly to his surviving spouse, or if his spouse shall not survive him, then to the legal representative of his estate, (i) for a period of twelve months (commencing with the Date of Termination) an amount equal to and payable at the same rate as his then current Base Salary, and (ii) within ten (10) days following the Date of Termination, the Accrued Amounts (as hereinafter defined). For purposes of this Agreement, "Accrued Amounts" shall mean (i) the Initial Bonus (if then unpaid) and any Annual Bonus payable but not yet paid with respect to any fiscal year prior to the date of such termination ("Unpaid Prior Year Bonus"), (ii) a pro rata portion of the Annual Bonus the Executive would have earned for the fiscal year of termination had no termination occurred (calculated based on the Annual Target Bonus Amount and based on the number of days the Executive was employed by NAI in the fiscal year during which his employment terminated compared to the total number of days in such fiscal year) (the

"Pro Rata Termination Bonus"), (iii) payments arising in connection with the 2012-2014 PSU Award and the 2015/2016 PSU Awards as provided for herein or under the applicable plan, and (iv) with respect to other awards under the LTIP or other equity plans, vesting, payment and other terms as provided for herein or under the terms of the respective plan documents. The foregoing payments shall be in addition to what the Executive's spouse, beneficiaries, or estate may be entitled to receive pursuant to any employee benefit plan or life insurance policy then provided to the Executive or maintained by NAI. The payments provided for in this Section 10(a) shall fully discharge the obligations of NAI hereunder and NAI shall be under no obligation to provide any further compensation to the Executive, his surviving spouse or the legal representative of his estate, except as otherwise required in this Agreement.

In addition, the Executive's surviving spouse and eligible dependents shall for twelve months continue to be provided with NAI health and welfare benefits (including, without limitation, medical, dental, and vision benefits) on the same terms and conditions as apply to the highest paid group of executives at NAI or News Corp.

(b) During any period that the Executive fails to perform his duties hereunder as a result of incapacity and disability due to physical or mental illness, NAI shall continue to pay to the Executive his full Base Salary until the Executive returns to his duties or until twelve months after the Executive's employment is terminated pursuant to Section 8(b) hereof. In addition, the Executive shall receive payment of the Accrued Amounts. Such payments shall fully discharge the obligations of NAI hereunder and NAI shall be under no obligation to provide any further compensation to the Executive, except as otherwise required in this Agreement.

In addition, the Executive, his spouse and eligible dependents shall continue for twelve months to be provided with NAI health and welfare benefits (including without limitations, medical, dental and vision benefits) on the same terms and conditions as then apply to the highest paid group of executives of NAI or News Corp.

- (c) If the Executive's employment shall be terminated for cause pursuant to Section 8(c) hereof or by the Executive pursuant to Section 9(b) hereof, in each case during the Term of Employment, NAI shall pay the Executive his full Base Salary through the Date of Termination, the Initial Bonus (if then unpaid) and Unpaid Prior Year Bonus and in the case of any PSU Award as provided in Section 4 hereof only if such termination is on or after January 31, 2015. Such payments shall fully discharge the obligations of NAI hereunder and NAI shall be under no obligation to provide any further compensation to the Executive whether pursuant to this Agreement or otherwise.
- (d) If NAI shall terminate the Executive's employment other than pursuant to Sections 8(a), 8(b) or 8(c) hereof, or if the Executive shall terminate his employment hereunder pursuant to Section 9(a) hereof, the Executive shall receive the Base Salary in the same manner as though the Executive continued to be employed hereunder for the then remaining Term of Employment without giving effect to such termination, but in all events twelve months of Base Salary shall be paid, any unpaid Prior Year Bonus (and the Initial Bonus if unpaid) and all PSU Awards shall be treated as provided for in Section 4 hereof; provided that no such payments of base salary shall be made solely by reason of the expiration of this Agreement on January 31, 2015; and, provided further, that upon the expiration of this Agreement on January 31, 2015, the Executive shall be entitled to the payment of any Unpaid Prior Year Bonus and pro rata bonus for the year of termination and all PSU Awards shall be treated as provided for in Section 4 hereof. The Executive shall not be required to seek or accept other employment during the Term of Employment and any amounts earned by the Executive from any other employment during the Term of Employment shall not reduce or otherwise affect the payments due to the Executive pursuant to this Section 10(d).

- (e) Without duplicating any benefits set forth in this Section 10, upon any termination of employment, the Executive (or his spouse, beneficiaries or estate) will be entitled to any unreimbursed expenses approved in accordance with Company policy and due the Executive through termination and to receive any benefits vested, and to make all elections and receive all payments and rights under all employee benefit, pension, insurance and other plans in which the Executive participated in accordance with the terms and conditions of the plan concerned.
- (f) Notwithstanding the foregoing, no payments will be made to the Executive unless he executes and delivers to NAI a General Release ("Release") in the same form as NAI or its affiliates customarily use for such purposes within thirty days of the delivery of the Release by NAI to the Executive.
- (g) Neither NEWS CORP or NAI shall have any right to offset against any payments or other benefits due to the Executive under this Agreement the amount of any claims that such entity or any of their affiliates may have against the Executive by reason of any breach or alleged breach of this Agreement by the Executive or otherwise.
- 11. Condition of and Survival of Agreement. In the event that NEWS CORP or NAI shall at any time be merged or consolidated with any other corporation or corporations or shall sell or otherwise transfer a substantial portion of its assets to another corporation or entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the corporation or entity surviving or resulting from such merger or consolidation or to which such assets shall be sold or transferred and such successor shall assume the obligations of NAI and NEWS CORP under this Agreement. The obligations of NEWS CORP and NAI under Section (12) shall remain in full force and effect and survive the termination of the Executive's employment for any reason or the expiration of the Term of Employment.

12. Indemnity and Insurance. NAI shall indemnify the Executive and hold him harmless from, and provide the Executive with advances with respect to any cost, expense or liability arising out of or relating to any acts or directions made by him in the course of performing under this Agreement., in each case to the maximum extent permitted by law and the charter of and by-laws of NEWS CORP and NAI (as in effect as of the date hereof, subject to any across- the-board changes applicable to senior executives of comparable stature to Executive), including expenses incurred in connection with the defense of any action or proceeding (or any appeal therefrom) in which Executive is a party or in which he is asked to testify or produce documents or reasonably believe he may become a party, witness or otherwise subject to discovery by reason of the Executive's employment hereunder or by reason of his duties as an officer of NAI or NEWS CORP. The Executive shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering NEWS CORP, NAI and FEG, including, without limitation, insurance policies providing customary directors and officers insurance coverage. NAI will pay all expenses, including reasonable attorneys' fees, actually incurred by the Executive in connection with or relating to any registration or other governmental filings made by NEWS CORP, NAI or FEG or to defending any claim, action, suit or proceeding (including any appeals therefrom) alleged or brought by a third party (including but not limited to derivative actions to the extent such indemnification is legally permissible), arising out of or relating to the performance of this Agreement. If any such claim, action, suit or proceeding is brought or claim relating thereto is made against the Executive in respect of which indemnity may be sought pursuant to the foregoing, the Executive shall promptly notify NAI in writing thereof, and NAI shall have the right to assume and control the defense thereof. In the event NAI assumes such defense, the Executive shall have the right to employ his own counsel

as well at his own expense. Following termination of the Executive's employment (i) Executive shall continue to be afforded rights with respect to indemnification and advancement on terms no less favorable than active senior executive officers based in the United States and part of the OOC and (ii) D&O coverage shall be maintained during the Term of Employment and for six years following the Executive's termination of employment, providing coverage no less favorable in any respect than the coverage then being provided to any active senior executive officers based in the United States and part of the OOC.

- 13. <u>Representations</u>. NEWS CORP and NAI represent and warrant that (i) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action, (ii) the officer signing this Agreement on behalf of NEWS CORP and NAI is duly authorized to do so, and (iii) upon its execution and delivery, this Agreement shall be the valid and binding obligation of NEWS CORP and NAI, enforceable against such parties in accordance with its terms.
- 14. <u>Notices</u>. Any notices or other communications required or permitted hereunder shall be sufficiently given if sent by registered mail or certified mail, return receipt requested, postage prepaid, to the last home address given by the Executive to NAI or to NAI at its New York City metropolitan area office or such other address as shall be furnished in writing by either party to the other; such notice or communication shall be deemed to have been given as of the date so mailed.
  - 15. Construction. This Agreement shall be construed in accordance with and governed by the laws of the State of New York.
- 16. <u>Severability</u>. The conditions and provisions herein set forth shall be severable, and if any condition or provision or portion thereof shall be held invalid or unenforceable, then said condition or provision shall not in any manner affect any other condition or provision and the remainder of this Agreement and every section thereof construed without regard to said invalid condition or provision, shall continue in full force and effect.

- 17. <u>Assignment.</u> Neither party shall have the right, subject to Section 11 hereof, to assign the Executive's rights and obligations with respect to his actual employment duties without the prior consent of the other party.
- 18. Section 409A. To the extent the Executive would be subject to the additional 20% tax imposed on certain deferred compensation arrangements pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such tax and preserve to the maximum extent possible the original intent and economic benefit to the Executive and NAI, and the parties shall promptly execute any amendment reasonably necessary to implement this Section.
- (a) For purposes of Section 409A, the Executive's right to receive installment payments pursuant to this Agreement including, without limitation, each severance payment and COBRA continuation reimbursement shall be treated as a right to receive a series of separate and distinct payments.
- (b) The Executive will be deemed to have a Date of Termination for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a "separation from service" within the meaning of Code Section 409A.
- (c) Notwithstanding any other provision of this Agreement to the contrary, if at the time of the Executive's separation from service, (i) the Executive is a specified employee (within the meaning of Section 409A and using the identification methodology selected by NAI from time to time), and (ii) NAI makes a good faith determination that an amount payable on account

of such separation from service to the Executive constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A ("the Delay Period"), then NAI will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after such six-month period (or upon the Executive's death, if earlier), together with interest for the period of delay, compounded annually, equal to the applicable Federal rate for short-term instruments) in effect as of the dates the payments should otherwise have been provided. To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a "separation from service," and such benefits are not otherwise exempt from Code Section 409A, the Executive shall pay the cost of such benefit during the Delay Period, and NAI shall reimburse the Executive, to the extent that such costs would otherwise have been paid by NAI or to the extent that such benefits would otherwise have been provided by NAI at no cost to the Executive, NAI's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by NAI in accordance with the procedures specified herein.

- (d) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of NAI.
- (e) All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive (provided that if any such reimbursements constitute taxable income to

the Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

- (f) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.
- (g) Unless this Agreement provides a specified and objectively determinable payment schedule to the contrary, to the extent that any payment of base salary or other compensation is to be paid for a specified continuing period of time beyond the date of the Executive's termination of employment in accordance with NAI's payroll practices (or other similar term), the payments of such base salary or other compensation shall be made on a monthly basis.
- (h) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by the Executive of a release of claims, the Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of the Executive's termination of employment. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, then the following shall apply:
- (i) To the extent any such cash payment or continuing benefit to be provided is not "deferred compensation" for purposes of Code Section 409A, then such payment or benefit shall commence upon the first scheduled payment date immediately after the date the release is

executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon the Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following the Executive's termination of employment.

(ii) To the extent any such cash payment or continuing benefit to be provided is "deferred compensation" for purposes of Code Section 409A, then such payments or benefits shall be made or commence upon the sixtieth (60) day following the Release Effective Date. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Agreement had such payments commenced immediately upon the Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following the Executive's termination of employment.

NAI may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that the Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, NAI may reimburse the Executive NAI's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by NAI or to the extent that such benefits would otherwise have been provided by NAI at no cost to the Executive, in each case had such benefits commenced immediately upon the Executive's termination of employment. Any remaining benefits shall be reimbursed or provided by NAI in accordance with the schedule and procedures specified herein.

- (i) These provisions supersede prior contract provisions pertaining to Code Section 409A.
- (j) In the event NAI or NEWS CORP enter into change in control agreements with the named executive officers on or after the date of this Agreement, then Executive shall be entitled to the benefit of such provisions.
- (k) In the event it shall be determined that any payment or distribution or any part thereof of any type to or for the benefit of the Executive whether pursuant to this Agreement or any other agreement between Executive and NAI or NEWS CORP, or any person or entity that acquires ownership or effective control of NAI or NEWS CORP or ownership of a substantial portion of the assets of NAI or NEWS CORP (within the meaning of Section 280G of the Code) whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other plan or agreement (the "Total Payments"), is or will be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), if the net after-tax payment to the Executive after reducing the Executive's Total Payments to the Safe Harbor Cap is greater than the net after-tax (including the Excise Tax) payment to Executive without such reduction. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first the payment made pursuant to this Agreement and then to any other plan or agreement that triggers such Excise Tax, unless an alternative method of reduction is elected by Executive. All mathematical determinations, and all determinations as to whether any of the Total Payments are "parachute"

payments" (within the meaning of Section 280G of the Code), that are required to be made under this paragraph, including determinations as to whether the Total Payments to the Executive shall be reduced to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by the outside accounting firm of NAI (the "Accounting Firm"). If the Accounting Firm determines that no Excise Tax is imposed on the Total Payments and it subsequently is established pursuant to a final determination of a court or an Internal Revenue Service proceeding which has been finally and conclusively resolved, that the Total Payments are in excess of the Safe Harbor Cap (hereinafter referred to as an "Excess Payment"), such Excess Payment shall be deemed for all purposes to be an overpayment to the Executive made on the date the Executive received the Excess Payment and the Executive shall repay the Excess Payment to the Company on demand; provided, however, if the Executive shall be required to pay an Excise Tax by reason of receiving such Excess Payment (regardless of the obligation to repay the Company), the Executive shall not be required to repay the Excess Payment (and if Executive has already repaid such amount, the Company shall refund the amount to Executive). This Section (18)(k) shall supersede Section 10.4 of the LTIP.

- (l) Notwithstanding anything contained herein to the contrary, all payments under this Agreement shall be subject to the clawback and other similar policies of NAI and NEWS CORP.
- 19. <u>Entire Agreement</u>. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersede and render null and void any and all prior oral or written agreements, understandings or commitments pertaining to the subject matter hereof. No waiver or modification of the terms or provisions hereof shall be valid unless in writing signed by the party so to be charged thereby and then only to the extent therein set forth.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures as of the day and year first above written.

## NEWS AMERICA INCORPORATED

By: /s/ John Nallen	
/s/ Gerson Zweifach	

As an inducement to the Executive to enter into the foregoing Employment Agreement, the undersigned hereby unconditionally and absolutely guarantees full performance and payment of all the obligations of News Corporation, News America Incorporated and Fox Entertainment Group, and any of their subsidiaries and divisions thereunder, waiving exhaustion of remedies and any other circumstances that would otherwise constitute a defense to this guaranty, including without limitation, obligations with respect to the election and/or designation of Executive as an officer to serve in the capacities and to have the duties set forth in Section 1 of the Employment Agreement. This guarantee shall continue hereafter with respect to any amendments, modification, supplements or other changes to or with respect to the foregoing Employment Agreement.

**NEWS CORPORATION** 

Gerson Zweifach

By: /s/ John Nallen

# News Corporation Computation of Ratio of Earnings to Fixed Charges (in Millions, Except Ratio Amounts) (Unaudited)

	For the three months ended September 30, 2012 2011			
Earnings:				
Income before income tax expense	\$	2,555	\$	1,063
Add:				
Equity earnings from affiliates		(190)		(121)
Dividends received from affiliates		18		64
Fixed charges, excluding capitalized interest		319		311
Amortization of capitalized interest		12		13
Total earnings available for fixed charges	\$	2,714	\$	1,330
Fixed charges:				
Interest on debt and finance lease charges	\$	267	\$	258
Capitalized interest		8		11
Interest element on rental expense		52		53
Total fixed charges	\$	327	\$	322
Ratio of earnings to fixed charges		8.3		4.1

#### **Chairman and Chief Executive Officer Certification**

## Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended

- I, K. Rupert Murdoch, Chairman and Chief Executive Officer of News Corporation ("News Corporation" or the "Company"), certify that:
  - 1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
  - 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
  - 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
  - 4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
    - (d) Disclosed in this quarterly report any change in the Company's internal control over financial reporting that occurred during the Company's first quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
  - 5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's independent registered public accounting firm and the Audit Committee of the Company's Board of Directors:
    - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
    - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

November 8, 2012

By: /s/ K. Rupert Murdoch

K. Rupert Murdoch Chairman and Chief Executive Officer

#### **Chief Financial Officer Certification**

## Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended

- I, David F. DeVoe, Senior Executive Vice President and Chief Financial Officer of News Corporation ("News Corporation" or the "Company"), certify that:
  - 1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
  - 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
  - 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
  - 4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
    - (d) Disclosed in this quarterly report any change in the Company's internal control over financial reporting that occurred during the Company's first quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
  - 5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's independent registered public accounting firm and the Audit Committee of the Company's Board of Directors:
    - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
    - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

November 8, 2012

By: /s/ David F. DeVoe
David F. DeVoe

Senior Executive Vice President and Chief Financial Officer

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of News Corporation on Form 10-Q for the fiscal quarter ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of News Corporation.

November 8, 2012

By: /s/ K. Rupert Murdoch

K. Rupert Murdoch Chairman and Chief Executive Officer

By: /s/ David F. DeVoe

David F. DeVoe Senior Executive Vice President and Chief Financial Officer