

NEWS CORP
Form DEF 14A
May 25, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | |
| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Under Rule 14a-12 | | |

News Corporation

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

News Corporation

[LOGO]

Notice of Special Meeting of Stockholders

To the Stockholders of News Corporation:

A Special Meeting of Stockholders (the Special Meeting) of News Corporation (the Company) will be held on June 30, 2005, at 10:00 a.m., local time, at the Hilton Hotel New York, 1335 Avenue of the Americas, New York, New York 10019, for the following purposes, as more fully described in the accompanying Proxy Statement:

- (1) to consider and vote upon a proposal to adopt the 2005 Long-Term Incentive Plan; and
- (2) to transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

All stockholders are invited to attend the Special Meeting. Stockholders of record of the Company's Class B Common Stock at the close of business on May 23, 2005, the record date fixed by the Board of Directors, are entitled to vote at the Special Meeting.

Whether or not you intend to be present at the Special Meeting, if you are the registered holder of the Company's Class B Common Stock, please sign and date the enclosed proxy card and return it in the enclosed envelope or vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card. Returning a proxy card or voting by telephone, or electronically through the Internet will not deprive you of your right to attend the Special Meeting and vote your shares in person.

By Order of the Board of Directors

LAURA A. O'LEARY

Secretary

New York, New York

May 25, 2005

NEWS CORPORATION

1211 Avenue of the Americas

New York, New York 10036

(212) 852-7000

PROXY STATEMENT

Special Meeting of Stockholders June 30, 2005

The accompanying proxy is solicited by the Board of Directors of News Corporation (the Company) for use at the Special Meeting of Stockholders (the Special Meeting) to be held at 10:00 a.m., local time, on June 30, 2005, at the Hilton Hotel New York, 1335 Avenue of the Americas, New York, New York, and any adjournment thereof.

This proxy statement and accompanying proxy card are being mailed commencing on or about May 27, 2005 to stockholders of record of the Company at the close of business on May 23, 2005.

GENERAL

The Company has two classes of common stock, Class A Common Stock (Class A Common Stock) and Class B Common Stock (Class B Common Stock), and together with the Class A Common Stock, the Common Stock. Holders of Class B Common Stock are entitled to one vote per share on all matters to be presented at the Special Meeting. Holders of Class A Common Stock are not entitled to vote on the matters to be presented at the Special Meeting. All references to you, your, yours, or words of similar import in this proxy statement refer to holders of Class B Common Stock.

At the close of business on May 23, 2005, 1,044,776,158 shares of Class B Common Stock were outstanding and eligible for voting at the Special Meeting. Only stockholders of record at the close of business on May 23, 2005 are entitled to notice of, and to vote at, the Special Meeting.

It is important that your shares be represented and voted at the Special Meeting. You can vote your shares by completing and returning your proxy card or by telephone, or electronically through the Internet, by following the instructions included with your proxy card. If you indicate a choice with respect to any matter to be acted upon, your shares will be voted as specified.

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You can revoke a proxy at any time prior to its exercise at the Special Meeting by giving written notice of such revocation to the Secretary of the Company, executing and delivering to the Company a later dated proxy reflecting contrary instructions or appearing at the Special Meeting and taking appropriate steps to vote in person.

If you hold shares in a stock brokerage account or through a bank, trust or other nominee, you are considered to be the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee. You may not vote directly any shares held in street name; however, as the beneficial owner you have the right to direct your broker or nominee on how to vote. If you hold shares in street name and you want to vote in person at the Special Meeting, you must bring to the Special Meeting proof of stock ownership such as an account statement or a proxy or letter from your broker or nominee which confirms that you are the beneficial owner of those shares.

A complete list of stockholders entitled to notice of, and to vote at, the Special Meeting will be open to examination by the stockholders beginning ten days prior to the Special Meeting for any purpose germane to the Special Meeting during normal business hours at the office of the Secretary of the Company at 1211 Avenue of the Americas, New York, New York 10036.

REQUIRED VOTE

Quorum

In order for us to conduct the Special Meeting, a majority of our holders of Class B Common Stock outstanding as of May 23, 2005 must be present in person or represented by proxy at the Special Meeting. Abstentions and broker non-votes will also be counted for purposes of establishing a quorum at the meeting. A broker non-vote occurs when you do not give your broker or nominee instructions on how to vote your shares. We urge you to vote by proxy even if you plan to attend the Special Meeting so that we will know as soon as possible that enough votes will be present for us to hold the Special Meeting.

Proposals

Under the Company's By-laws and New York Stock Exchange (NYSE) and Australian Stock Exchange (ASX) rules, approval of the proposal to be voted upon at the Special Meeting requires a majority of the votes cast at the meeting to be voted FOR the proposal. A properly executed proxy marked ABSTAIN with respect to the proposal will not be counted as a vote cast with respect to that proposal.

All shares of Class B Common Stock, represented by properly executed proxies, which are returned and not revoked, will be voted in accordance with your instructions. If no instructions are provided in a proxy, Class B Common Stock represented by such proxy will be voted FOR the adoption of a new long-term incentive plan and in accordance with the holder of the proxy's best judgment as to any other matters raised at the Special Meeting.

Under New York Stock Exchange rules, your broker or nominee may not vote on the Special Meeting proposal without your specific instructions because the proposal is not considered to be a routine matter. We count broker non-votes for quorum purposes, but we do not count broker non-votes (or abstentions) as votes FOR or AGAINST any proposal. If you do not vote shares registered in your name, your shares will not be voted.

A representative of Computershare Investor Services, LLC has been appointed to act as inspector of election for the Special Meeting and will tabulate the votes.

COST OF PROXY SOLICITATION

The Company will bear the cost of solicitation of proxies. In addition to the solicitation of proxies by mail or by telephone, or electronically through the Internet, certain officers and employees of the Company, without additional remuneration, may also solicit proxies personally and by facsimile. In addition to mailing copies of this material to stockholders, the Company may request persons who hold stock in their names or custody or in the names of nominees for others, to forward such material to those persons for whom they hold stock of the Company and to request their authority for execution of the proxies. The Company will reimburse such persons for their expenses in connection with these activities.

ATTENDING THE SPECIAL MEETING

Stockholders must present a form of personal identification in order to be admitted to the Special Meeting. If your shares are held beneficially in the name of a bank, broker or other holder of record and you plan to attend the Special Meeting, you must present proof of your ownership of the Company's Common Stock, such as a bank or brokerage account statement, to be admitted to the Special Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Special Meeting.

Security Ownership of News Corporation

The following table sets forth the beneficial ownership of both Class A Common Stock and Class B Common Stock as of May 23, 2005 for the following: (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of Class B Common Stock; (ii) each member of the Company's Board of Directors; (iii) each Named Executive Officer (as defined in Item 402(a)(3) of Regulation S-K) of the Company; and (iv) all directors and executive officers of the Company as a group.

Common Stock Beneficially Owned(1)

Name(2)	Number of		Option	Percent	
	Shares Beneficially Owned		Shares(3)	of Class(4)	
	Non-Voting Class A Common Stock	Voting Class B Common Stock(5)	Non-Voting Class A Common Stock	Non-Voting Class A Common Stock	Voting Class B Common Stock(5)
AE Harris Trust (6) c/o McDonald Carano Wilson LLP 100 W. Liberty Street 10 th Floor Reno, NV 89501	57,931,399	297,280,548	0	2.6%	28.5%
Liberty Media Corporation (7) 12300 Liberty Boulevard Englewood, CO 80112	324,637,067	188,000,000	0	14.4%	18.0%
FMR Corp.(8) 82 Devonshire Street Boston, MA 02109	Not reported	69,174,856	0		6.6%
K. Rupert Murdoch(9)	61,963,141	307,947,677	12,000,000	3.3%	29.5%
Peter L. Barnes	7,959	0	0	*	0
Chase Carey	0	0	0	*	0
Peter Chernin(10)	10,465	0	8,762,500	*	0
Kenneth E. Cowley AO	68,717	0	25,500	*	0
David F. DeVoe	8,160	0	1,682,500	*	0
Viet Dinh	0	440	0	*	*
Roderick I. Eddington	0	0	444,000	*	0
Andrew S.B. Knight	201,123	120,657	31,500	*	*
Lachlan K. Murdoch	1,056	7,057	1,702,500	*	*
Thomas J. Perkins	0	16,486	31,500	*	*
Stanley S. Shuman	320,515	60,996	43,500	*	*
Arthur M. Siskind	33,226	10,934	1,687,500	*	*
John L. Thornton	0	0	0	0	0

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All current directors and executive officers as a group (16 members)	62,614,362	308,164,247	27,430,900	4.0%	29.5%
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* Represents beneficial ownership of less than one percent of the issued and outstanding Class A Common Stock or Class B Common Stock, as applicable, on May 23, 2005.

- (1) This table does not include, unless otherwise indicated, any shares of non-voting Class A Common Stock or any shares of Class B Common Stock or other equity securities of the Company that may be held by pension and profit-sharing plans of other corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees.
- (2) The address for all directors and executive officers of News Corporation is c/o News Corporation, 1211 Avenue of the Americas, New York, NY 10036.
- (3) The number of option shares reported reflects the number of option shares currently exercisable or that become exercisable within 60 days following May 23, 2005.

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- (4) Applicable percentage of ownership is based on 2,251,516,908 shares of Class A Common Stock and 1,044,776,158 shares of Class B Common Stock outstanding as of May 23, 2005 together with the exercisable options for such stockholder or group of stockholders, as applicable. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options are not deemed outstanding for purposes of computing the percentage ownership of any other person.
 - (5) Beneficial ownership of Class B Common Stock as reported in the above table has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. Unless otherwise indicated, beneficial ownership of Class B Common Stock represents both sole voting and sole investment power.
 - (6) Beneficial ownership of the Class A Common Stock is as of November 12, 2004 as reported on a Form 4 filed with the SEC on November 12, 2004. Beneficial ownership of the Class B Common Stock is as of April 26, 2005 as reported on a Schedule 13G/A filed with the SEC on April 27, 2005. Cruden Financial Services LLC, a Delaware corporation (Cruden Financial Services), the corporate trustee of AE Harris Trust, has the powers to vote and to dispose or direct the vote and disposition of the reported Class B Common Stock. As a result of Mr. K. Rupert Murdoch's ability to appoint certain members of the board of directors of Cruden Financial Services, Mr. Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by AE Harris Trust. Mr. Murdoch, however, disclaims any beneficial ownership of such shares. Beneficial ownership of non-voting Class A Common Stock reported includes 57,000 shares of Class A Common Stock over which Cruden Financial Services, sole trustee of AE Harris Trust, has sole dispositive power.
 - (7) Beneficial ownership of Class A Common Stock is as of December 9, 2004 as reported on a Form 4 filed by Liberty Media Corporation (Liberty) on December 21, 2004. Beneficial ownership of Class B Common Stock is as of December 9, 2004 as reported on a Schedule 13G/A filed by Liberty on December 21, 2004. Based on the Form 4, Liberty holds such shares through a number of its wholly owned subsidiaries.
 - (8) Beneficial ownership is as of December 31, 2004 as reported on a Schedule 13G filed by FMR Corp., an investment advisor, on February 14, 2005. Beneficial ownership reported includes 7,138,363 shares of Class B Common Stock of which FMR Corp. has sole voting power and no shares of which FMR Corp. has shared voting power. FMR Corp. has sole dispositive power over 69,174,856 shares of Class B Common Stock. Of these shares, 62,133,249 shares (approximately 5.9% of the Company's outstanding voting Class B Common Stock) are held by Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp. (the Fidelity Fund). FMR Corp. does not have sole power to vote or direct the voting of the shares owned directly by the Fidelity Fund, which power resides with the Fund's Board of Trustees. The family of Edward C. Johnson 3d, including Mr. Johnson, the Chairman of FMR Corp, and his daughter Abigail Johnson, a director, and trusts for the family members' benefit may be deemed to form a controlling group with respect to FMR Corp.
 - (9) Beneficial ownership reported includes 57,931,399 shares of Class A Common Stock and 297,280,548 shares of Class B Common Stock beneficially owned by AE Harris Trust. Mr. Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by AE Harris Trust. Mr. Murdoch, however, disclaims any beneficial ownership of such shares. Beneficial ownership reported also includes 4,012,402 shares of Class A Common Stock and 10,646,571 shares of Class B Common Stock held by the K. Rupert Murdoch 2004 Revocable Trust of which Mr. Murdoch holds a beneficial and trustee interest. Beneficial ownership reported also includes 4,800 shares of Class A Common Stock and 4,540 shares of Class B Common Stock held by members of Mr. Murdoch's family.
 - (10) Beneficial ownership reported includes 1,400 shares of Class A Common Stock held by the Peter and Megan Chernin Revocable Trust of which Mr. Chernin holds a beneficial and trustee interest.

PROPOSAL 1

APPROVAL OF THE NEWS CORPORATION 2005

LONG-TERM INCENTIVE PLAN

On May 17, 2005, the Board of Directors adopted the News Corporation 2005 Long-Term Incentive Plan (which we refer to as the 2005 Plan) subject to stockholder approval at the Special Meeting. The 2005 Plan, if approved, will replace the Company's existing News Corporation 2004 Stock Option Plan (which we refer to as the 2004 Option Plan), under which no additional options will be granted.

A description of the provisions of the 2005 Plan is set forth below. This summary is qualified in its entirety by the detailed provisions of the 2005 Plan, a copy of which is attached as Appendix A to this proxy statement.

Background

The purpose of the 2005 Plan is to benefit and advance the interests of the Company and its subsidiaries by making awards to certain employees, directors and other service providers of the Company and its subsidiaries as an additional incentive for them to make contributions to the financial success of the Company. The 2004 Option Plan contains certain terms and provisions that are inconsistent with current practices, such as the inability under the 2004 Option Plan to grant awards other than stock options. Additionally, the 2005 Plan, when compared to the 2004 Option Plan, is designed to better reflect U.S. company practices with regard to structuring equity compensation awards.

The 2005 Plan provides for awards of stock options to purchase shares of Class A Common Stock, stock appreciation rights, restricted and unrestricted shares of Class A Common Stock, restricted share units, dividend equivalents, performance awards and other equity-related awards and cash payments, the terms and conditions of which are described in more detail below.

Non-management directors, of which there are seven, are eligible to receive awards under the 2005 Plan. Management directors and executive officers, of which there are nine, are also eligible to receive awards under the 2005 Plan, as are all other employees of the Company and its subsidiaries. Subject to adjustment as described under "Adjustments" below, the number of shares of Class A Common Stock that may be issued under the 2005 Plan will be 165,000,000 shares. Of this amount and subject to adjustment as described under "Adjustments" below, the number of shares of Class A Common Stock that may be issued in conjunction with awards of (i) restricted shares, restricted share units, unrestricted shares of Class A Common Stock, performance shares and dividend equivalents and (ii) performance units and other awards, but only if the performance units or other awards are paid or settled in shares of Class A Common Stock, is 82,500,000. We believe that the new shares available under the 2005 Plan represent a reasonable amount of equity dilution, as the new shares available to be granted under the 2005 Plan, together with all other Company stock awards granted and available to employees, represent approximately 8% of the Company's fully diluted Common Stock (not including convertible securities) outstanding as of March 31, 2005.

Shares of Class A Common Stock issued under the 2005 Plan will be authorized but unissued shares. The 2005 Plan limit is reduced on a one-for-one basis based on the number of shares of Class A Common Stock in respect of which an award is granted or denominated. An award of stock appreciation rights reduces the 2005 Plan limit on a one-for-one basis based on the number of shares of Class A Common Stock for which the stock appreciation right is denominated, not the number of shares of Class A Common Stock actually delivered pursuant to the stock appreciation right. Shares subject to awards under the 2005 Plan will again be available for future awards upon the occurrence of specified events that result in fewer than the total number of shares subject to the award being delivered to the participants. Shares of Class A Common

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Stock that will be added back to the 2005 Plan limit and will again be available for awards are those shares (1) subject to an award that expires or is cancelled, forfeited or terminated without having been exercised or paid, and (2) subject to an award that is instead settled in cash. Shares underlying awards granted in substitution for awards previously granted by an entity acquired by the Company will not be counted against the 2005 Plan limit.

The maximum aggregate number of shares of Class A Common Stock that may be granted to any participant during a single calendar year pursuant to stock options or stock appreciation rights that are not subject to performance goals, as described below (regardless of whether such awards are settled in cash, in shares of Class A Common Stock, in other Company securities designated by the Compensation Committee (the Committee) or in a combination thereof), is (subject to adjustment) three million for a current employee and five million for a newly hired employee who is granted an award in the year of hire. For awards other than those awards described in the previous sentence, the maximum amount that may be granted to any participant during any performance period of at least one year is \$25 million for awards denominated in cash and three million shares of Class A Common Stock for awards denominated in shares of Class A Common Stock (subject to adjustment).

All awards under the 2005 Plan will be approved by the Committee or its designee, in its sole discretion. For this reason, it is not possible to determine the benefits or amounts of the awards that will be received by any particular participant or group of participants in the future under the 2005 Plan. The fair market value of a share of Class A Common Stock was \$15.57 on May 23, 2005. No awards have yet been granted under the 2005 Plan. Unless earlier terminated by action of the Board of Directors, the 2005 Plan will terminate on May 17, 2015.

Description of the 2005 Plan

Administration. The 2005 Plan will be administered by the Company's Board of Directors or the Committee. In addition, subject to certain limitations, the Committee may delegate its authority under the 2005 Plan to one or more members of the Committee or one or more officers or other designees of the Company. The Committee selects the employees, directors and other service providers who receive awards under the 2005 Plan, and determines the type of award to be granted, the number of shares subject to awards or the cash amount payable in connection with an award and the terms and conditions of these awards in accordance with the terms of the 2005 Plan. The Committee has full authority to interpret the 2005 Plan and to establish rules for its administration.

With respect to any award that is intended to satisfy the exception for qualified performance-based compensation set forth in Section 162(m) of the Internal Revenue Code, the Committee will consist of at least the number of directors required from time to time to satisfy this exception, and each Committee member will satisfy the qualification requirements of such exception. Failure of any Committee member to meet these qualification requirements will not, however, invalidate any action taken or awards granted by the Committee.

Stock Options. Stock options can be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code or options that do not qualify as incentive stock options for federal income tax purposes, called non-qualified stock options, as determined by the Committee.

Subject to certain limits described below, the Committee has the power to determine the number and kind of stock options granted, the date of grant, the exercise price of the stock options, the vesting schedule applicable to such stock options, the period during which they can be exercised and any applicable performance goal requirements. Unless the Committee specifies otherwise, the vesting schedule for any stock option will be twenty five percent (25%) of the shares of Class A Common Stock subject to such stock option per year, subject to the participant's continued service. The Committee may, in its discretion, at any time accelerate the vesting date or dates of any stock option. The Committee may not reprice any stock option (as defined in the 2005 Plan) without the approval of stockholders. No stock option may be granted with a per share exercise price of less than 100% of the fair market value of a share of Class A Common Stock on the date of grant unless such stock option is an award granted in substitution for outstanding awards previously granted by an entity acquired by the Company (with certain limitations). Unless otherwise determined by the Committee, no stock option can be exercised more than ten years after the date of grant. The exercise price of a stock option will be paid in full on or before the settlement date for the shares of Class A Common Stock issued pursuant to the exercise of the stock

options in cash or, in the discretion of the Committee, in shares of Class A Common Stock or in a combination of cash and shares or with any other form of valid consideration that is acceptable to the Committee. The Committee may also allow a participant to pay all or a portion of the exercise price using a net share settlement procedure, through the withholding of shares or through a cashless exercise procedure.

Generally, if a participant voluntarily terminates service or his or her service is terminated by the Company other than for cause, his or her outstanding stock options may be exercised, to the extent then exercisable, for three months following the date of termination. In the event that a participant terminates service because of retirement, the participant's outstanding stock options will continue to vest for a three year period upon retirement, and he or she may exercise his or her vested stock options for three years from the date of retirement. In the event of the permanent disability of a participant, his or her stock options may be exercised, to the extent exercisable upon the date of the onset of such permanent disability, for one year following such date. In the event of a participant's death, his or her stock options may be exercised, to the extent exercisable at the date of death, by the person who acquired the right to exercise the stock options by will or the laws of descent and distribution for one year following the date of death. If any participant's service is terminated for cause, then, unless the Committee determines otherwise, all stock options, whether or not then vested, will be forfeited by the participant effective as of the date of such termination. The Committee generally has the discretion to reduce or increase the post-termination exercise periods described above but, unless the Committee determines otherwise, in no event may a stock option be exercised following the earlier to occur of the expiration of the option and the tenth anniversary of the date of grant.

Stock Appreciation Rights. The Committee may grant stock appreciation rights under the 2005 Plan alone or in tandem with other awards. No stock appreciation right that is granted alone may be granted with a per share exercise price of less than 100% of the fair market value of a share of Class A Common Stock on the date of grant unless such award is granted in substitution for outstanding awards previously granted by an entity acquired by the Company (with certain limitations). Stock appreciation rights granted alone or in tandem with awards other than stock options will be subject to the terms and conditions established by the Committee as set forth in the applicable award agreement. Unless the Committee specifies otherwise, the vesting schedule for any stock appreciation right granted alone or in tandem with awards other than stock options will be twenty five percent (25%) of the shares of Class A Common Stock subject to such stock appreciation right per year, subject to the participant's continued service. The Committee may, in its discretion, at any time accelerate the vesting date or dates of any stock appreciation right. The Committee may not reprice any stock appreciation right without the approval of stockholders.

Generally, if a participant voluntarily terminates service or his or her service is terminated by the Company other than for cause, his or her outstanding stock appreciation rights granted alone or in tandem with awards other than stock options may be exercised, to the extent then exercisable, for three months following the date of termination. In the event that a participant terminates service because of retirement, the participant's outstanding stock appreciation rights granted alone or in tandem with awards other than stock options will continue to vest for a three year period upon retirement, and he or she may exercise his or her vested stock appreciation rights granted alone or in tandem with awards other than stock options for three years from the date of retirement. In the event of the permanent disability of a participant, his or her stock appreciation rights granted alone or in tandem with awards other than stock options may be exercised, to the extent exercisable upon the date of the onset of such permanent disability, for one year following such date. In the event of a participant's death, his or her stock appreciation rights granted alone or in tandem with awards other than stock options may be exercised, to the extent exercisable at the date of death, by the person who acquired the right to exercise such stock appreciation rights by will or the laws of descent and distribution for one year following the date of death. If any participant's service is terminated for cause, then, unless the Committee determines otherwise, all stock appreciation rights granted alone or in tandem with awards other than stock options, whether or not then vested, will be forfeited by the participant effective as of the date of such termination. The Committee generally has the discretion to reduce or increase the post-termination exercise periods described above but, unless the Committee

determines otherwise, in no event may a stock appreciation right granted alone or in tandem with awards other than stock options be exercised following the earlier to occur of the expiration of the stock appreciation right and the tenth anniversary of the date of grant.

Stock appreciation rights granted in tandem with a stock option may be granted either at the time the stock option is granted or by amendment at any time prior to the exercise, expiration or termination of such stock options. This type of stock appreciation right entitles the holder to surrender the related stock option in lieu of exercise and to receive an amount equal to the excess of the fair market value of a share of Class A Common Stock determined as of the day preceding the date the holder surrenders the stock option over the aggregate exercise price of such stock option. This amount will be paid in cash or shares of Class A Common Stock, as determined by the Committee. A stock appreciation right granted in tandem with a stock option will be subject to the same terms and conditions as the related stock option and will be exercisable only at such time and to such extent as the related stock option is exercisable.

Restricted Shares, Restricted Share Units and Unrestricted Shares. The Committee may grant restricted shares, unrestricted shares and restricted share units under the 2005 Plan. A restricted share is a share of Class A Common Stock granted to the participant subject to restrictions as determined by the Committee. A restricted share unit is a contractual right to receive, in the discretion of the Committee, a share of Class A Common Stock, a cash payment equal to the fair market value of a share of Class A Common Stock or a combination of cash and Class A Common Stock, subject to terms and conditions as determined by the Committee. The Committee may also, in its sole discretion, grant awards for unrestricted shares of Class A Common Stock to eligible employees in recognition of outstanding achievements and performance.

Restricted shares and restricted share units will be subject to a vesting schedule, which may include any applicable performance goal requirements, established by the Committee. Unless the Committee specifies otherwise, the vesting schedule for any restricted share or restricted share unit grant will be twenty five percent (25%) of the shares of Class A Common Stock subject to such award per year, subject to the participant's continued service. Subject to limited exceptions, time-based vesting schedules must remain in effect (in whole or in part) until the third anniversary of the date of grant. Restricted shares and restricted share units to be earned based on performance, will have a vesting period of at least one year.

For restricted share awards, the participant will have all rights as a holder of shares of Class A Common Stock except that the restricted shares cannot be sold, transferred, assigned, pledged or otherwise encumbered or disposed of until such shares have vested. Restricted share units paid in Class A Common Stock may be evidenced by, among other things, book entry registration or the issuance of stock certificates for the appropriate number of shares of stock, free of restrictions.

If a participant terminates service with the Company or any of its subsidiaries for any reason, other than retirement, the unvested restricted shares and restricted share units will be forfeited as of the date of such event, unless the Committee determines otherwise. If a participant terminates service with the Company or any of its subsidiaries by reason of retirement, the unvested restricted shares and restricted share units will continue to vest for a period of three years following the date of retirement. At the end of such three year period, all remaining unvested restricted shares and restricted share units shall be forfeited, unless the Committee determines otherwise. The Committee may, in its discretion, accelerate the dates on which restricted shares and restricted share units vest.

Performance Awards. The Committee may grant performance awards in the form of either performance shares or performance units. Performance awards may be granted alone or in addition to other awards made under the 2005 Plan. The terms and conditions of the performance awards will be determined by the Committee, and, unless the Committee determines otherwise, the granting, vesting and/or exercisability of performance awards will be conditioned in whole or in part on the achievement in whole or in part of performance goals (as described below) during a performance period as selected by the Committee. Performance shares are payable in

shares of Class A Common Stock and performance units are payable in cash or, in the discretion of the Committee, in shares of Class A Common Stock or in a combination of cash and shares of Class A Common Stock.

Performance Goals and Section 162(m). Section 162(m) of the Internal Revenue Code limits publicly-held companies such as the Company to an annual deduction for federal income tax purposes of \$1 million for compensation paid to their covered employees. A covered employee is an individual who appears in the summary compensation table and who also was employed as an executive officer of the Company on the last day of the taxable year. However, performance-based compensation is excluded from this limitation. The 2005 Plan is designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

Under the 2005 Plan, the Committee may condition the grant, vesting and/or exercisability of any award, including, but not limited to, performance shares and performance units, upon the attainment of performance targets related to one or more performance goals over a performance period selected by the Committee. The Committee may reduce any award below the maximum amount that could be paid based on the degree to which the performance targets related to such award were attained. However, the Committee may not increase any award that is intended to satisfy the exception for qualified performance based compensation set forth in Section 162(m) of the Internal Revenue Code above the maximum amount that could be paid based on the attainment of performance targets.

For any awards that are intended to satisfy the Section 162(m) exception for qualified performance-based compensation, the awards will be subject to one or more, or any combination, of the following performance goals, on a GAAP or non-GAAP basis, as selected by the Committee: Net income, adjusted net income, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), adjusted EBITDA, OIBDA (Operating Income Before Depreciation and Amortization), adjusted OIBDA, operating income, adjusted operating income, free cash flow, net earnings, net earnings from continuing operations, earnings per share, adjusted earnings per share, revenue, net revenue, operating revenue, total stockholder return, share price, return on equity, return in excess of cost of capital, profit in excess of cost of capital, return on assets, return on invested capital, net operating profit after tax, operating margin and profit margin.

In addition, for any awards that are not intended to satisfy the Section 162(m) exception, the Committee may establish performance targets based on other performance goals, as it deems appropriate.

The performance targets may be based on objectives related to individual performance, Company performance, or the performance of a subsidiary, division, department, region, function or business unit. The performance targets may be determined on an absolute or cumulative basis or on a percentage of improvement over time. In addition, a performance target may be measured in terms of Company performance (or of the performance of a subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

In the event that, during a performance period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets or other similar corporate transaction or event, or any other extraordinary event or circumstance occurs which has the effect, as determined by the Committee, in its sole and absolute discretion, of distorting the applicable performance criteria involving the Company, including, without limitation, changes in accounting standards, the Committee may adjust or modify, as determined by the Committee, in its sole and absolute discretion, the calculation of the performance goals, to the extent necessary to prevent reduction or enlargement of the participants' awards under the 2005 Plan for such performance period attributable to such transaction, circumstance or event.

In the case of compensation attributable to stock options, the performance goal requirement is deemed satisfied, and the certification requirement is inapplicable, if the grant or award is made by the compensation committee; the plan under which the option is granted states the maximum number of shares with respect to

which options may be granted during a specified period to an employee; and under the terms of the option, the amount of compensation is based solely on an increase in the value of the common stock after the date of grant.

Dividend Equivalents and Other Awards. The Committee may, in its sole discretion, allow any recipient of an award under the 2005 Plan to receive, currently or on a deferred basis, interest, dividends or dividend equivalent payments, with respect to the number of shares of Class A Common Stock covered by such award. The Committee may also provide for the amount of such interest, dividend or dividend equivalent to be reinvested and/or subject to the same terms and conditions (including vesting and forfeiture provisions) as the related award.

The Committee has the authority to grant other equity-related awards or cash payments, which payments may be based on one or more criteria determined by the Committee, under the 2005 Plan that are consistent with the purpose of the 2005 Plan and the interests of the Company. The Committee may also establish procedures for the deferral of payment of awards.

Adjustments. In the event of a merger, consolidation, stock split, reverse stock-split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class A Common Stock, an extraordinary cash dividend or other changes in the corporate structure, equity securities or capital structure of the Company, the Committee will make such adjustments, if any, as it deems appropriate to the number and kind of securities subject to any outstanding award, the exercise price or purchase price, if any, of any outstanding award, and the maximum number or kind of securities that may be granted under the 2005 Plan or the aggregate number or kind of securities that may be granted to any participant. These adjustments will not be considered a repricing under the 2005 Plan. In the case of a merger, consolidation or similar transaction, the Committee may also (i) provide that outstanding awards will be terminated, and the vesting and payout of the awards accelerated, immediately prior to the consummation of the transaction, (ii) provide that outstanding awards may be cashed out (with certain limitations), and/or (iii) make such other adjustments as it deems appropriate, including providing for full vesting of awards for those participants whose service is terminated in connection with the transaction.

Transfer and Rights Restrictions. The rights of a participant with respect to any award granted under the 2005 Plan will be exercisable during the participant's lifetime only by the participant and will not be transferable by the participant other than by will or the laws of descent and distribution. The Committee may, however, permit other transferability, subject to any conditions and limitations that it imposes; provided, that, incentive stock options are not transferable. No award will be construed as giving any participant a right to receive future awards or to continued employment or service with the Company.

Amendment and Termination of the 2005 Plan. The Board of Directors of the Company may at any time alter, amend, suspend or terminate the 2005 Plan, in whole or in part, except that no alteration or amendment will be effective without stockholder approval if such approval is required by law or under the rules of the principal stock exchange on which the Company's Class A Common Stock is listed, and no termination, suspension, alteration or amendment may materially adversely alter or affect the terms of any then outstanding awards without the consent of the affected participant.

Breach of Agreements. The Committee may include a provision in any agreement or certificate governing an award under the 2005 Plan that would require a participant to return gains realized on such award under the 2005 Plan if the Committee determines that a material breach of certain obligations of the participant under one or more agreements has occurred during the one-year period after the termination of the participant's service with the Company or a subsidiary.

Parachute Payments. Payments under awards that become subject to the excess parachute tax rules may be reduced under certain circumstances.

U.S. Federal Income Tax Consequences.

Incentive Stock Options. The grant of an option will not be a taxable event for the participant or for the Company. A participant will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of our Class A Common Stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the participant holds the shares of Class A Common Stock for at least two years after the date of grant and for one year after the date of exercise (the holding period requirement). We will not be entitled to any income tax deduction with respect to the exercise of an incentive stock option, except as discussed below.

For the exercise of an option to qualify for the foregoing tax treatment, the participant generally must be our employee or an employee of our subsidiary from the date the option is granted through a date within three months before the date of exercise of the option. If all of the foregoing requirements are met except the holding period requirement mentioned above, the participant will recognize ordinary income upon the disposition of the Class A Common Stock in an amount generally equal to the excess of the fair market value of the Class A Common Stock at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. The Company will be allowed an income tax deduction to the extent the participant recognizes ordinary income, subject to the Company's compliance with Section 162(m) of the Internal Revenue Code and to certain reporting requirements.

Non-Qualified Options. The grant of an option will not be a taxable event for the participant or the Company. Upon exercising a non-qualified option, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the Class A Common Stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a non-qualified option, the participant will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of Class A Common Stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised). If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Stock. A participant who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of Class A Common Stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the participant may elect under Section 83(b) of the Internal Revenue Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the Class A Common Stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the participant does not make such a Section 83(b) election, the fair market value of the Class A Common Stock on the date the restrictions lapse (less the purchase price, if any) will be treated as compensation income to the participant and will be taxable in the year the restrictions lapse and dividends paid while the Class A Common Stock is subject to restrictions will be subject to withholding taxes. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Share Units. There are no immediate tax consequences of receiving an award of restricted share units under the 2005 Plan. A participant who is awarded restricted share units will be required to recognize ordinary income in an amount equal to the fair market value of shares and the value of the cash (if the restricted share units are settled in whole or in part in cash) issued to such participant at the end of the restriction period or, if later, the payment date. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Dividend Equivalent Rights. Participants who receive dividend equivalent rights will be required to recognize ordinary income in an amount distributed to the participant pursuant to the award. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Stock-Settled Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock-settled stock appreciation rights under the 2005 Plan. Upon exercising a stock appreciation right, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the Class A Common Stock on the date of exercise. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income. Because of recent changes in the Internal Revenue Code, the Company does not currently intend to grant cash-settled stock appreciation rights to participants who are U.S. tax payers.

Performance Awards. The award of a performance award will have no federal income tax consequences for the Company or for the participant. The payment of the award is taxable to a participant as ordinary income. If the Company complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, the Company will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Unrestricted Class A Common Stock. Participants who are awarded unrestricted Class A Common Stock will be required to recognize ordinary income in an amount equal to the fair market value of the shares of Class A Common Stock on the date of the award, reduced by the amount, if any, paid for such shares. Subject to the limits of Section 162(m) of the Internal Revenue Code, we will be entitled to an income tax deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote **FOR** the adoption of the 2005 Plan.

Equity Compensation Plan Information

The following table shows the number of options outstanding as of June 30, 2004, as adjusted to reflect the Company's reincorporation to the United States on November 12, 2004, as well as the number of shares remaining available for grant as of November 12, 2004, under the 2004 Stock Option Plan and the News Corporation 2004 Replacement Stock Option Plan. All shares reflected in the table are shares of the Company's Class A Common Stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (1) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (2)	135,945,627	\$ 16.61	54,802,781
Equity compensation plans not approved by security holders			
Total (3)	135,945,627	\$ 16.61	54,802,781

- (1) Exercise prices are denominated in Australian dollars and have been converted to US dollars for purposes of this table.
- (2) These plans are the News Corporation 2004 Stock Option Plan and the News Corporation 2004 Replacement Stock Option Plan. No additional options may be granted under the 2004 Replacement Stock Option Plan. Upon stockholder approval of the 2005 Plan, no further options will be issued under the 2004 Stock Option Plan.
- (3) Does not include options to purchase an aggregate of 6,963,351 Class A common shares, at a weighted average exercise price of \$5.62, granted under plans assumed in connection with acquisition transactions. No additional options may be granted under these assumed plans.

Executive Compensation and Other Information

The following summary compensation table sets forth certain summary information concerning the compensation paid for the fiscal years ended June 30, 2004, 2003 and 2002 to the Company's chief executive officer and each of the four other most highly compensated executive officers of the Company who served in such capacity for News Corporation on June 30, 2004 (collectively, the Named Executive Officers):

Name and Principal Position	Year	Annual Compensation			Number of Stock	
		Salary(1)	Bonus	Other Annual Compensation (2)	Options and SARs Awarded	All Other Compensation (3)
K. Rupert Murdoch						
Chairman and Chief	2004	\$ 4,509,000	\$ 12,500,000	\$ 211,322	0	\$ 6,150
	2003	4,508,000	7,500,000	146,459	0	6,000
Executive Officer	2002	4,357,000	3,000,000	126,520	0	5,100
Peter Chernin						
President and Chief						