

ALIEN OWNERSHIP AND CONTROL

The proposed structure for the acquisition of the Minneapolis stations is the same structure approved by the Commission in *UTV of San Francisco, Inc., et al.*, Memorandum Opinion & Order, FCC 01-209 (released July 25, 2001) (the "Fox/Chris Craft Order"). Fox Television Stations, Inc. ("FTS"), as a wholly owned subsidiary of Fox Television Holdings, Inc. ("FTH"), is indirectly controlled by Mr. K. Rupert Murdoch, a U.S. citizen. FTS and FTH are Delaware corporations. FTH has two classes of stock: (1) redeemable preferred stock with a fixed return representing 76 percent of the total votes and (2) common stock representing 24 percent of the total votes and substantially all of the equity.

All of the preferred stock (7,600 shares) of FTH is owned and voted personally by Mr. Murdoch, who also is FTH's Chairman and Chief Operating Officer. All of FTH's common stock (2,400 shares), representing substantially all of the equity, is owned by NAI Sub, a subsidiary of News America Incorporated ("NAI"), a Delaware corporation. NAI is an indirect subsidiary and the principal U.S. operating company of The News Corporation Limited ("News Corp."), a company organized under the laws of South Australia.

In *Fox Television Stations, Inc.*, 10 FCC Rcd 8452 (1995) ("Fox I"), the Commission found that News Corp.'s indirect ownership of approximately 99 percent of the capital contributed to FTH (then known as "Twentieth Holdings Corporation") exceeded the 25 percent "capital stock" benchmark applicable to a licensee, such as FTS, that is "directly or indirectly controlled by any other corporation." See 47 U.S.C. § 310(b)(4). In a *Second Memorandum Opinion and Order* issued in the same proceeding, 11 FCC Rcd 5714 (1995) ("Fox II"), the Commission found the FTS ownership structure described above to be consistent with the public interest, based principally on the equities involved and the fact that Mr. Murdoch, a U.S. citizen, has continuously exercised both *de jure* and *de facto* control of FTS by virtue of his controlling voting interest in FTH. The Commission therefore held that FTS's indirect alien ownership would be deemed to be 24 percent for purposes of determining compliance with the statutory limitation on alien equity ownership. The Commission further determined that FTS, as structured, could continue to acquire additional broadcast stations. *Id.*, para. 34.

In 1998, the Commission approved a short-form assignment of the stations licensed to FTS and its subsidiaries to a newly formed subsidiary which was renamed "FTS." ^{1/} The company formerly known as "FTS" was renamed "Fox Television Holdings, Inc.," and Twentieth Holdings Corporation was renamed "Fox Entertainment Group, Inc." ("FEG"). Approximately 82 percent of FEG is owned indirectly by News Corp., and the remaining 18 percent is publicly traded.

^{1/} See File Nos. BALCT-980727LE, KM-KU, granted August 26, 1998.

With respect to the proposed transaction, separate entities will hold the station licenses and the non-license operating assets. Specifically, as described in Exhibit 10, FEG will acquire through its wholly owned subsidiary, Fox/UTV Holdings, Inc. ("Newco"), the operating assets of WFTC(TV), Minneapolis and KFTC(TV), Bemidji, Minnesota. Concurrently therewith, the WFTC(TV) and KFTC(TV) licenses will be transferred to FTS. FTS will have complete control of the station licenses and complete access to the operating assets of the stations held by Newco pursuant to an operating agreement substantially in the form of the agreement submitted to the Commission in connection with the Fox/Chris-Craft Applications that have been approved by the Commission. See File Nos. BALCT-20000918ABB-ABD; BALCT-20000918ABF-ABS; BALCT-20000918ABU-ABZ; BALCT-20000918ACA-ACE.

Thus, upon consummation of the instant transaction, FTS will assume control of WFTC(TV), Minneapolis and KFTC(TV), Bemidji, Minnesota, and FEG, as a result of the ownership structure described above, will hold virtually all of the equity of the stations. Accordingly, the transaction maintains the ownership structure and level of alien ownership of FTH previously approved by the Commission. 2/

2/ As previously indicated, the Commission approved News Corp.'s ownership of approximately 99 percent of the equity of FTS's parent. That level of ownership by News Corp. decreased to approximately 82 percent as a result of the 1998 public offering of FEG shares. Assuming that the Fox/Chris-Craft Applications are approved and the transactions proposed therein are consummated, shareholders of the Chris-Craft entities will receive shares of News Corp. stock, FEG will issue additional shares upstream to a News Corp. subsidiary, and News Corp.'s indirect ownership of FEG is expected to increase to approximately 85.25 percent, well below the 99 percent level approved by the Commission in 1995.