

# **Private Benefits of Control in Media Firms: Evidence from News Corp**

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## **Abstract**

We investigate private benefits of control in media firms using The Wall Street Journal (WSJ)'s news coverage under News Corp's ownership. We examine firms connected through directors with connections to the controlling shareholder who concurrently serve on the board of both News Corp and other public firms. Compared to the NYT tone, WSJ tone is significantly more positive toward these connected firms. News Corp's 2013 restructuring heightened external investor monitoring, thereby reducing the controlling shareholder's ability to influence editorial decisions. This bias subsequently disappears. We find evidence that positive WSJ tone generates temporary stock overvaluation that subsequently reverses. Moreover, abnormal WSJ coverage is associated with increased insider sales intensity, providing evidence of the strategic use of media bias. Our results demonstrate that systematic media bias toward connected firms serves as a tool for private benefit extraction, whereby connected directors gain from increased firm valuations. This creates opportunities for reciprocal exchanges where connected directors provide governance support to the controlling shareholder, facilitating private benefit extraction. Such private benefit extraction results in underperformance of News Corp compared to peer media firms. This private benefit extraction mechanism has negative implications for both market pricing and minority shareholders. Overall, our study reveals a novel mechanism whereby information bias serves as a transferable asset in the information economy.

**Keywords:** Private Benefits of Control, Media Bias, Editorial Bias, Corporate Governance, Controlling Shareholders, Agency Theory, Difference-in-Differences, Textual Analysis

**JEL Classification:** G14, G32, G34, L82

## 1. Introduction

Media outlets exert significant influence on financial markets via their influence on information asymmetry and firm valuations. Fang and Peress (2009) show that media coverage reduces information asymmetry and affects cross-sectional stock returns. Ahern and Sosyura (2014) demonstrate that news coverage influences firm valuations during merger negotiations. These findings highlight the substantial impact of news reporting on capital markets, and firm valuations, making control over editorial content a matter of substantial economic consequence.

The governance of media firms has transformed greatly over recent decades, creating conditions that are particularly vulnerable to private benefit extraction. Many well-known media companies have historically embraced dual-class share structures that concentrate voting control whilst raising capital from general investors.<sup>1</sup> Although these governance structures were ostensibly formulated to shield editorial decisions from short-term shareholder pressures and protect journalistic integrity, they simultaneously generate opportunities for controlling shareholders to extract private benefits without proper oversight from minority shareholders.

The Telecommunications Act of 1996 further evolved the media landscape by relaxing ownership restrictions, which permitted the formation of large media conglomerates through merger and acquisitions. This concentration of media ownership, in conjunction with dual-class structures, creates an environment where controlling shareholders – whether original founders or subsequent acquirers – have both the incentive and the institutional mechanisms to extract private benefits through control over editorial decisions.

This concentration of media ownership reignites longstanding concerns about corporate control and minority shareholder protection that trace back to the seminal work by Berle and Means (1932), who identified the potential conflicts resulting from the separation of ownership and control in modern corporations. Jensen and Meckling (1976) subsequently formalized agency theory to gain a better understanding of these dynamics. Although Berle and Means (1932) mainly focused on dispersed ownership structures and managerial opportunism, the fundamental concern about potential minority shareholder expropriation has evolved into what researchers term “private benefits of control” (e.g., La Porta et al, 2002). However, researchers have mostly overlooked the

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<sup>1</sup> Representative examples include The Wall Street Journal (owned by News Corp) and The New York Times (owned by The New York Times Company). Both media firms operate under dual-class share structures via concentrated ownership by the controlling shareholder.

particular manifestation of private benefits in concentrated media ownership structures. This gap may originate from the long-lasting impact of Berle and Means (1932)'s portrayal of the dispersed ownership structures in many modern corporations. Yet, unique characteristics of the media industry – including its role in shaping public opinion, its adoption of dual-class share structures, and its role in influencing market perceptions – make it particularly vulnerable to private benefit extraction through information control.

In this paper, we investigate the private benefits of control in media firms and their impact on business news reporting. To study this, we make use of potential information bias in The Wall Street Journal's (WSJ) business news reporting under News Corp's ownership from 2008 to 2017. We hypothesize that controlling shareholders extract private benefits by offering positive editorial treatment to firms connected through business and personal relationships with the controlling shareholder, allowing reciprocal benefits from connected entities who can affect corporate governance or business decisions.

Although business and personal relationships can emerge through multiple channels – such as business partnerships, strategic alliances, or financial ties – we specifically pay attention to News Corp's board connections as our key mechanism of interest. This setting provides an ideal empirical environment for exploring private benefits of control for several reasons.

First, WSJ has the largest newspaper readership in the U.S. and leads financial news coverage. This implies WSJ tone bias could potentially have a significant impact on capital markets. Second, News Corp serves as a representative example of concentrated media ownership, given its status as one of the largest media conglomerates internationally under Rupert Murdoch's control.<sup>2</sup> Third, this setting enables us to investigate the controlling shareholder extracts private benefits by holding sway over favorable WSJ coverage toward firms where directors concurrently serve on News Corp's board and the board of other public firms. This lays out a testable mechanism for private benefits extraction through editorial influence.

We focus our analysis on board connections because the institutional environment suggests that extraction of private benefits commonly requires governance approval mechanisms that allow reciprocal exchanges. When applied to news reporting, such exchanges can work through the

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<sup>2</sup> Although the Murdoch Family Trust is the formal controlling shareholder of News Corp, Rupert Murdoch held the position of chairman of the trust and exercised de facto control over News Corp's decisions during our sample period (2008 – 2017). Hence, in this paper, we use "controlling shareholder" to refer to Rupert Murdoch reflecting his role as the effective controlling shareholder.

controlling shareholder's influence over editorial decisions toward firms where connected directors serve on boards of other publicly traded companies. This approach could create opportunities for reciprocal benefits: connected directors may enjoy financial benefits from their equity stakes or enhanced career trajectories through favorable news coverage of the firms where they serve as directors, while the controlling shareholder can receive favorable treatment in corporate governance decisions.

We test this mechanism using two major proxies for media bias: tone and coverage. We define tone as the number of positive minus negative words divided by the total number of words used in the article, expressed as a percentage. We identify words using the Loughran and McDonald (2011) dictionary, which researchers particularly designed to measure sentiment in financial contexts. We characterize Coverage as the number of news articles published about the firm in a quarter. Through these measures, we examine how controlling shareholders leverage media outlets' impact to shape public opinion through news tone and channel investor attention through news coverage toward firms.

We identify connected directors using three criteria that were clearly established before they joined News Corp's board: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members.

Our empirical analysis hinges on periods when these reciprocal exchanges are most likely to occur and create the greatest benefits for both parties. We define "Connected FQ" as firm-quarters during which connected directors concurrently serve on the boards of both News Corp and publicly listed firms. This concurrent tenure is important because it ensures that connected directors can hold sway over News Corp's decision-making processes in tandem, reaping benefits from favorable coverage of the firms where they serve as directors.

Our empirical strategy focuses on investigating WSJ's news tone and coverage toward Connected FQ using a difference-in-differences design with New York Times (NYT) media reporting as a control benchmark, compared to Connected FQ with matched control firms based on industry and firm size. Following Fang and Peress (2009), we emphasize size matching because firm size is one of the most important determinants of news coverage. We choose NYT as our benchmark because it is the second-largest national newspaper by circulation in the U.S. and

exhibits a comparable ownership structure with concentrated control, serving as a comparable media outlet in our study.<sup>3</sup>

Our results provide convincing evidence of systematic media bias that exhibits favorable treatment of Connected FQ. During connected periods, WSJ's tone is 33.0% more positive than that of NYT for the same firms, compared to only 11.7% more positive sentiment during unconnected periods and for control firms. This pattern suggests systematic bias in editorial decisions, favoring firms with board connections to News Corp via directors connected to the controlling shareholder.

Our key identification strategy exploits the quasi-exogenous variation in the controlling shareholder's ability to pressure editorial decision-making arising from News Corp's restructuring. In June 2013, News Corp separated its publishing segment, including WSJ, into a standalone public entity. Such separation considerably increased external monitoring from investors and institutionally imposed restrictions on the controlling shareholder's capacity to intervene in editorial content. We partition our sample into two periods based on News Corp's June 2013 restructuring. Our results show that tone bias is present only during the 2008- June 2013 period, but is absent thereafter, which is consistent with improved public governance oversight limiting editorial influence (Kedia and Kim (2024)). We bolster the credibility of our identification strategy by investigating board formations arising from 2007 WSJ ownership change and board terminations stemming from 2013 restructuring. Because board connections and terminations around such major corporate events face greater public scrutiny, it helps mitigate endogeneity concerns with respect to the strategic director appointments by the controlling shareholder. The positive news coverage is observed only when directors concurrently serve on the board of News Corp and connected firms.

We mitigate potential differences in WSJ and NYT news coverage topics by utilizing post 8-k filing periods, investigating WSJ and NYT news coverage issued within 10 days following firms' 8-k filings that report material corporate events. Our baseline results remain robust during these event windows, showing more favorable tone toward connected FQ, which reduces concerns about systematic news topic differences between the two media outlets drives our main results.

We analyze when this bias is most pronounced by partitioning our sample based on the underlying tone of 8-K reports. We define the high 8-K tone sample as filings with tone levels at

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<sup>3</sup> The New York Times Company is also a publicly traded company, like News Corp, ensuring comparability.

or exceeding the top 25<sup>th</sup> percentile, and the non-high 8-K tone sample as filings with below this threshold. Our results show that the tone bias appears primarily in the high 8-K tone sample. This pattern implies that tone bias arising from connection with the controlling shareholder is most prominent when underlying news is neutral or negative, as positive WSJ reporting can offer enhanced benefits to connected directors when firms encounter adverse circumstances.

We further investigate when this bias is most noticeable through two subsample analyses. First, we split Connected FQ based on whether they are connected through directors who are on the major governance committee (i.e., compensation, audit, and governance/nominating committees) versus those without such positions. We expect stronger positive WSJ tone for firms connected through directors sitting on major governance committees because these directors can repay these benefits to the controlling shareholder through governance support. Our empirical findings strongly support this expectation. Second, we divide Connected FQ based on whether they are connected through non-executive directors versus executive directors at News Corp. We observe bias only for firms connected via non-executive directors because non-executive directors mainly serve on major governance committees, thereby providing stronger incentives for the controlling shareholder to intervene in the editorial process. We find empirical evidence consistent with this prediction.

Next, we analyze WSJ's coverage patterns. We find that, relative to NYT, WSJ yields 120.6% higher news coverage for Connected FQ. We investigate when this differential coverage is most noticeable by dividing our sample based on firms' abnormal stock returns. Following Kedia and Kim (2024), we define Negative FQ as firm-quarters where firms had at least two months of negative monthly abnormal returns in a quarter, and Non-Negative FQ otherwise. We discover that higher news coverage occurs only during Non-Negative FQ periods, while exhibiting no differential coverage during Negative FQ periods. These patterns imply tactical coverage decisions that maximize benefits to connected directors by increasing investor attention when firm performance is not negative, while reducing heightened scrutiny during periods when the firms they serve experience a downturn in performance.

We distinguish private benefit extraction and information advantage hypothesis by investigating the stock price implications of positive bias in WSJ tone. According to the information advantage hypothesis, connected directors are more informed about the firm featured

in the favorable tone, resulting in lasting positive returns. However, as per private extraction hypothesis, favorable news coverage results in price inflation that reverses subsequently.

We test these two competing hypotheses by constructing a long-short portfolio that shorts Connected FQ with high abnormal WSJ tone when the average NYT tone is negative in a month, and longs Connected FQ when underlying news sentiment is positive or when there is no news coverage by either WSJ or NYT. In line with the private benefit hypothesis, this portfolio generates a significantly positive alpha of 126 basis points per month, supporting the view that this represents temporary price inflation that is subsequently reversed. We further analyze insider trading patterns, discovering that abnormal WSJ coverage during Connected FQ positively predicts higher insider sales intensity and in the days thereafter. This evidence suggests that corporate insiders at connected firms recognize the transitory price inflation generated by biased coverage and deliberately capitalize on this mispricing, lending further support for the private benefit extraction over the information advantage hypothesis.

Direct evidence of reciprocal benefit exchanges between the controlling shareholder and connected directors is naturally difficult to observe. Nevertheless, we provide several pieces of suggestive evidence regarding the mechanisms through which reciprocal benefits function. First, the controlling shareholder's influence on editorial decisions creates information bias, delivering favorable WSJ coverage to firms where connected directors concurrently serve as directors. This generates tangible benefits for connected directors through improved firm valuations that augment the value of their equity stakes and improve their professional standing and career prospects. During Connected FQ periods, 63% of our sample includes connected directors with significant financial interests, career progression opportunities, or who hold CEO/President positions at connected firms, providing evidence that directors receive substantial benefits from the controlling shareholder's influence on positive WSJ coverage.

Reciprocally, connected directors offer governance support to the controlling shareholder. During our sample period, our analysis reveals that the compensation committee consists of 68.3% directors connected to the controlling shareholder, while the audit committee is composed of 45.8% such directors. When connected directors have a dominant presence on compensation committees, they can approve generous compensation packages for the controlling shareholder. In a similar vein, their involvement in audit committees can facilitate earnings management when oversight is

weak, which specifically benefits the controlling shareholder when his compensation is tied to media firm's performance.

Finally, in line with the private benefit extraction hypothesis, we show that News Corp's performance is worse than that of peer media conglomerates. This underperformance represents the costs of private benefit extraction and implies negative consequences for minority shareholders who bear the burden of these governance structures.

This study makes two major contributions to the media and corporate governance literature. First, we provide the first empirical evidence in the literature of how private benefits of control manifest in the media industry through bias in information dissemination. While prior literature examines different kinds of connections in media contexts – including social connections between media and firm executives (Ru et al. (2020)), journalist connections (Xu (2024)) – these ties generally lack the power to directly influence the media firm's decision making process. In sharp contrast to the existing literatures, our study's focus on board connections represents fundamental departure as directors possess formal governance authority over important firm decisions, such as M&A transactions, executive compensation, and strategic initiatives. This distinction allows a pioneering mechanism for private benefit extraction: the controlling shareholder can exploit his editorial influence by disseminating favorable news coverage in return for governance support in corporate decisions, establishing reciprocal exchanges that would be impossible to operate through other types of media connections.

Second, our study advances our theoretical understanding of private benefits of control by uncovering information bias as a groundbreaking transferable asset in the modern information economy. Whereas traditional literature has mainly focused on direct resource transfers – including related-party transactions, excessive compensation, or tunneling activities (Bennedson and Wolfenzon, 2000; Johnson et al., 2000; Dyck and Zingales, 2004), we propose an essentially different mechanism where information bias performs the role of a transferable asset for the extraction of private benefits.

This mechanism exhibits three novel characteristics: (1) reciprocal exchange: mutually beneficial arrangements between the controlling shareholder and directors, beyond traditional one-way extraction, (2) indirectness: benefits are transmitted through information bias rather than direct cash transfers, and (3) asymmetric structure: the controlling shareholder provides benefits through information bias while directors return the benefit through traditional governance leniency.

Our findings shed new light on how editorial influence converts news coverage into a critical resource for reciprocal exchanges with corporate insiders, fundamentally reshaping how private benefits of control can be extracted in the information economy.

Our findings provide important policy implications in light of the widespread media ownership concentration. To the best of our knowledge, existing regulatory policies do not specifically address information based private benefit extraction through controlling shareholder editorial influence.<sup>4</sup> Given the substantial impact that media firms exercise influence via information dissemination, this disparity suggests the necessity for three major policy reforms: transparent disclosure requirements regarding editorial conflicts of interest, stronger governance standards for media firms with concentrated ownership structures, and regulatory frameworks that consider systematic information bias from media firms as a type of market manipulation.

Although our findings demonstrate that editorial influence weakened during post-restructuring periods, this does not diminish the salience of our research question. Instead, our findings offer compelling evidence that concentrated media ownership holds the potential to shape the editorial decisions – even at the most reputable news outlets such as WSJ. Considering that concentrated ownership structures are prevalent among media firms globally, and such extensive restructuring with augmented investor monitoring stands as an exception rather than the norm, the potential for akin editorial intervention maintains a pervasive presence in the media industry. Our WSJ evidence hence shows a conservative estimate of controlling shareholder’s influence, implying that the issue could be more prevalent in other news outlets with less monitoring.

While our study focuses specifically on WSJ and News Corp’s board connections, the underlying mechanism we identify has broader implications for information bias and private benefit extraction. The core mechanism we uncover may operate across various concentrated media ownership structures and connection forms. Djankov et al. (2003) show that media ownership is highly concentrated in most countries around the world. Italy’s media environment under Berlusconi’s control serves as a key example of concentrated media ownership. Despite

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<sup>4</sup> SEC regulations focus on traditional forms of market manipulation and selective disclosure. For example, SEC Regulation FD (2000) restricts selective disclosure of material nonpublic information to certain individuals or institutions, such as analysts and institutional investors. However, they do not address systematic information bias resulting from media ownership structures in conjunction with controlling shareholder's editorial influence. See SEC Release No. 33-7881, "Selective Disclosure and Insider Trading" (August 15, 2000), available at <https://www.sec.gov/rule-release/33-7881>; 17 CFR § 243 (codified as Regulation FD). See also SEC, "Regulation FD," <https://www.investor.gov/introduction-investing/investing-basics/glossary/fair-disclosure-regulation-fd>, last accessed on Aug 16, 2025.

providing the first empirical evidence of private benefit extraction via information bias in the media literature, the widespread presence of concentrated ownership structures internationally implies that similar mechanisms for private benefit extraction may function throughout various institutional contexts. This generalizability highlights the importance of comprehending information bias as a possible systematic tool for private benefit extraction in concentrated media ownership structures, not limited to the U.S. but extending internationally.

The remainder of this paper proceeds as follows. Section 2 reviews the literature and develops our hypotheses. Section 3 outlines sample construction and provides summary statistics. Section 4 presents our main empirical findings. Section 5 explores evidence of reciprocal exchange and evaluates the private benefits hypothesis. Section 6 performs falsification tests to validate our results. Section 7 conducts various robustness tests. Section 8 concludes.

## **2. Literature Review and Hypothesis Development**

### **The Role of Media in Financial Markets**

The role of media in financial markets has implications that extend beyond simple information dissemination. Media play a pivotal role of information intermediary, reducing information asymmetries between investors and firms. Media also influence investor behavior and financial market outcomes. For example, Peress (2014) show that media coverage reduces information asymmetry via enhanced information dissemination. Tetlock (2007) shows that media negativity predicts downtrend pressure on prices. Engelberg and Parsons (2011) demonstrate that local media coverage predicts local trading patterns, implying that news coverage directly affects investor decision-making instead of simply disseminating neutral information.

However, this influence is not always beneficial. Reuter and Zitzewitz (2006) show that financial publications bias their mutual fund recommendations favoring the advertiser. Kedia and Kim (2024) find that ownership by media conglomerates results in systematic negative news coverage of their business competitors. These findings validate that media outlets exert strong influence over financial market impacts, making the media firms' governance a matter of significant economic consequence.

### **Media Ownership Concentration and Editorial Control**

The concentration of media ownership has fundamentally transformed the information dissemination environment in financial markets, especially after the regulatory changes that

expedited unprecedented media ownership consolidation whilst seemingly protecting editorial independence. According to the Federal Communications Commission, the Telecommunications Act of 1996 represents “*the first major overhaul of telecommunications law in almost 62 years*” with the clear intention of “*let anyone enter any communications business*”.<sup>5</sup> However, the Act ironically led to significant media ownership consolidation rather than competition (Gilens and Hertzberg (2000)).

The Act resulted in this outcome by substantially reducing regulations on media ownership concentration and cross-ownership of media outlets. This deregulation allowed media conglomerates, such as AOL Time-Warner and Viacom, to acquire various media outlets in local markets. Whereas the Act did not explicitly target firms with dual-class share structures, the environment created by consolidation specifically benefited media firms with such structures that accumulate voting control under the control of the controlling shareholder. These ownership structures ostensibly formulated to protect editorial independence from short-term shareholder pressures, could create an environment that enables private benefit extraction through editorial control.

This transformation brings up critical issues about the possibility for the controlling shareholder to exploit editorial power for personal gain. When media ownership is exceptionally concentrated under the control of controlling shareholder, the likelihood of conflicts of interest becomes notably severe. Controlling shareholder may hold sway over editorial decisions taking into account factors beyond journalistic integrity and shareholder value maximization.

A notable example of such editorial influence occurred in April 2008. WSJ managing editor Marcus Brauchli was compelled to resign in the midst of editorial disagreements with Rupert Murdoch. This incident portrays the controlling shareholder’s desire and capability to exert influence on editorial decisions when his editorial vision is contested. This raises critical questions about whether such editorial influence mechanisms could apply to systematic news coverage bias that advantages the controlling shareholder’s personal interests. Taking into account these considerations, we develop testable hypotheses to examine this phenomenon systematically.

## **Hypothesis Development**

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<sup>5</sup> Federal Communications Commission, Telecommunications Act of 1996. Available at <https://www.fcc.gov/general/telecommunications-act-1996>, last accessed on Aug 8, 2025.

Integrating perspectives from the prior literature, we develop hypotheses to empirically test whether concentrated media ownership along with controlling shareholder's personal interests result in systematic editorial bias that serves as aforementioned private interests instead of maintaining journalistic independence. We begin by testing whether public firms (other than News Corp.) with directors connected to the controlling shareholder are featured positively in the media. The primary question is whether such news coverage manifests systematic bias is induced by the controlling shareholder's private benefit extraction or substantive information advantages. These competing accounts produce two separate empirical predictions:

***H1a (Media Bias Hypothesis):*** *WSJ writes more favorable news coverage to the firms with directors connected to the controlling shareholder who concurrently serve on News Corp's board.*

***H1b (Information Advantage Hypothesis):*** *Directors connected to the controlling shareholder have superior proprietary information about firms, leading to more favorable WSJ news coverage.*

The distinction between H1a and H1b is important for discovering whether identified news coverage patterns constitute systematic bias or reveals legitimate information intermediation. If favorable news coverage reflects systematic bias (H1a), we expect to observe: (1) temporary increases in stock price that subsequently reverse as the news coverage does not reflect underlying firm fundamental information, and (2) heightened insider selling over the course of favorable WSJ coverage as they benefit from the temporary mispricing. If positive news coverage is a manifestation of substantive information edge (H1b), favorable news coverage should bring out persistent stock price movements.

### **Theoretical Motivation: Reciprocal Benefit Exchange**

As we have formulated hypotheses to test for media bias, we next turn our attention to why such bias would systematically occur. We develop a theoretical motivation on the basis of reciprocal benefit exchange to comprehend the core mechanism that could affect editorial favoritism.

This reciprocal arrangement can be comprehended through the lens of agency theory, where the controlling shareholder leverages editorial control as a mechanism for private benefit extraction. When directors serve concurrently on News Corp's board and the boards of other

publicly traded companies, this concurrent service on two boards opens up opportunities for mutually beneficial exchanges with the controlling shareholder. The controlling shareholder has incentives to exert influence over editorial decisions, providing positive news coverage to the firms where News Corp's directors hold concurrent board positions. This editorial intervention is a manifestation of agency conflict where the controlling shareholder's private interests deviate from minority shareholders' interests.

This favorable news coverage creates tangible financial benefits for connected directors via increased corporate valuations boosting their equity value, enhanced market perceptions that fortify career prospects and professional reputation. For directors serving as CEO or presidents, positive news coverage could further enhance reputation as executives.

As a mutual exchange, connected directors provide governance support that facilitates the controlling shareholder's private benefit extraction. Because private benefit extraction in public firms necessitates organizational level consents, directors play an important role in facilitating such extraction through their governance authority. This support manifests through compensation committees that approve generous compensation packages for the controlling shareholder and audit committees that allow strategic earnings management. Connected directors are involved in the organizational decision-making process that enables private benefit extraction by consenting to the arrangements and transactions which otherwise might encounter enhanced independent oversight.

The reciprocal nature of these benefits generates strong incentives for both parties to maintain the mutual relationship, with minority shareholders shouldering the costs of impaired editorial independence and degraded corporate oversight.

***H2 (Reciprocal Exchange and Private Benefits Hypothesis):*** *Connected directors offer favorable governance support to the controlling shareholder of media firms in return for positive news coverage of the firms they are serving as directors.*

Several metrics are likely to reveal suggestive evidence of this reciprocal exchange: (1) above-median executive compensation for the controlling shareholder compared to that of industry peers. Also, the controlling shareholder's compensation structures are tied to the media firm's performance, enabling strategic earnings management that could benefit the controlling

shareholder. (2) authorization of related-party transactions that financially benefit the controlling shareholder or his family members.<sup>6</sup> (3) a large percentage of connected directors serving on major oversight committees, such as compensation committee, audit committee, thereby supporting approval of decision-making that benefits the interests of the controlling shareholder.

This motivation enables us to test whether observed news coverage patterns exhibit systematic media bias via reciprocal arrangements that allow private benefit extraction, or as an alternative indicate legitimate information advantages.

### **3. Sample Construction and Summary Statistics**

Given the potential for editorial bias in concentrated media ownership structures, we investigate whether media bias manifests in real-world scenarios by examining The Wall Street Journal's corporate news reporting patterns under Rupert Murdoch's control of News Corp over the period from 2008 to 2017. This context offers an ideal empirical setting for two main reasons. First, WSJ's far-reaching financial market reach and high news circulation makes it one of the most influential media outlets. This implies that any systematic news bias could have a major impact on investor perceptions and investment decisions. Second, News Corp's concentrated ownership structure in the hands of Rupert Murdoch offers an explicit empirical setting to investigate the potential conflicts of interest between editorial independence and controlling shareholder benefits.

These conflicts of interest could be demonstrated through directors who have documented connections to the controlling shareholder as directors can provide governance support to the controlling shareholder. Specifically, we examine whether WSJ disseminates positive news coverage to the public firms with directors who have substantiated connections to the News Corp's controlling shareholder. To identify such connections, we obtain comprehensive director information from BoardEx which encompasses detailed information on directors and executives, such as director names, concurrent tenure information and their roles as directors. We complement

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<sup>6</sup> An illustrative example is News Corp's acquisition of Shine Group, founded and owned by Elisabeth Murdoch (Rupert Murdoch's daughter). Elisabeth personally received \$214 million from this \$675 million transaction, which not only raised concerns about related-party transactions, but also resulted in shareholder litigation challenging the deal over poor related-party transaction oversight. See <https://www.theguardian.com/media/2011/mar/17/ruPERT-murdoch-news-corp-shine> and <https://www.theguardian.com/media/greenslade/2013/apr/22/news-corporation-usa>, last accessed on Aug 9 2025.

this information using DEF 14A proxy statements from SEC Edgar and connection information from web archives. In addition to the director information, we gather firm characteristics and stock return data from CRSP-Compustat Merged (CCM) database.

We distinguish connected directors to the controlling shareholder grounded in the verified connections with News Corp's controlling shareholder before joining News Corp's board. According to the analysis of media content from 2011<sup>7</sup>, the board of directors serving at News Corp is dominated by directors with strong connections to Rupert Murdoch through substantial financial relationships, prior work experience as top management team members in Murdoch-controlled firms, or documented personal or family connections with Murdoch or Murdoch's family members. Representative cases include John Thornton, the former Goldman Sachs president who counseled News Corp on major acquisitions, such as the \$1 billion Star TV deal, Ken Cowley who served as a chief executive and chairman of News Limited for around 20 years, and Viet Dinh, a former Bush administration official who serves as godfather to Lachlan Murdoch's son.

Our empirical design utilizes this board connection mechanism through matching approach. As firm size is the primary determinant of news coverage (Fang and Peress (2009)), we find the closest size-matched firms within same industry.<sup>8</sup> Using this matched sample, we download English news articles from Factiva reporting about the treated and matched firms. Factiva leverages the intelligent indexing codes that guarantee news articles are sufficiently related to the firms (Ahern and Sosyura (2014)).<sup>9</sup> We start our sample from 2008 because 2008 is when News Corp. acquired the WSJ, enabling us to investigate exclusively on the News Corp. ownership period and avoid confounding effects that could arise from different ownership periods.

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<sup>7</sup> Available at <https://www.theguardian.com/media/greenslade/2011/aug/10/news-corporation-rupert-murdoch>, last accessed on Aug 8, 2025.

<sup>8</sup> We utilize a matching process to identify the closest matched firms to treated firms. First, we search for the closest matched firm within 20% of the treated firm's size (proxied by total assets) and in the same industry (2-digit SIC code). If we do not find a matched firm within this range, we broaden the search to a more relaxed industry classification (1-digit SIC code). If we still do not find a matched firm at the 1-digit SIC level, we eliminate the industry classification condition and match exclusively on firm size within the 20% range. If the first matched firm does not have a Factiva Intelligent Indexing Code, we iterate this process to find the next match. This process generates the following matching distribution within our sample: 82.22% of firm-year observations are matched based on 2-digit SIC code, 13.56% on 1-digit SIC code, and the remainder solely based on firm size.

<sup>9</sup> Prior literature often uses intelligent indexing codes to search articles in Factiva (e.g., Bushee et al. (2010), Bushee and Miller (2012), Chen et al. (2019), Kedia and Kim (2024)).

Our sample period ends in year 2017 for a few methodological reasons. First, News Corp's publishing segment restructuring happened in June 2013, generating the natural pre- and post-restructuring periods for the analysis. Our study investigates pre-restructuring data (2008 to 2013) and post-restructuring data (2013 to 2017), providing relatively balanced temporal news coverage around restructuring. Extending beyond 2017 could place excessive weight to the post-restructuring period. Second, the digital transformation of media industry essentially transformed editorial policies and news propagation mechanisms, thereby analyzing longer time periods less suitable.

Our final sample includes 236 firm-year observations whose directors have ever served on News Corp's board and matched 236 control firm-year observations from 2008 to 2017.<sup>10</sup> Among these News Corp board connected firms, 167 firm-years associates with connected directors to the controlling shareholder and 69 firm-years involve unconnected directors. The control sample includes industry-size matched firms whose directors have never served on News Corp's board.

Table 1 shows summary statistics for firm characteristics comparing connected firms and their corresponding control firms after matching.<sup>11</sup> Whereas we successfully control for firm size and industry classifications, there are remaining minor differences in certain characteristics. For example, connected firms marginally higher leverage in comparison to control firms. We address these remaining differences by including them as control variables in our empirical specifications.

Table 2 presents summary statistics for news characteristics at the firm-quarter level comparing Connected FQ periods with Unconnected FQ and matched control firms. We combine Unconnected FQ and control firms as both periods do not correspond to situations where directors are simultaneously serving on News Corp and other publicly listed firms, thereby giving the controlling shareholder less incentive to influence the editorial process.

We pay attention to two primary measures: news tone, which reflects the sentiment of articles computed as quarterly average WSJ tone minus quarterly average NYT tone, and news coverage, which captures the news quantity. Panel A of Table 2 presents both WSJ and NYT tone separately,

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<sup>10</sup> We exclude 2 firms that have ever had board connections to both News Corp and New York Times Co. from all our analysis to avoid confounding effects when using NYT tone as a benchmark (WSJ tone as benchmark in falsification test). We exclude Sotheby's (Sotheby's Holdings, Inc. prior to Jul. 2006) from all our analysis because it was board connected to News Corp during our sample period (2010-2012) but also had prior board connections to New York Times Co. (2003-2005).

<sup>11</sup> The Matching process uses current fiscal year firm size and industry classification because firm size is a primary determinant of media coverage. However, Table 1 reports lagged firm characteristics, which accounts for the slight difference in observation counts between connected and control firms resulting from missing lagged values.

along with their relative difference. Connected FQ show an average WSJ minus NYT difference of 0.650, as opposed to 0.074 for Unconnected FQ and control firms. The difference is statistically significant (p-value = 0.001).

Panel B of Table 2 shows news coverage statistics. Connected FQ display an average WSJ news coverage minus NYT coverage difference of 44.44, compared to 22.31 for Unconnected FQ and control firms, displaying a statistically significant difference (p-value = 0.000). These statistically significant differences imply that, during Connected FQ periods, WSJ publishes more positive news with higher news volume relative to NYT, compared to Unconnected FQ and control firms, which may shape market sentiment and investor perceptions toward these firms.

## 4. Results

### 4.1. Tone of Articles

In this section, we present the empirical specifications and interpret the results. Employing a difference-in-differences methodology, we estimate the following regression:

$$Tone_{i,j,t} = \alpha + \beta_1 \text{ConnectedFQ}_{i,t} \times WSJ_j + \beta_2 \text{ConnectedFQ}_{i,t} + \beta_3 WSJ_j + \beta_4 \text{Firm Controls}_{it} + \gamma_i + \delta_t + \varepsilon_{i,j,t} \quad (1)$$

Our dependent variable is Tone measured at the article level  $j$  for firm  $i$  published in quarter  $t$ . We define tone as the difference between the number of positive words minus the number of negative words normalized by the total number of words used in the article. We utilize the Loughran and McDonald (2011) sentiment word dictionary to identify positive and negative words.

*Connected FQ* is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. We focus our main analysis on the 167 firm-year sample of connected directors and their matched firms. Because the controlling shareholder has the greatest incentive to influence the editorial process to disseminate positive news coverage for these firms. *WSJ* is an indicator variable that takes the value of one if the article is published in the Wall Street Journal, and zero if published in New York Times. Our key variable of interest is the interaction term between

*Connected FQ* and *WSJ*. The interaction term captures whether the *WSJ* article tone during *Connected FQ* is systematically different with control observations.

We include firm fixed effects ( $\mu_i$ ) to control for time-invariant firm characteristics and quarter fixed effects ( $\theta_t$ ) to take into consideration time trends, such as macro factors. We control for yearly firm characteristics, such as Log (Assets), sales growth, ROE, capital expenditures/assets, and leverage. In our expanded model, we further control for abnormal stock returns. We report robust standard errors at the firm level (Ahern and Sosyura (2014)). Among the control variables, abnormal stock return exhibits a positive and significant coefficient in model 2, implying that better stock performance is related to favorable news sentiment.

Our results demonstrate that *WSJ* tone during *Connected FQ* is significantly more positive compared to the control group. The coefficient on the interaction term (*Connected FQ* x *WSJ*) is 0.416 and statistically significant at 1% level in both specifications. The magnitude of economic significance is substantial. For *Unconnected FQ* and control firms, *WSJ* tone is 11.7% more positive than *NYT* tone. However, during *Connected FQ*, *WSJ* tone is 33.0% more positive than *NYT* tone – creating a meaningful connection effect of 21.3 percentage points.<sup>12</sup> This finding remain qualitatively robust across both specifications.

Our empirical specifications rely on the assumption that *WSJ* and *NYT* provide non-differential news coverage for *Unconnected FQ* and control firms. We verify this assumption straightforwardly by extending our main model to include *WSJ* x *Unconnected FQ* together with the original *WSJ* x *Connected FQ* interaction term. The results presented in IA. Table 1 show that the coefficient of *WSJ* x *Unconnected FQ* is statistically insignificant, implying that there is no differential news coverage for *Unconnected FQ*. Moreover, the coefficient difference test corroborates that the connection effect is significantly more pronounced during *Connected FQ* (0.493 vs 0.111, p-value = 0.000), supporting our empirical specifications. We additionally conduct various robustness tests to ensure that our findings are not driven by specific empirical choices, which we address in Section 7.

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<sup>12</sup> We utilize fitted values for economic significance calculation to account for baseline tone heterogeneity between *Connected FQ*, and *Unconnected FQ* and control firms. This allows us to measure the incremental tone bias with respect to each group's baseline tone. The calculation is as follows. Based on Model 1 fitted values, during *Connected FQ*, the average *WSJ* tone is -1.358 and average *NYT* tone is -2.028. This implies that *WSJ* is 33.0% more positive ( $0.670 / |-2.028| \times 100\%$ ). For *Unconnected FQ* and control firms, the fitted values are -1.319 (*WSJ*) and -1.493 (*NYT*), suggesting that *WSJ* is 11.7% more positive ( $0.174 / |-1.493| \times 100\%$ ). Hence, the connection effect is 21.3 percentage points (33.0% - 11.7%).

Although our baseline model includes firm and quarter fixed effects to mitigate omitted variable concerns, the endogenous aspect of Connected FQ stays a concern for identification. Unobserved and time-varying firm characteristics may have an impact on both Connected FQ and news tone, thereby confounding our causal interpretation. To mitigate this endogeneity concern, we apply an approach that creates quasi-exogenous variation arising from News Corp's 2013 publishing segment split.

Our primary identification strategy utilizes the plausibly exogenous change in the controlling shareholder's capability to exercise editorial control subsequent to News Corp's 2013 restructuring. In June 2013, News Corp. separated its publishing segment that includes WSJ as a separate publicly traded entity. This reorganization markedly increased investor scrutiny over publishing business (Kedia and Kim (2024)), thereby reducing the controlling shareholder's ability to influence editorial decisions. Importantly, while the mechanism of director's established connections to the controlling shareholder continue – with directors serving on both the boards of News Corp. and other public firms before and after the split – the corporate restructuring generated institutional barriers that reduced the controlling shareholder's power to exert editorial control.

This identification provides us an opportunity to test whether the positive news coverage we discover is actually motivated by the controlling shareholder's influence on editorial decisions instead of other confounding factors. If our proposed mechanism functions as expected, we are supposed to observe a significant reduction in positive news coverage after the 2013 split.

Table 4 presents our primary identification results. We split our sample into two based on the June 2013 restructuring. Column (1) reveals result for the pre-split period (2008 to June 2013), whereas Column (2) shows result for the post-split period (July 2013 to 2017). Our results provide convincing evidence of our suggested mechanism. During the pre-split period, we find a statistically significant and economically meaningful positive coefficient on Connected FQ x WSJ (0.899, p-value < 0.01), implying that WSJ provide more positive news toward Connected FQ. Yet, this effect nearly ceases to exist during post-split period, with the coefficient falling to 0.192 and becoming statistically insignificant.

A formal coefficient difference test substantiates this substantial change. The coefficient difference on WSJ x Connected FQ between the pre- and post-split periods is statistically significant ( $z = 4.29$ , p-value < 0.01). This dramatic change in the magnitude and significance of our key variable's coefficient followed by structural changes delivers persuasive evidence that

positive news coverage was clearly influenced by controlling shareholder's editorial intervention. Given that the mechanism of director's verified connections to the controlling shareholder remain before and after the split, but their effect on news sentiment experienced a major change, reinforces our causal interpretation.

To provide additional support for our main identification strategy, we investigate whether analogous patterns arise surrounding the corporate event that influence the controlling shareholder's incentive to intervene on editorial decisions. In detail, we investigate board formations and terminations arising from News Corp's two major corporate events. First, board formations after News Corp's acquisition of WSJ created incentives for the controlling shareholder to influence the editorial process, thereby leading WSJ to provide positive news coverage towards Connected FQ. Second, the termination of News Corp's directorships reduces these incentives and the controlling shareholder's ability to exercise editorial influence.<sup>13</sup>

Decisions regarding individual board member appointments and terminations might be endogenous. However, when these decisions occur around the major corporate events, increased investor scrutiny could restrict the controlling shareholder's discretion in the board appointment/termination process compared to routine board member changes. The supporting results presented in the IA.2 demonstrate positive and significant coefficients for board formation sample (0.842, p-value < 0.01)<sup>14</sup> and board termination sample (0.447, p-value < 0.01).<sup>15</sup> These findings imply that positive news coverage patterns correspond to times when the controlling shareholder's editorial influence incentives are expected to be higher. Although these results are best understood as directional evidence instead of independent causal identification because of the

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<sup>13</sup> We also investigated director connections formed following the 2013 restructuring. However, the sample size was insufficient to draw meaningful inference.

<sup>14</sup> For board formation samples, we exclude 2007 Q2-Q4 from our analysis as this is the ownership transition period. News Corp's acquisition of WSJ began in May 2007, resulting in a \$5 billion acquisition of WSJ in Dec 2007 (available at [https://en.wikipedia.org/wiki/The\\_Wall\\_Street\\_Journal](https://en.wikipedia.org/wiki/The_Wall_Street_Journal), last accessed on Aug 17, 2025). Excluding this transition period ensures robustness of our results, while including these periods in the analysis generates similar results. Moreover, among the 7 firms included in our analysis, 3 firms are owned by the controlling shareholder/News Corp. Our results remain qualitatively similar when we exclude these 3 firms.

<sup>15</sup> For board termination sample, we exclude 2012 Q4 through 2013 Q2 from our investigation as this is the publishing segment split transition period. News Corp announced major corporate restructuring plans in December 2012, leading to the firm being split into two separate entities in June 2013 (available at [https://en.wikipedia.org/wiki/21st\\_Century\\_Fox](https://en.wikipedia.org/wiki/21st_Century_Fox), last accessed on Aug 17, 2025). We exclude three quarters around this major corporate restructuring to avoid potential confounding effects; including these transition periods yields similar findings.

potential endogeneity of individual board member appointments and terminations, they provide consistent support for our main findings.

#### **4.2. Tone of Articles after 8-K filings**

Our findings so far reveal that the WSJ tone is more positive during Connected FQ compared to the NYT tone. Nevertheless, this observed difference could potentially be attributed to the systematic differences in news selection and coverage rather than differences in news tone. To mitigate this concern, we conduct an event study approach using 8-k filings.

After the 2004 SEC regulation amendments under the Sarbanes-Oxley Act, firms are mandated to file 8-k reports within four business day after the incidence of material events.<sup>16</sup> Moreover, 8-k filings are largely unpredictable. This unpredictability makes sure that news coverage captures genuine reactions to the events rather than scheduled reporting. Mainstream media outlets, such as WSJ and NYT, typically cover those events, enabling us to compare their news coverage of the same underlying corporate events in the aftermath of these filings.

We estimate regressions similar to our baseline specifications, confining our sample to news articles published within 10 days of 8-k filing dates. Column (1) of Table 5 shows results for all 8-k events. The coefficient on Connected FQ x WSJ is 0.376 and statistically significant at 1% level.<sup>17</sup> This suggests that WSJ tone is 18.0% more positive during Connected FQ compared to NYT tone.<sup>18</sup> The sample size reduces considerably to 17,477 observations arising from the event study approach. Nevertheless, the effect remains both economically and statistically significant, supporting the robustness of our main findings.

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<sup>16</sup> Securities and Exchange Commission. 2004. "Additional Form 8-K Disclosure Requirements and Acceleration of Filing Date." March 16. <https://www.sec.gov/rules-regulations/2004/03/additional-form-8-k-disclosure-requirements-acceleration-filing-date>, last accessed on Aug 12 2025.

<sup>17</sup> In contrast to 10-K filings which proceed according to known timeline, 8-K filings are event-driven and mostly unscheduled. To mitigate the potential confounding effects that might be caused by overlapping filing dates of regular financial reporting (e.g., 10-K), we exclude 8-K filings reported within 14 days around 10-K filing dates in our main specification. Our results remain qualitatively similar when we additionally exclude 8-K filings around 10-Q filing dates.

<sup>18</sup> The economic significance is calculated as follows. Based on fitted values, during Connected FQ, the average WSJ tone is -1.627 and average NYT tone is -1.859. This implies that WSJ tone is 12.5% more positive ( $0.232 / |-1.859| \times 100\%$ ). For Unconnected FQ and control firms, the fitted values are -1.280 (WSJ) and -1.213 (NYT), suggesting that WSJ is 5.5% more negative ( $-0.067 / |-1.213| \times 100\%$ ). Hence, the connection effect is 18.0 percentage points (12.5% - (-5.5%)).

We investigate when this effect is most pronounced by partitioning our sample into two based on 8-K filing tone. We classify 8-K filings into high 8-K tone and non-high 8-K tone samples, where high 8-K tone filings group correspond to the top quartile of 8-K tone distribution, whereas non-high 8-K tone filings sample fall below this cutoff. When firms experience negative events, more positive news tone would be especially advantageous to connected firms and connected directors, likely boosting positive media bias.

The results firmly support this prediction. In Column (2), for High 8-K tone sample, the coefficient on Connected FQ x WSJ turns into statistically insignificant (-0.111), showing no statistically significant differential media bias. However, in column (3), for Non-high 8-K tone sample, the coefficient goes up to 0.520 and continues to be highly significant at 1% level. This represents 25.7% higher positive tone differential.<sup>19</sup>

The coefficient difference is both economically and statistically significant. The 0.631 difference between non-high and high 8-K tone subsamples (0.520 vs -0.111;  $Z = 2.43$ ,  $P\text{-value} < 0.05$ ) is both economically significant, substantiating that media bias systematically differs based on the nature of the underlying corporate event. This sharp contrast strengthens our interpretation that positive media bias manifests particularly when connected firms would derive the greatest benefit from positive news coverage. Such bias is especially pronounced under challenging circumstances in which favorable news coverage could help mitigate negative investor perceptions. Indeed, the higher R-squared in the high 8-K tone subsample (0.152 vs 0.067) implies that positive corporate events result in more predictable news tone patterns. However, negative corporate events show increased variation, likely creating greater opportunities for editorial discretion and media bias to appear.

### 4.3 Heterogeneity by Director Characteristics

Next, we examine the positive WSJ tone is contingent on director characteristics that play a role in media firm's governance decisions. Connected directors occupying seats on major governance committees—such as compensation, audit and governance/nominating committees—

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<sup>19</sup> For the non-high 8-K tone subsample, during Connected FQ, the average WSJ tone is -1.588 and average NYT tone is -1.870. This implies that WSJ is 15.1% more positive ( $0.282 / |-1.870| \times 100\%$ ). For Unconnected FQ and control firms, the fitted values are -1.322 (WSJ) and -1.195 (NYT), implying that WSJ is 10.6% more negative ( $-0.127 / |-1.195| \times 100\%$ ). Hence, the connection effect is 25.7 percentage points ( $15.1\% - (-10.6\%)$ ).

exercise greater influence on corporate oversight, executive compensation and governance decisions. This influence creates incentives for controlling shareholder to provide favorable editorial treatment of firms where these directors serve as directors. In return for positive news coverage, connected directors repay these benefits by offering governance support to the controlling shareholder.

Panel A of Table 6 presents results comparing news tone for firms connected through connected directors who act as members or chairs of major governance committees versus those connected through directors without such positions. The coefficient of the interaction term (Connected FQ x WSJ) for firms connected through directors serving as members or chairs of major governance committees is 0.829 (p-value < 0.01). In contrast, the interaction coefficient for firms connected through directors without major governance committee roles is 0.283 (p-value < 0.05), indicating a smaller but still positive and significant effect. A formal coefficient of difference test lends support to the idea that key governance committee effect is significantly larger than the non-governance committee effect ( $t = 2.61$ , p-value < 0.01). This suggests that controlling shareholder leverages positive WSJ coverage as a tool to strategically develop relationships with governance committee directors, thereby creating opportunities for future governance support.

We further examine whether positive WSJ tone patterns differ by director's executive status. Non-executive directors indicate particularly valuable mutual relationship opportunities for controlling shareholder because they serve on major governance committees while maintaining fulfillment of external professional commitments. This provides strong incentives for controlling shareholder to intervene editorial process to maintain their goodwill and develop supportive governance relationships.

Panel B presents the interaction coefficient for the firms connected through directors with non-executive positions at media firm as 0.687 (p-value < 0.01), which is substantially larger than that for firms connected through directors with executive positions at media firms (0.199, p-value > 0.1). The coefficient difference test shows this gap is significant at 10% level ( $t = 1.77$ , p-value < 0.10). This weaker statistical significance compared to Panel A's governance committee analysis indicates the broader and more heterogeneous sample in Panel B. Panel A pays particular attention to directors serving on major governance committees (the most strategically valuable relationships to the controlling shareholder). In contrast, Panel B analyzes all non-executive directors, not all of whom serve on major governance committee roles, thereby diluting the average effect. The

controlling shareholder has stronger incentives to provide positive news tone to the firms where non-executive directors at the media firms serve as directors at other public firms as these directors largely hold important governance committee positions. This makes positive news tone as an effective instrument for securing governance support.

These results show a clear heterogeneity in positive news tone patterns, where the effects are most pronounced for firms connected through directors holding the most strategically important governance positions.

#### 4.4. News Coverage

Next, we investigate WSJ's news coverage patterns for Connected firms during Connected FQ periods. Given that our variable is a count variable, we employ a Poisson regression following Cohn, Liu, and Wardlaw (2022):

$$Coverage_{i,j,t} = \alpha + \beta_1 ConnectedFQ_{i,t} \times WSJ_j + \beta_2 ConnectedFQ_{i,t} + \beta_3 WSJ_j + \beta_4 Firm\ Controls_{it} + \gamma_i + \delta_t + \varepsilon_{i,j,t} \quad (1)$$

The dependent variable, Coverage, is the number of news articles published by newspaper  $j$  about firm  $i$ , in quarter  $t$ . Our primary explanatory variable of interest is the interaction term between WSJ and Connected FQ, similar to our tone specification but using a Poisson model to account for the count nature of our dependent variable. We conduct the analysis at the firm-quarter-newspaper level with robust standard errors clustered at the firm level.

Table 7 presents our main findings. The full sample result (Column 1) demonstrates that WSJ significantly increases news coverage of connected firms during Connected FQ periods, with an estimated coefficient of 0.791 (significant at 5% level). This can be interpreted as 120.6% increase in news coverage relative to baseline levels.<sup>20</sup>

However, the economic implications of heightened media coverage hinge crucially on the nature of the underlying news sentiment. When connected firms show strong firm performance, increased news coverage is advantageous to them by drawing attention to positive news and

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<sup>20</sup> The economic significance is calculated as follows:  $\exp(0.791) - 1 = 1.206$ , representing a 120.6% increase in news coverage.

improving market perception. In contrast, when connected firms perform poorly, increased coverage may hurt them by amplifying negative news coverage and attracting unwanted investor attention. Strategic editorial decisions would consequently increase news coverage when beneficial to connected firms while reducing it when potentially harmful.

We test this logic by partitioning our sample based on underlying firm's performance following Kedia and Kim (2024). We categorize quarters as "Negative FQ" when firms experience negative abnormal returns in at least two months of the quarter, indicating poor firm performance. We classify remaining quarters as "Non-Negative FQ". This partition enables us to investigate whether WSJ follows a strategic pattern.

The subsample results strongly support the strategic coverage prediction. During the Non-Negative FQ periods (Column 3), when underlying firm's performance is not poor, the coefficient of the interaction term increases to 0.909 and remains highly significant at 1% level. This represents a 148.2% increase in coverage.<sup>21</sup> WSJ increases news coverage of connected firms when such attention benefits them.

In contrast, during Negative FQ periods (Column 2), when connected firms experience poor performance, the interaction coefficient drops to 0.661 and is not statistically significant. This suggests WSJ does not systematically increase coverage when doing so might highlight poor performance. This asymmetric news coverage pattern demonstrates clear evidence that controlling shareholder influence shapes WSJ's strategic editorial decisions toward connected firms.

#### **4.5. Stock Price Effects and Insider Trading**

In this section, we investigate the stock price implications of differential tone patterns presented in previous sections. The WSJ's positive tone toward Connected FQ would bring observable changes in stock prices. These stock price effects will help us differentiate our first main hypothesis (H1a and H1b). According to the media bias hypothesis (H1a), positive WSJ reporting, when motivated by bias, results in temporary upward stock price movements that should eventually reverse. Under the information advantage hypothesis (H1b), favorable coverage reveals superior information from connected directors, leading to persistent positive stock price movements towards the same direction.

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<sup>21</sup> The economic significance is calculated as follows:  $\exp(0.909) - 1 = 1.482$  (148.2% increase).

We construct a long-short portfolio based on the following logic to test these competing hypotheses. Our trading strategy is based on the finding that favorable tone effects become particularly apparent when underlying firm news is negative. For short positions, our analysis focuses on Connected FQ periods during months when benchmark news sentiment is negative (i.e., average NYT tone  $< 0$ ) and ranks them by abnormal WSJ tone (defined as average WSJ tone minus average NYT tone for that month). We short the top three firms with the highest abnormal WSJ tone. The choice of three stems from the constraint that no more than five firms satisfy our negative benchmark news sentiment condition in any particular month.<sup>22</sup>

For our long positions, we combine Connected FQ periods under two conditions reflecting minimal bias influence. First, we include Connected FQ during months with positive underlying news sentiment (average NYT tone  $> 0$ ) as our 8-K analysis shows minimal WSJ tone differences when underlying news is positive. Second, we include Connected FQ with no news coverage by either news outlet. When one outlet provides no news coverage, the other outlet's median coverage is also zero, suggesting low media influence.<sup>23</sup> This combination establishes a neutral benchmark capturing typical stock performance without news-driven mispricing. We rebalance the portfolio monthly and analyze portfolio performance using both the market model and the Carhart (1997) four-factor model to control for systematic risk factors.

Table 8 lends strong empirical support for the media bias hypothesis (H1a). The four-factor model (Column 2) shows our long-short portfolio generates a statistically significant alpha of 126 basis point per month over the full sample period (2008 – 2017). This magnitude indicates economically significant abnormal returns from news-driven mispricing. The economic significance of our results is considerable when compared to existing literature demonstrating media bias effects. Our monthly alpha of 126 basis points surpasses the 46 basis point presented by Gurun and Butler (2012) for local media bias. This underscores the notably strong effects of director-controlling shareholder relationships.

Following the News Corp restructuring in July 2013, we split our sample into two sub-periods: 2008 – June 2013 and July 2013 – 2017. Columns (3) and (4) show that results are

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<sup>22</sup> As a robustness, we confirm that our results remain qualitatively similar when using tighter (2 firms) or more relaxed (4 firms) selection criteria for short positions. This demonstrates that our findings are not driven by the specific portfolio construction choice.

<sup>23</sup> The positive underlying news condition alone provides only 21 firm-month observations. Combining both conditions provides adequate sample size while maintaining the economic logic of using periods with minimal media influence.

concentrated in the pre-split period. The portfolio produced a significant alpha of 157 basis points per month from 2008 to June 2013. However, we find no significant alpha in the post-split period (Column 4). These results are consistent with our earlier tone analysis showing reduced media bias following News Corp’s restructuring. These subsample results verify that our results stem from controlling shareholder’s editorial influence rather than information advantages.

We further validate our media bias hypothesis (H1a) by investigating whether insiders at connected firms exploit this coverage bias through strategic stock sales. If insiders recognize that positive WSJ coverage temporarily boosts stock prices, they could strategically time their sales following WSJ news publication to leverage the elevated prices. We focus on non-zero discretionary insider sales. We exclude firm-date if aggregate insider sales in a date is less than 100 shares. We exclude Rule 10b5-1 preplanned sales where insiders are constrained in their ability to time sales (Omer et al. (2012)).

We estimate the following empirical specification to test this prediction:

$$Insider\ Sales\ Intensity_{i,t} = \alpha + \beta_1 Abn.\ WSJ\ Coverage_{i,t} \times Connected\ FQ_{i,t} + \beta_2 Abn.\ WSJ\ Coverage_{i,t} + \beta_3 Connected\ FQ_{i,t} + \beta_4 Abnormal\ Stock\ Return_{i,t} + \gamma_i + \delta_t + \varepsilon_{i,t} \quad (3)$$

Where Insider Sales Intensity represents the total dollar value of insider sales by all insiders on a given date, scaled by market value of equity. Abn. WSJ Coverage is the difference between WSJ and NYT coverage across three different windows preceding insider sales date. We control for Abnormal Stock Return measured over the same window as Abn. WSJ Coverage to account for stock price movements that might affect insider sales intensity. Our main variable of interest is the interaction between Abn. WSJ Coverage and Connected FQ, which captures the differential insider sales behavior during Connected FQ when WSJ coverage exceeds NYT coverage. If insiders at connected firms strategically exploit media bias, we anticipate increased insider sales intensity when these firms receive more WSJ coverage. This is consistent with insiders anticipating and taking advantage of media-induced mispricing.

Table 9 provides strong empirical support for the prediction. The coefficient of the interaction term between Connected FQ and Abn. WSJ Coverage is statistically significant (0.337, p-value < 0.01) when abnormal WSJ coverage is measured over a two-day window (-2, -1) preceding the insider sales date. We continue to find qualitatively similar results when abnormal WSJ coverage is measured over the three-day (-3, -1) and four-day (-4, -1) windows (Columns 2

and 3).<sup>24</sup> These results suggest that insiders at connected firms systematically leverage media bias for insider sales transactions. Our results provide additional support for the media bias hypothesis (H1a) rather than the information advantage hypothesis (H1b).

## **5. Reciprocal Exchange and Private Benefits Hypothesis**

This section examines the mechanisms through which controlling shareholders extract private benefits. We focus on the controlling shareholder's compensation structure and earnings management enabled by connected directors. We show systematic patterns where compensation committees comprised mainly of connected directors are associated with higher compensation packages. Similarly, audit committees characterized by a predominance of connected directors coincide with earnings management that could boost controlling shareholder's performance-based wealth gains.

### **5.1. Connected Directors in Major Governance Committees**

IA Table 10 presents the prevalence of connected directors in major governance committees. Connected directors, on average, consist of 68.3 % of compensation committee members, and 60% of compensation committee chair positions are held by connected directors. Similarly, audit committees are on average composed of 45.8% connected directors, while connected directors occupy 60% of audit committee chair positions. This systematic prevalence of connected directors in senior governance positions generates institutional conditions of central importance for private benefits extraction.

The real-world implications of this governance structure are demonstrated by the News Corp's acquisition of Shine Group in 2011. In February 2011, News Corp's board approved the acquisition of Shine Group, a firm specializing in media content creation owned by Elisabeth Murdoch, Rupert Murdoch's daughter. When this approval was granted, the audit committee consists of 66.7 % connected directors and connected director fulfill the role on the audit chair. Moreover, the entire board comprised of 87.5% connected directors. This acquisition resulted in significant economic benefits for Elisabeth Murdoch. The approval was influenced by the

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<sup>24</sup> In untabulated result, we continue to find qualitatively consistent results when we use different windows, such as (-5, -1), (-6, -1) and (-7, -1) windows.

governance structure predominantly dominated by directors with strong connections to her father.<sup>25</sup>

The predominance of connected directors in major governance committees and chair facilitates structural conditions for private benefit extraction. In particular, their dominance over audit committees and board composition enables the approval of related-party transactions, such as the Shine Group acquisition. This committee structure raises governance concerns. The monitors are systematically aligned with the interests of the controlling shareholder rather than that of the minority shareholders.

IA Table 12 provides further supporting evidence of the suboptimal corporate governance system through director election outcomes relative to News Corp's major competitors in the media industry. We base our analysis on the benchmark established by Kedia and Kim (2024). ISS issues negative recommendations for News Corp director elections, on average, at 44% compared to 12.4% for competitors (p-value < 0.01). Shareholder support averages only 84.8% compared to 96.3% for peer firms (p-value < 0.01).<sup>26</sup> These metrics show pervasive investor concerns about News Corp's governance practices and its directors. These results are consistent with the poor governance system documented throughout the previous analysis investigating the dominance of connected directors in major governance committees.

## **5.2. Direct Compensation Extraction**

Panel A of Table 10 presents considerable compensation extraction by News Corp's controlling shareholder compared to the executives at media industry competitors. The disparities are both economically and statistically significant across multiple compensation measures.

News Corp's controlling shareholder salary significantly exceeds executives at competitors (log difference p-value < 0.01), indicating a considerable compensation premium over market levels. Controlling shareholder's total compensation demonstrates an even larger gap. Notably, controlling shareholder's total pension payments surpass those of executives at peer firms as much

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<sup>25</sup> This transaction illustrates how connected directors can enable corporate decisions congruent with the controlling shareholder's overall benefits, as increases in family wealth eventually serve the controlling shareholder's broader interests.

<sup>26</sup> To mitigate concerns that negative ISS recommendations might affect shareholder support voting outcomes, we investigate voting outcomes for director elections with only positive ISS recommendations. Our results remain robust in this subsample (see IA Table 12, Panel C)

as 14 times (3.764 vs 0.254, p-value < 0.01).<sup>27</sup> These pension arrangements reflect notably less transparent form of wealth transfer (Bebchuk and Fried (2003)). The reduced monitoring of pension benefits in comparison with current compensation serves as an attractive mechanism to extract private benefits under minimal external monitoring.

### **5.3. Performance-Tied Wealth Structure**

In addition to direct compensation extraction, controlling shareholder's performance-tied wealth structures provide compelling incentives for earnings management. Panel B1 of Table 10 reveals the extent to which controlling shareholder's personal wealth is associated with News Corp's performance.

Most importantly, controlling shareholder's delta which captures the sensitivity of personal wealth to stock price changes significantly exceeds that of peer executives (log difference 3.662, p-value < 0.01). Economically, controlling shareholder's log transformed delta of 9.634 compared to 5.972 for competitor executives implies that marginal improvements in reported earnings result directly in substantial personal wealth gains.

This performance sensitivity result is reinforced by controlling shareholder's considerable firm-related wealth, which markedly surpasses that of peer executives (log difference 4.186, p-value < 0.01). Moreover, he owns 12.3 % of outstanding shares compared to 0.12% average ownership among peer executives – a difference of 100 times (p-value < 0.01). This performance-tied wealth structure generates substantial incentives for the controlling shareholder to manage earnings upward.

### **5.4. Earnings Management Implementation**

Table 10, Panel B2 demonstrate that these performance-tied wealth structure result in actual earnings management behavior. News Corp shows systematically elevated earnings management activities compared to its competitors using both absolute and net discretionary accruals measures. Given that both News Corp and its competitors are large media conglomerates,

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<sup>27</sup> When we use log transformation, we employ  $\log(Y)$  for Salary and Total Current Compensation and  $\log(1 + Y)$  for Total Pension Payments to account for observations with zero values.

we employ asset-weighted discretionary accruals measures to more accurately measure the economic significance of earnings management in large firms (Matsumoto, 2002).

The absolute value of weighted discretionary accruals adjusted for 2-digit SIC industry classifications shows News Corp exhibits significantly more earnings management than its competitors (0.021 vs 0.011, p-value < 0.01). This effect is robust to the use of net weighted discretionary accruals, which reflects the directional effects of earnings management (0.027 vs 0.015, p-value < 0.01). The robustness across alternative specifications provides evidence of systematic earnings management activities.

These systematic earnings management activities show weakened audit oversight by audit committees dominated by connected directors. Connected directors hold 45.8% of audit committee positions and 60% of chair positions (IA Table 10). This dominance allows systematic approval of aggressive earnings management practices. This enables the controlling shareholder to extract private benefits via improved reported performance.

### **5.5. Consequences of Private Benefit Extraction**

The systematic private benefit extraction shown above comes at a significant cost to minority shareholders. IA Table 11 presents that News Corp significantly underperforms compared to its media industry competitors across multiple firm performance metrics. News Corp's Tobin's Q of 1.063 significantly falls behind the peer median of 1.478 (p-value < 0.01). Also, its ROA (0.018 vs 0.054 (p-value < 0.05) and net income margins (0.031 vs 0.108, p-value < 0.01) trail markedly behind the industry peers. This systematic underperformance demonstrates the direct costs of private benefit extraction. Resources that could increase firm value are transferred instead to controlling shareholder benefits.

### **5.6. Benefits to Connected Directors**

We investigate how media bias from our main analysis translates into tangible benefits to connected directors. If our main findings arise from systematic reciprocal arrangements rather than information advantage, we would expect to see observable benefits accruing to connected directors. Such documentation would provide evidence of the quid pro quo arrangements facilitating private benefit extraction.

Table 11 presents the structured way in which benefits are provided to connected directors. Among 216 Connected FQs where positive WSJ tone emerges, 136 Connected FQs (63%) involve directors receiving tangible private benefits, indicating systematic coordination rather than occasional benefits.

Financial benefits make up the primary mechanism (76 Connected FQs, 35.2%). This typically includes directors holding equity stakes in connected firms or receiving funding that benefits from positive WSJ coverage. Career progression is observed in 56 Connected FQs (25.9%). This consists of extended board tenure in spite of performance issues, promotion to senior board positions, and executive appointments at other firms. Most explicitly, there are 4 cases (1.9%) that involve connected directors serving as CEO or President of connected firms, where favorable WSJ coverage could directly benefit them (see IA Table 13 for detailed documentation of director gains).

## **6. Falsification Tests**

In the following, we validate that our results arise specifically from controlling shareholder influence on editorial decisions rather than standard board connections. We conduct two falsification tests investigating WSJ news coverage patterns when board interlocks exist but controlling shareholder influence is less likely. These tests play a key role in distinguishing between our media bias hypothesis (H1a) and information advantage hypothesis arising from board connections (H1b).

We begin by investigating whether board interlocks themselves generate analogous media bias when News Corp directors lack established connections to the controlling shareholder. This test utilizes the identical empirical setup used in our main analysis. However, the primary distinction is that we study Connected FQs where News Corp directors concurrently serve on the boards of other public firms but have no documented connections to the controlling shareholder. If our results merely reflect information advantages from board interlocks, we ought to observe similar positive news coverage as suggested by the information advantage hypothesis (H1b).

Panel A of Table 12 demonstrates results that sharply contradict the information advantage explanation. The coefficient of the interaction term (Connected FQ x WSJ) for news tone is 0.327 (p-value > 0.1), while for news coverage is 0.067 (p-value > 0.1). Both coefficients remain positive but statistically insignificant. The lack of significant effects when connections to the controlling

shareholder are excluded indicates that information advantage explanations from board interlocks do not explain our main findings.

Our second falsification tests exploit our research design's advantage to flip treated and control groups by investigating whether directors connected to benchmark media outlets show similar news coverage patterns. We investigate this by first discovering 252 firm-year observations where directors at NYT serve on both The New York Times Company and other public firms. Consistent with our main sample's matching procedure, we find the closest matched firms within industry and size. This approach effectively "flips" our main research design: Instead of analyzing WSJ tone (treated) versus NYT tone (benchmark), we now investigate NYT tone (treated) versus WSJ tone for firms where New York Times Company directors concurrently serve on the boards of other publicly listed firms. Panel B studies this reversed configuration to examine whether our main findings captures information advantage originating from general board interlocks rather than editorial authority exercised by the controlling shareholder. If board interlocks generally create media bias, we are likely to observe a similar positive media bias in New York Times board connected firms.

Our results stand in sharp contrast to our main findings, even though New York Times Co maintains a similar dual-class ownership structure. The coefficient of the interaction (NYT Connected FQ x NYT) for news tone is actually negative as -0.356 (p-value > 0.1), while for news coverage is 0.170 (p-value > 0.1). Neither coefficient is statistically significant. Particularly, the negative coefficient for the interaction term in news tone analysis suggests that NYT indeed maintains editorial independence from firms where its director concurrently serve. This implication stands in marked opposition to positive news bias we show for WSJ tone during Connected FQ. This distinct pattern serves as a particularly strong falsification test because both News Corp and The New York Times Company operate under similar dual-class share structure that voting rights are highly concentrated on the controlling shareholder.<sup>28</sup> The fundamental

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<sup>28</sup> Although both media firms adopt dual-class share structures, The New York Times Company lacks documented evidence of editorial interference by controlling shareholders. The Ochs-Sulzberger family maintains strict editorial independence from business relationships. The New York Times Company's SEC filings articulate that their "*primary objective*" is "*to maintain the editorial independence and the integrity of The New York Times*". See The New York Times Company, 2008 SEC Filing DEF 14A, <https://www.sec.gov/Archives/edgar/data/71691/000104746908003351/a2183474zdef14a.htm>, last accessed on Aug 15, 2025.

distinction is not attributable to ownership structure but the documented evidence of editorial intervention by controlling shareholder.

These opposing results across both falsification tests offer compelling evidence that more than board interlocks or similar ownership structures are required to create media bias. The systematic news bias we show emerges specifically when controlling shareholders have both the ability to intervene in the editorial process. This requires coordination with parties who can influence media firm's decision-making processes, such as board of directors.<sup>29</sup>

## **7. Robustness Tests**

We conduct various supplementary analyses to test the robustness of our results.

### **Excluding Controlling Shareholder/News Corp. Owned Firms**

We test the robustness of our results by excluding firms owned by News Corp, its controlling shareholder, along with their corresponding industry-size matched control firms, from our sample. IA Table 3 presents the results. The interaction coefficients for both news tone and news coverage analysis remain economically and statistically significant.

### **Excluding Firms Connected through Controlling Shareholder Family Members**

The controlling shareholder's family members serve on News Corp's board. This family connection may influence editorial content that transcends our main measure of established connection between controlling shareholder and directors. IA Table 4 shows result excluding firms where controlling shareholder family members concurrently serve on both News Corp's board and the public firm's board. Our results remain qualitatively similar.

### **Alternative Specifications**

Our main empirical specifications use firm-level standard error clustering with firm and quarter fixed effects. We employ double clustering of standard errors by firm and quarter to handle the potential correlations across both firm and time dimensions (IA Table 5). IA Table 5 includes firm and industry times quarter fixed effects to control for industry-specific time trends. In both results, we continue to find results similar to our main findings.

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<sup>29</sup> Our findings are consistent with Gurun (2020), who investigates firms with media professionals (MPs) - directors with media industry experience - and finds no evidence of favorable coverage bias from major media outlets, such as WSJ and NYT, toward these firms. This result supports our findings that simple board connections to media organizations do not create systematic media bias.

## **Excluding the Financial Crisis Period**

The Global Financial Crisis of 2007-2009 may have changed media coverage patterns. IA Table 7 restricts the sample to observations starting from 2009 Q3.<sup>30</sup> Our findings remain statistically and economically significant, confirming that media bias patterns continue during normal economic conditions.

## **Equal-Weighted Quarterly Analysis**

Our main tone analysis naturally leverages article-level observations to retain detailed news tone information from each article. This approach may potentially put excess weight on firms with high media coverage. We mitigate this concern by calculating quarterly average tone measures. This approach ensures that each firm-quarter-newspaper observation receives equal weight irrespective of news coverage volume. Our results remain statistically significant (IA Table 8).

These robustness tests show that our observed media bias patterns capture systematic controlling shareholder editorial influence arising from connections between controlling shareholder and director, rather than byproducts of specific sample characteristics or empirical specification choices.

## **Additional Control Variables**

We finally examine the robustness of our results by including additional control variables that could affect news characteristics. More specifically, we control for firm valuation (Tobin's Q), analyst coverage (Log(Analyst Following)) and institutional ownership.<sup>31</sup> IA Table 9 shows the results with these additional control variables. We continue to find evidence that the interaction coefficients remain statistically and economically significant across all specifications, confirming that our results are not solely attributable to omitted firm characteristics.

## **8. Conclusions**

This paper investigates private benefits of control in media firms by investigating how the controlling shareholder exercises editorial influence to provide biased information about

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<sup>30</sup> Following the National Bureau of Economic Research's dating of the Great Recession from December 2007 to June 2009, we exclude observations before 2009Q3. See <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions>, last accessed on Aug 15, 2025.

<sup>31</sup> We additionally investigate the robustness of our results by including stock return volatility and momentum as additional control variables. In untabulated tests, we continue to find qualitatively similar results, but we do not report these due to a reduction in sample size.

connected firms. We show WSJ systematically provides positive news to the firms where News Corp directors with established connections to the controlling shareholder concurrently serve on the boards of other public firms. This positive news tone results in temporary stock overvaluation and corresponds with increased insider sales activity. In return, connected directors reciprocate by providing governance support to the controlling shareholder.

Our findings suggest a novel mechanism for private benefit extraction in the information economy. In contrast to the traditional mechanisms for private benefit extraction that rely on direct resource transfers, we provide the first evidence in the literature that information bias serves as a transferable asset showing features of reciprocal exchange, indirectness and asymmetric structure. The controlling shareholder exerts influence on editorial decisions while connected directors reciprocate by providing governance support. This reciprocal arrangement marks a substantial departure from prior literature on media connections because directors hold official governance authority in the media firm's decision-making process.

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**Table 1: Summary Statistics for Firm Characteristics**

This table presents summary statistics for firm characteristics. We define firms as Connected firms if any News Corp board members ever served on the board of other public firms during our sample period. Control firms are industry- and size- matched firms to the Connected firms. Abnormal Stock Return is measured at firm-quarter level. All variables except Abnormal Stock Return is measured at firm-year level. The numbers in the parentheses represent p-values from the test of difference between connected and control firms. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Connected Firms: (1)			Control Firms: (2)			Test of Difference (P-value) (1) – (2)	
	N	Mean	Median	N	Mean	Median	Mean	Median
Log (Assets)	159	10.263	10.857	162	10.154	10.83	.109 (0.679)	.027 (0.692)
Sales Growth	152	.12	.046	156	.23	.049	-.11 (0.300)	-.03 (0.528)
ROE	158	.038	.053	162	.013	.057	.025 (0.259)	-.004 (0.174)
CAPX / Assets	159	.058	.041	160	.046	.034	.012** (0.034)	.007 (0.247)
Leverage	159	.343	.273	161	.282	.227	.061** (0.032)	.046* (0.067)
Abnormal Stock Return	600	.346	-.026	629	.232	.168	.114 (0.783)	-.194 (0.762)

**Table 2: Summary Statistics for News Characteristics**

This table presents summary statistics for news characteristics. The observation is at the firm-quarter level. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ are firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. Unconnected FQ are firm-quarters when directors either (1) serve only at News Corp and not concurrently on the board of any other publicly listed firms, or (2) serve only on the boards of other publicly listed firms and do not concurrently serve at News Corp.

**Panel A: Tone**

	Connected FQ			Unconnected FQ & Control Firms		
	Mean	Median	Number of firm-Qtrs.	Mean	Median	Number of firm-Qtrs.
WSJ Tone	-1.269	-1.297	162	-1.206	-1.094	829
NYT Tone	-1.919	-1.684	117	-1.280	-1.064	518
WSJ Tone – NYT Tone (1) Diff. of WSJ Tone and NYT Tone Associated p-value	0.650*** (0.000)	0.387*** (0.000)		0.074 (0.293)	-0.030 (0.345)	
P value: Difference between Connected FQ and Unconnected FQ in (1)	0.001***	0.000***				

**Panel B: Coverage**

	Connected FQ			Unconnected FQ & Control Firms		
	Mean	Median	Number of firm-Qtrs.	Mean	Median	Number of firm-Qtrs.
WSJ Coverage	62.06	25	216	33.31	10	1108
NYT Coverage	17.62	2	216	11.00	0	1108
WSJ Coverage – NYT Coverage (2) T Test: WSJ – NYT Tone	44.44*** (0.000)	23*** (0.000)		22.31*** (0.000)	10*** (0.000)	
P value: Difference between connected and unconnected in (2)	0.000***	0.000***				

**Table 3: Relative WSJ Tone**

This table presents the estimates of OLS regression of tone on the interaction between Connected FQ and WSJ. The observation is at article level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered at the firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Tone</b>	
	(1)	(2)
<b>Connected FQ x WSJ</b>	<b>0.416***</b> <b>(0.126)</b>	<b>0.415***</b> <b>(0.126)</b>
Connected FQ	-0.494** (0.233)	-0.488** (0.234)
WSJ	0.132 (0.100)	0.132 (0.100)
Log (Assets)	0.115 (0.234)	0.129 (0.233)
Sales Growth	0.063 (0.092)	0.070 (0.092)
ROE	0.421 (0.269)	0.388 (0.266)
CAPX / Assets	-0.063 (2.204)	0.075 (2.176)
Leverage	-0.655 (1.210)	-0.659 (1.205)
Abnormal Stock Return		0.005* (0.003)
Firm FE	Yes	Yes
Quarter FE	Yes	Yes
N	58,990	58,990
R-squared	0.056	0.056

**Table 4: Relative WSJ Tone Around News Corp’s 2013 Restructuring**

This table presents the estimates of OLS regression of tone on the interaction between Connected FQ and WSJ. The observation is at article level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. We divide our sample into two using News Corp’s 2013 restructuring as the cutoff. Column (1) examines the pre-restructuring period (2008 – June 2013), while column (2) investigates the post-restructuring period (July 2013 – 2017). Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Tone</b>	
	2008 – June 2013	July 2013 - 2017
	(1)	(2)
<b>Connected FQ x WSJ</b>	<b>0.899***</b> <b>(0.084)</b>	<b>0.192</b> <b>(0.142)</b>
Connected FQ	-1.204*** (0.105)	-0.091 (0.231)
WSJ	-0.087 (0.116)	0.266*** (0.077)
Control Variables	Yes	Yes
Firm FE	Yes	Yes
Quarter FE	Yes	Yes
N	32,434	25,380
R-squared	0.058	0.078

**Table 5: Relative WSJ Tone - Post 8-K Filing**

This table presents the estimates of OLS regression of tone on the interaction between Connected FQ and WSJ. The observation is at article level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. In column (1), our sample includes WSJ and NYT news articles issued within 10 days of post 8-K filing report date (including the report date). The sample covers firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. We split our sample articles into two subsamples: High 8-K tone and Non-high 8-K tone. Column (2) includes High 8-K tone sample, defined as observations where 8-K filing tone is greater than or equal to the top 25% threshold; Column (3) includes Non-high 8-K tone sample, defined as observations where 8-K filing tone is below the top 25% threshold. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Tone</b>		
	All 8-K sample	High 8-K tone sample	Non-high 8-K tone sample
	(1)	(2)	(3)
<b>Connected FQ x WSJ</b>	<b>0.376***</b> <b>(0.094)</b>	<b>-0.111</b> <b>(0.228)</b>	<b>0.520***</b> <b>(0.125)</b>
Connected FQ	-0.707*** (0.120)	-0.757* (0.430)	-0.776*** (0.157)
WSJ	-0.050 (0.190)	0.155 (0.128)	-0.101 (0.210)
Control Variables	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes
N	17,477	3,191	14,281
R-squared	0.065	0.152	0.067

**Table 6: Relative WSJ Tone – Heterogeneity by Director Characteristics**

This table presents the estimates of OLS regression of tone on the interaction between Connected FQ and WSJ. The observation is at article level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. In Panel A, we separate our sample based on whether connected directors are sitting on major governance committees (i.e., compensation, audit, and governance/nominating committees) at News Corp. Column (1) includes WSJ and NYT articles about board-connected firms where News Corp directors concurrently serve on major governance committees; Column (2) includes those where they do not concurrently serve on major governance committees. In Panel B, we split our sample by non-executive and executive directors at News Corp. Column (1) includes WSJ and NYT articles about board-connected firms where the News Corp directors are non-executive directors; Column (2) includes those where they are executive directors. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

**Panel A: Major Governance Committee vs Not on Major Governance Committee**

	Tone	
	Major Governance Committee	Not on Major Governance Committee
	(1)	(2)
<b>Connected FQ x WSJ</b>	<b>0.829***</b> <b>(0.168)</b>	<b>0.283**</b> <b>(0.124)</b>
Connected FQ	-0.811*** (0.189)	-0.076 (0.184)
WSJ	0.134 (0.133)	0.111 (0.116)
Control Variables	Yes	Yes
Firm FE	Yes	Yes
Quarter FE	Yes	Yes
N	14,360	44,630
R-squared	0.067	0.072

**Panel B: Non-Executive Directors vs Executive Directors**

	<b>Tone</b>	
	Non-Executive Directors	Executive Directors
	(1)	(2)
<b>Connected FQ x WSJ</b>	<b>0.687***</b>	<b>0.199</b>
	<b>(0.139)</b>	<b>(0.237)</b>
Connected FQ	-0.875***	0.292*
	(0.138)	(0.139)
WSJ	0.292***	-0.060
	(0.085)	(0.239)
Control Variables	Yes	Yes
Firm FE	Yes	Yes
Quarter FE	Yes	Yes
N	26,488	15,673
R-squared	0.057	0.105

**Table 7: Relative WSJ Coverage**

This table presents the estimates of Poisson regression of coverage on the interaction between Connected FQ and WSJ. The observation is at firm-quarter-newspaper level. Coverage is the number of new articles issued to the firm in a quarter. In column (1), our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Following Kedia and Kim (2024), we separate our sample articles into two subsamples: Non-negative FQ and Negative FQ samples. Column (2) uses the Negative FQ subsample defined as firm-quarters where firms had at least two months of negative monthly abnormal returns in a quarter. Column (3) uses the Non-negative FQ subsample, defined as firm-quarters not satisfying the Negative FQ criteria. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Coverage		
	Full sample	Negative FQ sample	Non-negative FQ sample
	(1)	(2)	(3)
<b>Connected FQ x WSJ</b>	<b>0.791**</b> <b>(0.361)</b>	<b>0.661</b> <b>(0.411)</b>	<b>0.909**</b> <b>(0.366)</b>
Connected FQ	-0.410 (0.322)	-0.380 (0.384)	-0.574* (0.298)
WSJ	1.274*** (0.228)	1.379*** (0.200)	1.182*** (0.255)
Control Variables	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes
N	2,158	1,078	972
Pseudo R2	0.827	0.831	0.829

**Table 8: WSJ Tone and Trading Profits**

This table presents the OLS regression of value-weighted portfolio return (%) on common risk factors. The observation is at monthly level. Our sample includes WSJ and NYT news articles issued during Connected FQ from 2008 to 2017. In column (1), the sample period is from 2008 to 2017. Column 3 (4) includes sample period from 2008 to June 2013 (July 2013 to 2017) before (after) the News Corp.'s 2013 restructuring. We calculate value-weighted portfolio return (%). For short positions, our analysis focuses on Connected FQ periods during months when benchmark news sentiment is negative (i.e., average NYT tone < 0) and ranks them by abnormal WSJ tone (defined as average WSJ tone minus average NYT tone for that month). We short the top three firms with the highest abnormal WSJ tone. For our long positions, our analysis hinges on Connected FQ periods during months with either positive underlying news sentiment (average NYT tone > 0) or no news coverage by either news outlet. We rebalance the portfolio every month. Column 1 (Columns 2 to 4) utilizes the market model (Carhart (1997) four-factor model). Detailed definitions of control variables are provided in the Appendix. The numbers in the parentheses represent standard errors. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Portfolio Return (%)</b>			
	2008 - 2017		2008 - June 2013	July 2013 - 2017
	(1)	(2)	(3)	(4)
RM-RF	-0.0052*** (0.0013)	-0.0061** (0.0015)	-0.0061** (0.0017)	-0.0044 (0.0035)
SMB		0.0027 (0.0026)	0.0003 (0.0036)	0.0045 (0.0040)
HML		0.0036 (0.0024)	0.0044 (0.0028)	0.0025 (0.0048)
MOM		0.0011 (0.0013)	0.0015 (0.0014)	-0.0008 (0.0036)
Intercept	<b>0.0118**</b> <b>(0.0059)</b>	<b>0.0126**</b> <b>(0.0059)</b>	<b>0.0157**</b> <b>(0.0073)</b>	<b>0.0089</b> <b>(0.0105)</b>
N	120	120	66	54
R-squared	0.1206	0.1531	0.2561	0.0678

**Table 9: WSJ Coverage and Insider Sales Intensity**

This table presents the OLS regression of Insider Sales Intensity on the interaction between Connected FQ and Abnormal WSJ coverage (defined as the difference between WSJ and NYT coverage measured at three different windows preceding insider sales date). The observation is at firm-date level. Insider Sales Intensity is the total dollar value of insider sales by all insiders on a given date, scaled by market value of equity. Our sample utilizes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Column (1) reports (-2,-1) day window; column (2) presents (-3,-1) day window; column (3) shows (-4,-1) day window. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. We exclude firm-date if aggregate insider sales in a date is less than 100 shares and Rule 10b5-1 pre-planned sales. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Insider Sales Intensity</b>		
	Abn. WSJ Coverage measured at		
	(-2, -1) window (1)	(-3, -1) window (2)	(-4, -1) window (3)
<b>Connected FQ x Abn. WSJ Coverage</b>	<b>0.337***</b> <b>(0.091)</b>	<b>0.354***</b> <b>(0.101)</b>	<b>0.276***</b> <b>(0.083)</b>
Connected FQ	-0.457** (0.185)	-0.397** (0.196)	-0.425** (0.202)
Abn. WSJ Coverage	0.004 (0.026)	-0.015 (0.032)	-0.029 (0.034)
Abnormal Stock Return	0.009 (0.021)	-0.121 (0.096)	-0.136 (0.123)
Firm FE	Yes	Yes	Yes
Date FE	Yes	Yes	Yes
N	689	933	969
R-squared	0.538	0.553	0.549

**Table 10: Mechanism1: Benefits to the Controlling Shareholder**

This table presents summary statistics between News Corp and its peer media firms to show controlling shareholders gains by directors. Panel A reports direct compensation extraction of News Corp’s controlling shareholder, compared with executives at peer media firms. Log (Salary) is the natural logarithm of Salary, where Salary is the total base salary value (cash plus non-cash) paid to the named executive officer during the year. Log (Total Current Compensation) is the natural logarithm of Total Current Compensation, where Total Current Compensation consists of salary and bonus. Log (Total Pension Payments) is the natural logarithm of one plus Total Pension Payments, where Total Pension Payments is the total payments made from all pension plans during the year. Panel B1 reports performance-tied wealth structure of News Corp’s controlling shareholder, compared with executives at peer media firms. Log (Delta) is the natural logarithm of Delta, where Delta is dollar change in wealth associated with a 1% change in the firm’s stock price (in \$000s) ((Coles, Daniel and Naveen (2006) and Core and Guay (2002)). Log (Firm related wealth) is the natural logarithm of Firm related wealth, where Firm related wealth is the value of the executives’ stock and option portfolio (in \$000s) ((Coles, Daniel and Naveen (2006) and Core and Guay (2002)). Total Shares Owned (% of Shares Outstanding) represents the executive officer's total shareholdings as a percentage of the company's total outstanding shares. Panel B2 reports earnings management of News Corp, compared to peer media firms. Absolute Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC) is the absolute value of industry-adjusted discretionary accruals, weighted by total assets, where the industry adjustment is based on 2-digit SIC industry benchmarks. Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC) is the industry-adjusted discretionary accruals weighted by total assets, where the industry adjustment is based on 2-digit SIC industry benchmarks. In all panels, columns (A) and (C) report mean values; while columns (B) and (D) report median values. The last two columns report test of differences in mean and median. The numbers in the parentheses represent p-values from the test of difference between News Corp and peer media firms. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

**Panel A: Direct Compensation Extraction**

	News Corp’s Controlling Shareholder		Executives at Peer Media Firms		Test of Difference (P-value)	
	(1)	(2)	(3)	(4)	(5)	(6)
	Mean	Median	Mean	Median	Mean	Median
Log(Salary)	8.165	9.00	7.32	7.31	0.845*** (0.000)	1.69** (0.04)
Log(Total Current Compensation)	8.341	9.00	7.728	7.6	0.613** (0.03)	1.4 (0.15)
Log(Total pension payments)	3.764	6.16	0.254	0	3.51*** (0.000)	6.16*** (0.000)

**Panel B1: Performance-Tied Wealth Structure**

	News Corp's Controlling Shareholder		Executives at Peer Media Firms		Test of Difference (P-value)	
	(1)		(2)		(1) – (2)	
	Mean	Median	Mean	Mean	Median	Mean
Log(Delta)	9.634	9.49	5.972	6.05	3.662*** (0.000)	3.44*** (0.00)
Log(Firm Related Wealth)	14.239	14.09	10.053	10.22	4.186*** (0.000)	3.87*** (0.000)
Total shares owned (% of shares outstanding)	12.3	13.9	0.12	0.02	12.18*** (0.000)	13.88*** (0.000)

**Panel B2: Earnings Management Implementation**

	News Corp		Executives at Peer Media Firms		Test of Difference (P-value)	
	(1)		(2)		(1) – (2)	
	Mean	Median	Mean	Median	Mean	Median
Absolute Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC)	0.021	0.016	0.011	0.008	0.011*** (0.01)	0.008** (0.0236)
Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC)	0.027	0.023	0.015	0.012	0.012*** (0.001)	0.011*** (0.001)

**Table 11: Mechanism 2: Benefits to the Connected Directors**

This table presents summary statistics for benefits to the connected director. The observation is at firm-quarter level. The sample includes Total Number of Connected FQ, where Total Number of Connected FQ are firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. Number of Connected FQ with Financial Interest is the number of Connected FQ when the director has a large financial stake/interest at the Connected firms in a certain quarter. Number of Connected FQ with Career Progression is the number of Connected FQ when the director experience any of the followings: (1) director experience prolonged stay at Connected firm, (2) director's position/responsibility at Connected firm has been increased or (3) director advanced her/his career outside of the Connected firm in the later years. Number of Connected FQ with CEO/President is the number of Connected FQ when the director is CEO or President at the Connected firm in certain quarter. Total number of Connected FQ with Gain is the sum of the above three. Detailed documentation of benefits to the connected directors is provided in the Internet Appendix Table 12.

	<b>N</b>	<b>Percentage</b>
Total Number of Connected FQ	216	
<b>Number of Connected FQ with Financial Interest</b>	<b>76</b>	<b>35.2%</b>
<b>Number of Connected FQ with Career Progression</b>	<b>56</b>	<b>25.9%</b>
<b>Number of Connected FQ with CEO/President</b>	<b>4</b>	<b>1.9%</b>
<b>Total number of Connected FQ with Gain</b>	<b>136</b>	<b>63.0%</b>

**Table 12: Falsification Tests: Tone and Coverage**

This table presents the estimates of OLS regression of tone (columns 1 and 2) and the estimates of Poisson regression of coverage (columns 3 and 4). For Panel A, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have **no** established connections to the controlling shareholder identified using three criteria: (1) no receipt of substantial financial benefits from the controlling shareholder, (2) no prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) no documented close personal or family relationships with the controlling shareholder or his family members. For Panel B, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on New York Times Company’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp or New York Times Company directors are concurrently on the board of other publicly listed firms. WSJ (NYT) is an indicator variable that takes the value of one if the article is published in the Wall Street Journal (New York Times). Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
	(1)	(2)	(3)	(4)
<b>Panel A: News Corp Board Connected Firms</b> (through directors with no established connection to the controlling shareholder)				
<b>Connected FQ x WSJ</b>	<b>0.327</b>		<b>0.067</b>	
	<b>(0.254)</b>		<b>(0.420)</b>	
Connected FQ	-0.187		0.055	
	(0.352)		(0.408)	
WSJ	0.205		1.581***	
	(0.178)		(0.150)	
<b>Panel B: New York Times Co. Board Connected Firms</b>				
<b>Connected FQ x NYT</b>		<b>-0.356</b>		<b>0.170</b>
		<b>(0.234)</b>		<b>(0.315)</b>
Connected FQ		0.173		0.260*
		(0.169)		(0.139)
NYT		-0.129		-1.402***
		(0.172)		(0.127)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	27,292	28,753	1,044	2,232
R-squared / Pseudo R2	0.085	0.077	0.883	0.838

## Appendix: Variable Definitions and Sources

This table presents variable definitions and sources. CCM represents CRSP/Compustat Merged dataset. The variables are ordered by source.

Variable	Definition	Source
Tone	The number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage.	Factiva
WSJ (NYT)	Indicator variable that takes the value of one if the article is published in the Wall Street Journal (New York Times).	Factiva
Coverage	The number of news articles issued to the firm in a quarter.	Factiva
Abnormal WSJ coverage	The difference between WSJ and NYT coverage measured at three different windows preceding insider sales date.	Factiva
Abnormal WSJ tone	The difference between monthly average WSJ and monthly average NYT tone issued during Connected FQ.	Factiva
Connected firms	Any News Corp board members ever served on the board of other public firms during our sample period.	Factiva & BoardEx & Proxy Statement
Connected FQ	Indicator variable that takes the value of one if the article is published in firm-quarters when News Corp or New York Times Company directors are concurrently on the board of other publicly listed firms	Factiva & BoardEx & Proxy Statement
Unconnected FQ	Indicator variable that takes the value of one if the article is published in firm-quarters when directors either (1) serve only at News Corp and not concurrently on the board of any other publicly listed firms, or (2) serve only on the boards of other publicly listed firms and do not concurrently serve at News Corp.	Factiva & BoardEx & Proxy Statement
All 8-K sample	WSJ and NYT news articles issued within 10 days of post 8-K filing report date (including the report date).	Factiva & SEC Edgar
High 8-K tone sample	Subsample of All 8-K sample if 8-K filing tone is greater than or equal to the top 25% threshold	Factiva & SEC Edgar
Non-high 8-K tone sample	Subsample of All 8-K sample if 8-K filing tone is below the top 25% threshold.	Factiva & SEC Edgar
Portfolio Return (%)	Value-weighted long-short portfolio return (%). For short positions, our analysis focuses on Connected FQ periods during months when benchmark news sentiment is negative (i.e., average NYT tone < 0) and ranks them by abnormal WSJ tone (defined as average WSJ tone minus average NYT tone for that month). We short the top three firms with the highest abnormal WSJ tone. For long positions, our analysis hinges on Connected FQ periods during months with either positive underlying news sentiment (average NYT tone > 0) or no news coverage by either news outlet. We rebalance the portfolio every month.	Factiva & CRSP
Log (Assets)	The natural logarithm of total assets in a year	CCM
Sales Growth	Sales growth rate between current and previous fiscal year	CCM
ROE	Net income over market value of shareholders' equity in a previous fiscal year	CCM
CAPX / Assets	Capital expenditure over total assets in a year	CCM

Leverage	Total debt over total assets in a previous fiscal year	CCM
Abnormal Stock returns	Value weighted abnormal stock return in a quarter (Kedia and Kim (2024)). (In insider sales intensity analysis, abnormal stock return is calculated over the same window as Abn. WSJ Coverage)	CRSP
Negative FQ (Non-negative FQ)	Firm-quarters where firms had at least two months of negative monthly abnormal returns in a quarter. (Firm-quarters not satisfying the Negative FQ criteria.)	CRSP
RM-RF	Market return minus the U.S. treasury rate (Gurun and Butler (2012)).	Dr. Kenneth French website
SMB	Portfolio return of small stocks minus portfolio return of large stocks (Fama and French (1993), Gurun and Butler (2012)).	Dr. Kenneth French website
HML	Portfolio return of stocks with high book to market minus portfolio return of stocks with low book to market (Fama and French (1993), Gurun and Butler (2012)).	Dr. Kenneth French website
MOM	Portfolio return of stocks with high momentum minus portfolio return of stocks with low momentum (Carhart (1997)).	Dr. Kenneth French website
Insider Sales Intensity	The total dollar value of insider sales by all insiders on a given date, scaled by market value of equity.	Thomson-Reuters Insider Filing Data & CRSP
Log (Salary)	Natural logarithm of Salary, where Salary is the total base salary value (cash plus non-cash) paid to the named executive officer during the year.	Execucomp
Log (Total Current Compensation)	Natural logarithm of Total Current Compensation, where Total Current Compensation consists of salary and bonus.	Execucomp
Log (Total Pension Payments)	Natural logarithm of one plus Total Pension Payments, where Total Pension Payments is the total payments made from all pension plans during the year.	Execucomp
Log (Delta)	Natural logarithm of Delta, where Delta is dollar change in wealth associated with a 1% change in the firm's stock price (in \$000s) (Coles, Daniel and Naveen (2006) and Core and Guay (2002))	Dr. Lalitha Naveen's website
Log (Firm related wealth)	Natural logarithm of Firm related wealth, where Firm related wealth is the value of the executives' stock and option portfolio (in \$000s) (Coles, Daniel and Naveen (2006) and Core and Guay (2002))	Dr. Lalitha Naveen's website
Total shares owned (% of shares outstanding)	Executive officer's total shareholdings as a percentage of the company's total outstanding shares.	Execucomp
Absolute Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC)	The absolute value of industry-adjusted discretionary accruals, weighted by total assets, where the industry adjustment is based on 2-digit SIC industry benchmarks.	Compustat
Weighted Discretionary Accruals (Industry-Adjusted; 2digit SIC)	The industry-adjusted discretionary accruals weighted by total assets, where the industry adjustment is based on 2-digit SIC industry benchmarks.	Compustat

### Internet Appendix Table 1

#### Relative WSJ Tone and Coverage: Including both Connected FQ and Unconnected FQ

Models 1 (2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (2), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. Unconnected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when directors either (1) serve only at News Corp and not concurrently on the board of any other publicly listed firms, or (2) serve only on the boards of other publicly listed firms and do not concurrently serve at News Corp. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
	(1)	(2)	Negative FQ sample	Non-negative FQ sample
<b>Connected FQ x WSJ</b>	<b>0.493**</b> (0.233)	<b>0.663*</b> (0.363)	<b>0.485</b> (0.477)	<b>0.788**</b> (0.320)
Unconnected FQ x WSJ	0.111 (0.197)	-0.217 (0.414)	-0.269 (0.406)	-0.227 (0.469)
Connected FQ	-0.463** (0.213)	-0.479 (0.382)	-0.454 (0.413)	-0.654* (0.398)
WSJ	0.493** (0.233)	0.663* (0.363)	0.485 (0.477)	0.788** (0.320)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	58,990	2,158	1,078	972
R-squared / Pseudo R2	0.057	0.828	0.831	0.830
Diff. of <i>Connected FQ x WSJ</i> and <i>Unconnected FQ x WSJ</i> coeff.	0.382*** (0.000)	0.880** (0.048)	0.754* (0.087)	1.015** (0.046)
Associated p-value				

## Internet Appendix Table 2

### Relative WSJ Tone - Board Connection Formations/Terminations

This table presents the estimates of OLS regression of tone on the interaction between Connected FQ and WSJ. The observation is at article level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. In column 1, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served as newly joined directors after News Corp.'s acquisition of WSJ, along with their industry- and size-matched control firm-year observations. We consider 2007 Q2, Q3, and Q4 as the transition period before the formal ownership change and exclude them from the analysis. In column 2, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served as directors who were terminated after the 2013 News Corp. restructuring, along with their industry- and size-matched control firm-year observations. We consider 2012 Q4, 2013 Q1, and Q2 as the transition period and exclude them from the analysis. The sample period for both columns includes 8 quarters before and after the ownership change. Detailed control variable definitions are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone	
	Board Formations Arising from News Corp.'s Acquisition of WSJ (1)	Board Terminations Arising from News Corp.'s Restructuring (2)
	<b>Connected FQ x WSJ</b>	<b>0.842***</b> (0.178)
Connected FQ	0.135 (0.326)	-0.466*** (0.142)
WSJ	0.263* (0.125)	0.289** (0.104)
Control Variables	Yes	Yes
Firm FE	Yes	Yes
Quarter FE	Yes	Yes
N	5,669	11,973
R-squared	0.070	0.049

**Internet Appendix Table 3**  
**Relative WSJ Tone and Coverage:**

**Excluding Controlling Shareholder/News Corp. Owned Firms**

Column 1 (Columns 2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. For robustness, we exclude controlling shareholder/News Corp. owned firms. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed control variable definitions are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
		Full sample	Negative FQ sample	Non- negative FQ sample
	(1)	(2)	(3)	(4)
<b>Connected FQ x WSJ</b>	<b>0.660***</b> <b>(0.118)</b>	<b>0.770**</b> <b>(0.364)</b>	<b>0.641</b> <b>(0.413)</b>	<b>0.890**</b> <b>(0.374)</b>
Connected FQ	-0.827*** (0.160)	-0.406 (0.331)	-0.373 (0.385)	-0.576* (0.313)
WSJ	0.225*** (0.074)	1.286*** (0.232)	1.386*** (0.201)	1.195*** (0.264)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	48,748	1,936	990	848
R-squared / Pseudo R2	0.062	0.822	0.826	0.821

**Internet Appendix Table 4**  
**Relative WSJ Tone and Coverage:**

**Excluding Firms Connected through Controlling Shareholder Family Members**

Models 1 (2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. For robustness, our sample excludes firms Connected through Controlling Shareholder Family Members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
		Full sample	Negative FQ sample	Non-negative FQ sample
	(1)	(2)	(3)	(4)
<b>Connected FQ x WSJ</b>	<b>0.787***</b> <b>(0.115)</b>	<b>0.759*</b> <b>(0.417)</b>	<b>0.604</b> <b>(0.506)</b>	<b>0.894**</b> <b>(0.406)</b>
Connected FQ	-1.003*** (0.145)	-0.340 (0.365)	-0.217 (0.463)	-0.511 (0.330)
WSJ	0.177** (0.075)	1.297*** (0.265)	1.430*** (0.237)	1.181*** (0.292)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	42,803	1,798	900	798
R-squared / Pseudo R2	0.058	0.845	0.845	0.846

**Internet Appendix Table 5**  
**Relative WSJ Tone and Coverage: Alternative Clustering**

Models 1 (2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp’s board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. For robustness, the numbers in the parentheses represent robust standard errors double clustered by firm and quarter level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
		Full sample	Negative FQ sample	Non-negative FQ sample
	(1)	(2)	(3)	(4)
<b>Connected FQ x WSJ</b>	<b>0.415***</b> <b>(0.136)</b>	<b>0.791**</b> <b>(0.357)</b>	<b>0.661*</b> <b>(0.394)</b>	<b>0.909**</b> <b>(0.358)</b>
Connected FQ	-0.488* (0.255)	-0.410 (0.320)	-0.380 (0.377)	-0.574* (0.296)
WSJ	0.132 (0.098)	1.274*** (0.233)	1.379*** (0.210)	1.182*** (0.259)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	58,990	2,158	1,078	972
R-squared / Pseudo R2	0.056	0.827	0.831	0.829

### Internet Appendix Table 6

#### Relative WSJ Tone and Coverage: Alternative Fixed Effects

Models 1 (2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. For robustness, we replace quarter fixed effects with industry (SIC2)  $\times$  quarter fixed effects. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
	(1)	Full sample (2)	Negative FQ sample (3)	Non-negative FQ sample (4)
<b>Connected FQ x WSJ</b>	<b>0.490***</b> <b>(0.094)</b>	<b>0.791**</b> <b>(0.361)</b>	<b>0.661</b> <b>(0.411)</b>	<b>0.909**</b> <b>(0.366)</b>
Connected FQ	-0.445*** (0.168)	-0.559* (0.326)	-0.578 (0.426)	-0.688** (0.351)
WSJ	0.076 (0.113)	1.274*** (0.228)	1.379*** (0.200)	1.182*** (0.255)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
SIC2 x Quarter FE	Yes	Yes	Yes	Yes
N	58,715	2,072	974	906
R-squared / Pseudo R2	0.108	0.861	0.862	0.862

### Internet Appendix Table 7

#### Relative WSJ Tone and Coverage: Excluding financial crisis

Models 1 (2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2009Q3 to 2017 (excluding the financial crisis period). Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
	(1)	Full sample (2)	Negative FQ sample (3)	Non-negative FQ sample (4)
<b>Connected FQ x WSJ</b>	<b>0.446***</b> <b>(0.129)</b>	<b>0.672*</b> <b>(0.370)</b>	<b>0.547</b> <b>(0.448)</b>	<b>0.790**</b> <b>(0.355)</b>
Connected FQ	-0.398* (0.233)	-0.385 (0.331)	-0.451 (0.415)	-0.502* (0.283)
WSJ	0.125 (0.114)	1.205*** (0.226)	1.330*** (0.198)	1.087*** (0.254)
Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	50,806	1,790	910	808
R-squared / Pseudo R2	0.061	0.817	0.819	0.829

**Internet Appendix Table 8**  
**Relative WSJ Tone: Quarterly Average Tone**

This table presents the estimates of OLS regression of quarterly average tone on the interaction between Connected FQ and WSJ (NYT) for Panels A and B (Panel C). The observation is at firm-quarter level. Quarterly Average Tone is the average tone of the articles issued in a certain firm-quarter by newspaper as a percentage. For Panels A and B, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, for Panel A, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. For Panel B, we focus on directors who have no established connections to the controlling shareholder using the above three criteria: (1) no receipt of substantial financial benefits from the controlling shareholder, (2) no prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) no documented close personal or family relationships with the controlling shareholder or his family members. For Panel C, our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on New York Times Company's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when directors are concurrently on the board of other publicly listed firms. WSJ (NYT) is an indicator variable that takes the value of one if the article is published in the Wall Street Journal (New York Times). Detailed definitions of control variables are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	<b>Quarterly Average Tone</b>		
	(1)	(2)	(3)
<b>Panel A: News Corp Board Connected Firms</b>			
<b>(through Directors with established connection to the controlling shareholder)</b>			
<b>Connected FQ x WSJ</b>	<b>0.578***</b>		
	<b>(0.180)</b>		
Connected FQ	-0.592***		
	(0.211)		
WSJ	-0.003		
	(0.093)		
<b>Panel B: News Corp Board Connected Firms</b>			
<b>(through directors no established connections to the controlling shareholder)</b>			
<b>Connected FQ x WSJ</b>		<b>0.270</b>	
		<b>(0.439)</b>	
Connected FQ		0.145	
		(0.462)	
WSJ		0.238*	
		(0.136)	
<b>Panel C: New York Times Co. Board Connected Firms</b>			
<b>Connected FQ x NYT</b>			<b>-0.219</b>
			<b>(0.185)</b>
Connected FQ			0.193
			(0.123)
NYT			-0.045
			(0.127)
Control Variables	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes
N	1,489	706	1,199
R-squared	0.264	0.337	0.336

**Internet Appendix Table 9**  
**Relative WSJ Tone: Additional Control Variables**

Column 1 (Columns 2-4) of this table presents the estimates of OLS (Poisson) regression of tone (coverage) on the interaction between Connected FQ and WSJ. In column 1 (columns 2-4), the observation is at article (firm-quarter-newspaper) level. Tone is the number of positive words minus the number of negative words divided by the total number of words used in the article as a percentage. Coverage is the number of new articles issued to the firm in a quarter. Our sample includes WSJ and NYT news articles corresponding to firm-year observations whose directors have ever served on News Corp's board and their industry- and size-matched control firm-year observations from 2008 to 2017. Among these board-connected firms, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. For robustness, we include additional control variables, including Tobin's Q, Log (Analyst Following) and Institutional Ownership (%). Connected FQ is an indicator variable that takes the value of one if the article is published in firm-quarters when News Corp directors are concurrently on the board of other publicly listed firms. WSJ is an indicator variable that takes the value of one if the article is published in the Wall Street Journal. Detailed control variable definitions are provided in the Appendix. A constant is included but not reported for simplicity. The numbers in the parentheses represent robust standard errors clustered by firm level. \*\*\*, \*\*, and \* indicate significance levels at 1%, 5%, and 10%, respectively.

	Tone		Coverage	
		Full sample	Negative FQ sample	Non-negative FQ sample
	(1)	(2)	(3)	(4)
<b>Connected FQ x WSJ</b>	<b>0.424***</b> <b>(0.122)</b>	<b>0.791**</b> <b>(0.361)</b>	<b>0.661</b> <b>(0.411)</b>	<b>0.909**</b> <b>(0.366)</b>
Connected FQ	-0.510** (0.220)	-0.455 (0.316)	-0.438 (0.389)	-0.633** (0.295)
WSJ	0.132 (0.101)	1.274*** (0.228)	1.379*** (0.200)	1.182*** (0.255)
Tobin's Q	0.168 (0.135)	0.086* (0.051)	0.031 (0.071)	0.081 (0.052)
Log (Analyst Following)	0.239 (0.163)	0.077 (0.150)	0.269 (0.244)	-0.012 (0.107)
Institutional Ownership (%)	0.019 (0.016)	-0.025* (0.013)	-0.032** (0.015)	-0.031*** (0.012)
Baseline Control Variables	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
N	58,990	2,158	1,078	972
R-squared / Pseudo R2	0.058	0.828	0.832	0.831

### Internet Appendix Table 10

#### Comparing Board Committee Structure of News Corp. and Peer Media Firms

This table presents News Corp's board committee structure during the sample period from 2008 to 2017. Among all News Corp board members, we focus on directors who have established connections to the controlling shareholder identified using three criteria: (1) receipt of substantial financial benefits from the controlling shareholder, (2) prior work experience as top management team members at other firms that the controlling shareholder owns, or (3) documented close personal or family relationships with the controlling shareholder or his family members. We define them as connected directors. This table shows the mean and median percentage of connected directors among all committee members.

	News Corp. Connected Directors (%)	
	Mean	Median
<b>Panel A:</b>		
<b>Committee Membership</b>		
Audit Committee	45.8%	66.7%
Compensation Committee	68.3%	66.7%
Governance/Nominating Committee	63.5%	70.8%
<b>Panel B:</b>		
<b>Committee Chair Positions</b>		
Audit Chair	60%	100%
Compensation Chair	60%	100%
Governance/Nominating Chair	60%	100%

**Internet Appendix Table 11**

**Comparing Financial Performance of News Corp and Peer Media Firms**

This table presents a median and mean comparison of yearly financial performance measures between News Corp and its peer media firms. Tobin's Q is computed as total assets plus market value of equity minus book value of equity, scaled by total assets. ROA is computed as net income divided by total assets. ROE is computed as net income divided by the market value of shareholders' equity. Net income / Sales is net income over sales, representing profit margin. EBITDA / Assets is EBITDA over total assets, measuring operating profitability. Dividend / Net income is dividend over net income, representing payout ratio. The last columns report differences in mean or median between News Corp. and its peer media firms, and the associated p-values in parentheses.

	<b>News Corp. (1)</b>		<b>Peer Media Firms (2)</b>		<b>Test of Difference (P-value) (1)- (2)</b>	
	Median	Mean	Median	Mean	Median	Mean
Tobin's Q	1.063	1.13	1.478	1.495	-0.415*** (0.008)	-0.365** (0.011)
ROA	0.018	0.024	0.054	0.046	-0.036** (0.04)	-0.022 (0.369)
ROE	0.025	0.019	0.064	0.022	-0.039* (0.08)	-0.003 (0.98)
Net income / Sales	0.031	0.044	0.108	0.093	-0.077** (0.01)	-0.049 (0.321)
EBITDA / Assets	0.094	0.086	0.128	0.126	-0.034*** (0.001)	-0.04** (0.02)
Dividend / Net income	0.059	0.119	0.277	0.283	-0.218*** (0.006)	-0.164 (0.011)

## Internet Appendix 12

### Shareholder Support for Director Elections: News Corp. and Peer Media Firms

This table presents a mean and median comparison of shareholder support for director elections between News Corp and peer media firms during the period 2008 to 2017. In Panel A, Negative ISS Recommendations (%) is the percentage of elections when ISS recommends voting against, withhold, or abstain. In Panel B, For Votes by Shareholders (%) is the fraction of for votes by shareholders in the director elections. In Panel C, For Votes by Shareholders (%) only includes proposals that receive positive ISS recommendations. The last columns report differences in mean or median between News Corp. and its peer media firms, and the associated P-values in parentheses.

	News Corp.	Peer Media Firms	Test of Difference (P-value)
	(1)	(2)	(1) – (2)
<b>Panel A: Negative ISS Recommendations (%)</b>			
Mean	44%	12.4%	31.6% *** (0.000)
Median	0%	0%	0% *** (0.000)
N	50	442	
<b>Panel B: For Votes by Shareholders (%)</b>			
Mean	84.8%	96.3%	-11.5% *** (0.000)
Median	88.9%	98.3%	-9.4% *** (0.000)
N	50	442	
<b>Panel C: For Votes by Shareholders: Only Positive ISS Recommendations (%)</b>			
Mean	94.4%	97.0%	-2.6% *** (0.000)
Median	96.2%	98.3%	-2.1% *** (0.001)
N	28	387	

## Internet Appendix Table 13

### Detailed Documentation of Benefits to the Connected Directors (Connected Firms)

This table presents detailed documentation of three different types of director gains by News Corp's controlling shareholder.

Type of Director Gain	Director Name	Documentation
<b>Panel A: Financial Interests</b>		
	James William Breyer	James William Breyer was on the News Corp. board from 2011 to 2013. During this time, he was also on the board of 5 other firms. Three of the firms to which he has connections are portfolio firms of the Accel Partners, a venture capital firm. Breyer served 28 years at Accel Partners and now invests through his own firm Breyer Capital. <sup>32</sup> One of the three firms is <b>Brightcove</b> (went public in 2012) and entities affiliated with Accel Partners owned 24.5% of Brightcove. <sup>33</sup> The second firm, <b>Facebook</b> went public in 2012. Breyer on behalf of Accel Partners was an early investor taking a stake in Facebook in 2005. <sup>34</sup> The third portfolio firm of Accel Partners is <b>Model N</b> that went public in 2013 where Accel Partners owned approximately 12%. <sup>35</sup> Jim Breyer, Accel representative, oversaw its interests in Model N. Mr. Breyer also had a board connection with <b>Dell</b> . Dell 2011 proxy statements disclose that Dell, as well as Michael Dell personally were limited partners in Accel funds. <sup>36</sup> Dell did not consider this a conflict of interest. We have classified it as financial interest for Mr. Breyer as future funding from Dell for its venture funds might be furthered by WSJ favorable treatment of Dell. Mr. Breyer also had a board connection with Walmart. We do not find any unusual financial linkages between Walmart and Mr. Breyer and have classified this connection is as having no observable gain for Mr. Breyer.
	John Elkann	John Elkann was on the News Corp. board from 2013 to 2015. He was also on the board of <b>CNH Industrial (Fiat Industrial prior to 9/2013), Ferrari NV and Fiat Chrysler Automobiles</b> . John Elkann is a scion of the Agnelli family and became CEO and chairman of EXOR the Agnelli family investment company that owns 30% in Fiat and Fiat Industrial in 2011. <sup>37</sup> He has a controlling financial interest in all the three firms with which there is a connection.
	Charles Gordon Carey	The Murdoch family had a 39% financial stake in <b>SKY PLC</b> (British Sky Broadcasting Group PLC prior to Nov 2014). <sup>38</sup> The stake was sold to Comcast in 2018. <sup>39</sup> Murdoch Family also had a financial stake in <b>NDS</b> estimated to be 49% in 2012. <sup>40</sup> There were connections to
	David Francis DeVoe	

<sup>32</sup> See <https://www.forbes.com/profile/jim-breyer/?sh=6997cabb66e5>

<sup>33</sup> See IPO prospectus of Brightcove. Available at <https://www.sec.gov/Archives/edgar/data/1313275/000119312511230151/ds1.htm>

<sup>34</sup> See Connie Loizos (2011, Nov 8). "Famed VC Jim Breyer on finding the next Mark Zuckerberg (and much more)" Available at <https://techcrunch.com/2017/11/08/famed-vc-jim-breyer-on-finding-the-next-mark-zuckerberg-and-much-more/>

<sup>35</sup> See the IPO registration statement of Model N. Available at <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001118417/b57b8b00-93bf-422c-b510-b5ef3fb8cd6e.pdf>

<sup>36</sup> See 2011 Proxy Statement of Dell. Available at <https://www.sec.gov/Archives/edgar/data/826083/000095012311054499/d82379adef14a.htm>

<sup>37</sup> See Rachel Sanderson (2011, Feb 13) "Exor shakes up management to expand abroad" Available at <https://www.ft.com/content/5b9a018a-36a2-11e0-bc9f-00144feabdc0>

<sup>38</sup> See Mark Sweney (2014, Nov 12) "BSkyB to be rebranded as Sky after takeover of European sister companies" Available at <https://www.theguardian.com/media/2014/nov/13/bskyb-rebranded-sky-takeover-british-rupert-murdoch>

<sup>39</sup> See Jim Waterson (2018, Sep 26) "Rupert Murdoch's sky reign to end as fox sells all shares to Comcast" Available at <https://www.theguardian.com/media/2018/sep/26/rupert-murdochs-sky-reign-to-end-as-fox-sells-all-shares-to-comcast>

<sup>40</sup> NDS was acquired by News Corp. in 1992 who took it public in 1999 when it began trading on Nasdaq. In 2009, Permira and News Corporation announced a \$3.6 billion arrangement for buying the public holding in NDS, turning it into a privately held company. In 2012, NDS was sold to

James Murdoch, Rupert Murdoch (Murdoch Family) and Aurthur Siskind SKY PLC through Charles Gordon Carey (News Corp. COO and director), through David Francis DeVoe (News Corp. CFO and director), through James Murdoch (Murdoch Family) and Aurthur Siskind (New Corp general counsel and director). There are connections to NDS through David Francis DeVoe (News Corp. CFO and director), James Murdoch and Arthur Siskind (News Corp. General Counsel and director). After the 2013, News Corp. was split into two firms – New News Corp and 21<sup>st</sup> Century Fox. There are connections to **21<sup>st</sup> Century Fox** through James Murdoch and Rupert Murdoch.<sup>41</sup>

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**Panel B: Career Progression**

Sir Rod Eddington	Sir Rod Eddington served on the board of News Corp. from 1999 to 2013 and after that on the board of 21 <sup>st</sup> Century Fox. He has board connections with <b>Rio Tinto</b> . In 2007, Rio Tinto acquired Alcan, which pushed Rio Tinto on the verge of bankruptcy. <sup>42</sup> A protest vote was recorded against Sir Eddington, supported by a negative recommendation from ISS that resulted in 35% voting against Sir Eddington reappointment (on the Rio Tinto board) in 2009. Though this incidence cost, Sir Eddington lost his Chairmanship of ANZ bank he continued as a director of Rio Tinto till 2011. <sup>43</sup> His continuation as a director of Rio Tinto has been classified as prolonged tenure.
Joel Klein	Joel Klein joined News Corp as executive VP and its board in 2011. He has connections with <b>Boston Properties</b> (joined the board in 2013) and in 2016 became lead independent director. <sup>44</sup> We consider this case as an example for increased importance on the connected firm board.
John L. Thornton	John L. Thornton served on the board of News Corp. from 2008 to 2012. He joined board of <b>Barrick Gold</b> in 2012 and in 2014 he was appointed Executive Chairman. <sup>45</sup> In 2008, he started serving on the board of HSBC and he worked as chairman of remuneration committee. He also served as a chairman of HSBC North America Holdings Inc. <sup>46</sup>
Prof. Viet D Dinh	Prof. Viet D Dinh was on the News Corp. board from 2004 to 2013. He had connections to M&F Worldwide, Orchard Enterprises and Revlon over quarters from 2008 to 2013. Prof. Dinh’s tenure on the M&F board ended in 2011 when it was acquired by its majority shareholder MacAndrews and Forbes. Shareholder litigation on the M&F acquisition called into question the independence of Prof. Dinh

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Cisco. At that time, Permira Funds owned a 51% and News Corp. owned a 49% stake in NDS (See Todd Spangler (2012, Mar 15) “Cisco announces Deal to Acquire NDS for \$5 billion” Available at <https://www.nexttv.com/news/cisco-announces-deal-acquire-nds-5-billion-326782>).

<sup>41</sup> The positive reporting by WSJ in these connected firm-years is more directly explained as financial interests of the Murdoch family. As inside directors are likely to obtain financial gain indirectly from WSJ owner, we consider these cases as financial gains. The Murdoch family held a financial stake in DirecTV (38.5%) but transferred it to Liberty Media in 2006. See Paul Bond and Georg Szalai (2006, Dec 23) “New Corp swaps DirecTV stake with liberty” Available at <https://www.hollywoodreporter.com/business/business-news/news-corp-swaps-directv-stake-147531/>. In pre-2007 periods, there are connections to DirecTV for some quarters through Rupert Murdoch (Murdoch Family) and Peter Chernin (while he was CEO of News Corp). Since the stake was sold prior to the 2007 acquisition of WSJ by News Corp., we do not include these connections as related to Murdoch Family financial interests.

<sup>42</sup> See Barry Fitzgerald (2011, Mar 4) “Alcan fallout crushes Sir Rod” Available at <https://www.smh.com.au/business/alcan-fallout-crushes-sir-rod-20110304-1bhej.html>.

<sup>43</sup> See Peter Smith (2009, July 24) “Eddington gives up on ANZ Chairmanship” Available at <https://www.ft.com/content/1efcb020-781b-11de-bb06-00144feabdc0>

<sup>44</sup> See Rayna Katz (2016, Apr 4) “Boston Properties Chairman Stepping Down” Available at <https://www.globest.com/2016/04/04/boston-properties-chairman-stepping-down/>

<sup>45</sup> See <https://media.ford.com/content/fordmedia/fna/us/en/people/john-thornton.html>

<sup>46</sup> See Margot Patrick (2013, May 20) “HSBC’s Thornton Stepping Down From Board” Available at <https://www.wsj.com/articles/SB10001424127887324102604578495451473446488>

who was alleged to have relationship with Barry Schwartz (a fellow director of M&F and CEO of MacAndrews and Forbes). The Appellants also pointed out Schwartz’s later invitation to Prof. Dinh to join the board of Revlon (where Schwartz was also a director). The court noted that the invitation to join the board was months after the merger and deemed it not problematic.<sup>47</sup> Revlon is controlled by Ronal Perelman who also controls MacAndrews and Forbes, and M&F. Prof. Dinh left Revlon board in 2017 to join the board of Scientific Games, another Perelman’s firm. Lin (2019) notes that “*prospect of future rewards from controlling shareholders also influences director behavior.*”<sup>48</sup> (pp. 554, Lin (2019)). Positive news stories about **M&F WorldWide and Revlon** could be rewarded with a continued relationship with their controlling shareholder, Ronald Perelman. This is likely to result in future directorships in other firms controlled by Perelman (as seen with Scientific Games). We have classified the connections to M&F Wordwide and Revlon as potential gains in the career progression of Prof. Dinh as a director. Prof. Dinh was on the board of Orchard Enterprises from 2007 to 2010. His tenure ended when Orchard was purchased by its majority shareholder Dimensional Associates, a private equity firm owned by Joseph Samburg. Prof. Dinh was a member of the special committee that evaluated the offer from Dimensional Associates. There was shareholder litigation for the acquisition however it did not mention any concerns regarding Prof. Dinh. We have therefore not classified this connection as having potential for gain through career progression.<sup>49</sup>

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### Panel C: CEO/President of Firm

Charles Gordon Carey

Charles Gordon Carey joined News Corp. as COO and its board in 2009. He resigned as CEO and President of DirecTV in 2009 and continued on its board till 2010.<sup>50</sup> Though he joined the board of News Corp. after resigning as CEO of **DirectTV**, as he is likely to have unexercised options and shares tied to the DirecTV stock price while he was serving on boards for both DirecTV and News Corp., we consider this case as CEO/President of the firm.

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<sup>47</sup> See Alan Kahn vs M&F Worldwide Corp, Docket No. 334,2013 (Del. June 25, 2013), Court Docket for details of the case and the subsequent shareholder litigation. Available at <https://www.law.upenn.edu/live/files/8822-a>

<sup>48</sup> Lin (2019) “Beyond Beholden” Working Paper, SSRN. Available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3335195](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3335195). Lin (2019) make use of the M&F freezeout example to explain the ties between controlling shareholder and director. Lin (2019) writes that “*M&F Worldwide formed a special committee of four nominally independent directors to negotiate and review the offer from MacAndrews & Forbes and its controlling shareholder, Ronald Perelman. Just three months after the deal closed, the chairman of the special committee, Paul Meister, was invited to be an independent director of Scientific Games, which at the time was 34.2% owned by Perelman. Meister also subsequently became the president of MacAndrews & Forbes in 2014 and joined the boards of two other Perelman-controlled companies, vTv Therapeutics and Revlon, Inc. 103 Meister's path is not unique: as I mentioned earlier, Viet Dinh, another special committee member, became an independent director of Revlon in June 2012, less than a year after the freezeout. In 2017, Dinh left Revlon to join the Scientific Games board.*” (see pp.534-535, Lin (2019)).

<sup>49</sup> See 2010 Proxy Statement of Orchard Enterprises for the details of the acquisition. Available at [https://www.sec.gov/Archives/edgar/data/1339729/000114420410034176/v188479\\_defm14a.htm#ICPM](https://www.sec.gov/Archives/edgar/data/1339729/000114420410034176/v188479_defm14a.htm#ICPM).

<sup>50</sup> See 2010 Proxy Statement of DirecTV.

Available at <https://www.sec.gov/Archives/edgar/data/1465112/000104746910003963/a2197994zdef14a.htm>.

For his resignation see <https://www.sec.gov/Archives/edgar/data/1465112/00010474690909082/a2195040z424b3.htm>