The media giant 21st Century Fox, the empire run by Rupert Murdoch, made an $80 billion takeover bid in recent weeks for Time Warner Inc. but was rebuffed.

The bold approach could put Time Warner in play and might again ignite a reshaping of the media industry, prompting a new spate of mega-mergers among the nation's largest entertainment companies. Mr. Murdoch has built a global media juggernaut over nearly five decades spanning studios, television channels and newspapers, in part, by pursuing bold deals that were often rebuffed at first by the targets of his overtures, only to later acquiesce.

Time Warner on Wednesday confirmed that it had rejected a cash and stock offer from 21st Century Fox, saying that it was not in the company's best interests. The Time Warner statement pointed to its own strategic plan, what it said was "uncertainty" over the value of 21st Century Fox stock and regulatory risks as among the reasons for its rebuff. The company said that 21st Century Fox had offered 1.531 of its Class A non-voting common shares and $32.42 in cash for every Time Warner share — or a total of nearly $86.30, a premium of roughly 22 percent to Time Warner's closing price on Tuesday. Earlier on Wednesday, 21st Century Fox also confirmed that it had made a formal offer to Time Warner last month. "The Time Warner board of directors declined to pursue our proposal," the statement said. "We are not currently in any discussions with Time Warner."

Together, 21st Century Fox and Time Warner would become a colossus with an array of television networks and channels like Fox, Fox News, FX, TNT and TBS; the premium subscription channel HBO, movie studios like 20th Century Fox, Warner Bros. and other prominent outlets. It would also combine Fox's growing sports business with the broadcast rights that Time Warner owns for professional and college basketball and Major League Baseball, among other sports. The combined company would have total revenue of $65 billion. Shares of Time Warner were up about 20 percent in premarket trading on Wednesday morning.

As part of the proposal to buy Time Warner, people briefed on the proposal said, 21st Century Fox indicated that it would sell CNN to head off potential antitrust concerns since Fox News competes directly with CNN. Putting CNN on the auction block would likely stir up a bidding war for the news channel; both CBS and ABC, a unit of the Walt Disney Company, have long been viewed as interested suitors. The company first approached Time Warner in early June, these people said. Chase Carey, the president of 21st Century Fox and a longtime top lieutenant to Mr. Murdoch, met privately with Time Warner's chief executive, Jeff Bewkes, these people said. 21st Century Fox said it would raise $24 billion to help pay for the deal and stressed that its bid was not dependent on financing.

The company estimated that a combination would create $1 billion in cost savings and possibly more, primarily by cutting sales staff and back-office functions, these people said. In its letter, 21st Century Fox insisted that it planned to keep Time Warner's most successful managers and creative executives as well as its various channels and studios.

Time Warner's board discussed the proposal at length, the people briefed said, and early this month it sent a terse letter rejecting the offer, saying the company was better off remaining independent. Among the points of contention: The stock portion of 21st Century Fox's offer would be made using nonvoting shares, these people said. Unlike Time Warner, which has no controlling shareholder, 21st Century Fox is controlled by the Murdoch family and has two tiers of stock, voting and nonvoting. Representatives for 21st Century Fox and Time Warner could not be immediately reached for comment.

It is unclear what 21st Century Fox's next steps will be. With the disclosure of the takeover approach, pressure from Time Warner shareholders could mount on Mr. Bewkes to begin

images

***Pottstown Mercury* Editorial: Pa. legislators avoid public eye in hot, cramped back rooms**

talks. About 70 percent of Time Warner shareholders, including many big mutual funds, also own shares in 21st Century Fox. While the talks between the two companies have thus far been considered friendly, people involved in the discussions said that Mr. Murdoch is determined to buy Time Warner and is unlikely to walk away. Mr. Murdoch has been planning the deal with his inner circle: Mr. Carey; his son James; and the company's chief financial officer, John Nallen, people briefed on the matter said.

Already, a team of Wall Street advisers have been hired on both sides: 21st Century Fox is being advised by Goldman Sachs and Centerview Partners, while Time Warner has hired Citigroup and other advisers. For Mr. Murdoch, an acquisition of Time Warner might be a capstone to his long career. People close to him have said that he sees such a combination as a natural part of a consolidating entertainment industry. Time Warner itself has been part of several of the biggest mergers of the past few decades, including the merger of Time and Warner in the 1980s and the disastrous $165 billion sale to America Online at the height of the dot-com boom.

Mr. Murdoch's approach comes after Time Warner's spinoff of its legacy print publications, a move that some analysts have said could spur the interest of potential bidders. Beyond 21st Century Fox, however, it is not clear who would have both the interest and the financial firepower to pursue a deal, though rumors briefly arose that Google was interested in some sort of partnership. Mr. Bewkes was asked last week by Variety magazine about speculation that 21st Century Fox or Google might seek a deal. He replied: "I know nothing about it." – ***New York Times***

The Federal Communications Commission could have used an Internet "fast lane" on Tuesday as a flood of net neutrality comments caused its website to sputter and forced the agency to extend its deadline for accepting public input on its controversial plan.

FCC officials hope the additional time will give people who've had problems filing the chance to have their voices heard. The comment deadline was set to close midnight Tuesday, but the commission extended it to midnight Friday. Chairman Tom Wheeler's original net neutrality proposal has sparked a firestorm for allowing Internet-service providers such as AT&T and Verizon to charge companies for faster delivery of content. "Not surprisingly, we have seen an overwhelming surge in traffic on our website that is making it difficult for many people to file comments," said FCC press secretary Kim Hart. "Please be assured that the Commission is aware of these issues and is committed to making sure that everyone trying to submit comments will have their views entered into the record."

As of Tuesday afternoon, there were 780,000 comments, but net neutrality activists contend the number is actually much higher, if you count petitions filed that contain thousands of individual names. Janet Jackson's Super Bowl "wardrobe malfunction" holds the record for FCC comments at 1.4 million. "The FCC isn't used to this kind of attention and pressure," said Craig Aaron, CEO of advocacy group Free Press. "It's a new thing for Wheeler. He opens up the paper and sees all this. … It's breaking through."

The commission is once again engaged in the net neutrality debate after a D.C. appeals court tossed out a pair of key rules in January. The court ruled the FCC has the authority to regulate the Internet but said its logic was flawed. In May the FCC approved a notice of proposed rule making based on Wheeler's preferred lighter regulatory touch — which has been hammered for permitting Internet "fast lanes." It also floats a more robust approach that treats the Internet like a telecom utility. A majority of the comments filed thus far have pushed the FCC to go the utility route, known as Title II.

A group of 13 senators urged Wheeler on Tuesday to adopt the Internet-as-utility strategy. Signing the letter were Democrats Ed Markey (Mass.), Al Franken (Minn.), Chuck Schumer (N.Y.), Ron Wyden (Ore.), Richard Blumenthal (Conn.), Jeff Merkley (Ore.), Elizabeth Warren (Mass.), Sheldon Whitehouse (R.I.), Ben Cardin (Md.), Kirsten Gillibrand (N.Y.),

Cory Booker (N.J.), and Barbara Boxer (Calif.) along with Independent Bernie Sanders (Vt.). "If the FCC allows big corporations to negotiate fast lane deals, the Internet will be sold to the highest bidder," Sanders said at a news conference. Franken called Wheeler's proposal almost "Orwellian."

Two Democratic state attorneys general — Eric Schneiderman of New York and Lisa Madigan of Illinois — also waded into the debate Tuesday, saying in their own comment that the FCC should avoid fast lanes and treat the Internet like a utility. The big telecommunications companies have a different take, with companies like AT&T, Verizon and Comcast arguing that applying telephone-style regulation to the Internet would chill investment and result in drawn-out litigation. "Title II reclassification not only is unnecessary to achieve the Commission's policy objectives, but would affirmatively undermine those objectives by significantly deterring the ongoing investments necessary to deploy broadband further and support the Internet's continuing evolution," the National Cable and Telecommunications Association said in a comment filed with the commission Tuesday.

With the FCC's portal down, some net neutrality advocates used the opportunity to turn delivery of comments into an event. Groups like Free Press, the American Civil Liberties Union, and Common Cause planned to submit their comments by hand to the FCC's headquarters in Washington. An alliance of musicians and songwriters also got into the act. Artists such Charles Bissell of The Wrens and REM backed the Title II approach. Smarting from radio consolidation, the music industry fears allowing fast lanes could become the new payola of the 21st century. "We music people know payola when we see it, and what we see in Chairman Wheeler's proposal doesn't give us any confidence that we won't end up with an Internet where pay-by-play rules the day," the consortium of musicians wrote. "We've heard this song before, and we're frankly pretty tired of it."

The deluge of comments turns up the temperature on the net neutrality debate, but it's unclear how they will ultimately shape the commission's decision making. "Having hundreds of thousands of people writing into the FCC will clearly have an effect on the agency's thought process," said Paul Gallant, managing director of Guggenheim Securities. "But in the end they have to go with hard economic and legal evidence because this decision is going to court, and that's all the judges care about." Aaron said Free Press and other public interest groups intend to keep up the pressure on Wheeler over the next few months, in what he's calling "the summer of net neutrality." "We want to see Wheeler get out of D.C., outside the Beltway bubble," he said. Free Press is planning a series of local events and district meetings with lawmakers. Wheeler has said he'd like the commission to make a decision on net neutrality by the end of the year. – ***Politico***

Comcast Corp.'s David L. Cohen will testify in Washington on Wednesday for the third time regarding the cable-TV giant's proposed $45.2 billion purchase of Time Warner Cable Inc., this time before the Senate Commerce Committee. The hearing, titled "At a Tipping Point: Consumer Choice, Consolidation and the Future Video Marketplace," is to include testimony by AT&T Inc. executive John Stankey. AT&T operates one of the nation's largest wireless phone networks and offers U-Verse TV and Internet. It has proposed acquiring DirecTV for $48.5 billion. DirecTV is the nation's largest satellite-TV operator.

This will be the first time that Comcast and AT&T will testify to lawmakers at the same hearing, scheduled for 2:30 p.m. in the Russell Senate Office Building. Dish Network Corp.'s Jeffrey Blum, a senior vice president and deputy general counsel, also will speak at the hearing. Dish, the nation's second-largest satellite-TV operator, wrote in a letter to the Federal Communications Commission last week that it opposes the Comcast/Time Warner Cable deal because "there do not appear to be any conditions that would remedy the harms that would result."

Dish argues that a merger of the nation's largest and second-largest cable companies would result in three "choke points" on the Internet: in the wire leading into homes, the

	interconnection of different networks on the backbone of the Internet, and specialized channels that can deliver Internet traffic in fast or slow lanes. Shawn Ryan, a member of the Writers Guild of America, West, will be part of the panel, as will Gene Kimmelman, president and chief executive officer of the nonprofit group Public Knowledge. – ***Philadelphia Inquirer***

BCAP
Broadband
Cable Association
of Pennsylvania

127 State Street, Harrisburg, PA 17101
717.214.2000 • bcapa.com

First in Broadband.
The Future of Broadband.®