

A bold and untried move to sustain journalism

New Ownership Structure at Inquirer, Daily News, and Philly.com

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David Boardman thinks it can work, that the donation of The Inquirer and its sister publications to a nonprofit institute can help sustain public-service journalism in Philadelphia.

"It is," said the former executive editor of the Seattle Times and current dean of the Temple University School of Media and Communication, "one of the most exciting and viable models for journalism in the country right now."

That's partly why he agreed to serve on the institute's initial board of managers, to participate in a research-and-development effort "that doesn't exist in any newsroom in the country."

On Tuesday at the National Constitution Center, Boardman joined about 75 others as H.F. "Gerry" Lenfest, the now-former owner of The Inquirer, the Philadelphia Daily News, and Philly.com, signed a ceremonial document marking the donation to the new Institute for Journalism in New Media.

"What would the city be without The Inquirer and the Daily News?" Lenfest asked the crowd.

In a morning meeting with employees at the company's Market Street headquarters and then at the Constitution Center, Lenfest publicly outlined his vision for the future of journalism in metropolitan Philadelphia.

The move places the region's dominant news-gatherers under the auspices of the nonprofit Philadelphia Foundation.

As news of Lenfest's donation spread, some media-watchers praised the new structure while others were skeptical.

"Sorry," tweeted Christopher Anderson, City University of New York associate professor and author of *Rebuilding the News* (Temple, 2013). "I've studied Philadelphia journalism more and longer than anyone. I am just not impressed."

In simple terms, the news company was donated to the institute, which is a subsidiary of the Philadelphia Foundation, the community-oriented nonprofit that holds \$370 million in assets.

PMN remains a separate, for-profit business, run by its own board of directors. But the new structure allows the institute to receive donations from corporations, foundations, and benefactors for specific journalistic endeavors at PMN.

Simultaneously, the institute, governed by a separate board of managers, will work to develop new content-delivery models that could potentially assume the role of printed newspapers - with PMN as a laboratory.

Lenfest gave \$20 million to endow the institute.

On Tuesday, David W. Haas, vice chairman of the Wyncote Foundation and a member of the board of managers, confirmed that he had made a personal pledge to the new institute, though he declined to specify the sum.

In an interview, former Inquirer editor Maxwell E.P. King, now president and CEO of the Pittsburgh Foundation, said there were reasons to believe a nonprofit model "can offer a really viable and creative and constructive alternative."

"It's not the answer all the time," he said, "but there are a lot of times nonprofit journalism can provide an answer, and provide an environment for creativity and innovation."

The new, untried mechanism comes at a time when the abundance of free news on the Internet has gutted newspaper staffs, revenues, and advertising. In November, PMN announced plans to lay off 46 journalists, more pain in what has been a decade of cutbacks, buyouts, and management upheaval.

At the Constitution Center, the focus was on the future.

"In a democracy," Philadelphia Foundation president and CEO Pedro Ramos told the crowd, "great cities need and depend on quality journalism."

Lenfest's gift will support "nothing less than an essential element of our democracy," Ramos said.

Lenfest, a philanthropist who has given away more than \$1 billion, recalled working for media magnate Walter H. Annenberg - and how Annenberg sold The Inquirer and the Daily News for \$20 million less than the top offer, because he wanted to place them with a solid owner, John S. Knight.

"I'm trying to do the same thing," he said.

The new model, he noted, promises no immediate fix to all that ails the news industry, but it could offer long-term solutions.

Bill Ross, executive director of Local 10 of the Newspaper Guild, which represents journalists at PMN, said he was "somewhat optimistic" about the new structure.

"As Gerry said, he's doing it for the journalism. That leaves us hopeful."

Guild president Howard Gensler, a Daily News reporter, said that, in the short term, the new mechanism means little to the working lives of company employees. "In the long term, we hope there will be *more* employees."

PMN publisher Terrance C.Z. Egger said Tuesday that the company was profitable in 2015 and expects to be profitable through 2018.

"Philadelphia over the years has had its share of historic moments," Egger said. "This is one of them."

A key role of the new institute, Lenfest and Egger said, is to find new ways to meet readers where they choose to read in an increasingly online future. The institute will share its findings to help other news organizations survive and improve.

"It doesn't mean it's a cure-all," Lenfest said. "We still have the struggle ahead."

But The Inquirer and Daily News share decades of outstanding news reporting, a tradition, Lenfest said, that "I hope will have long legs in the future."

How Philadelphia Media Network's new structure will work

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Here's how the new structure is supposed to work:

- In simple terms, Philadelphia Media Network was donated to the Institute for Journalism in New Media, which is a subsidiary of the Philadelphia Foundation, the venerable nonprofit that holds \$370 million in assets.
- In actuality, the transaction is more complex.
- In December, talks between PMN owner H.F. "Gerry" Lenfest and the foundation culminated in the creation of the institute.
- PMN was then converted from a limited liability company to what is known as a "public benefit corporation." While that specific type of corporation still operates as a for-profit, it differs from a traditional corporation because it can also engage in activities that further a public benefit.
- As a PBC, Philadelphia Media Network still must pay its own bills. But its directors can consider additional goals, with a main offered "benefit" being the value to society of an active news organization in the Philadelphia region.
- Lenfest then donated PMN – and all of its marketable assets – to the institute. Basically, the Philadelphia Foundation's special-asset fund owns the institute, and the institute owns PMN.
- The institute could have sought to become a separate nonprofit corporation, though that would have required a long application process. By coming under the umbrella of the Philadelphia Foundation, the institute enjoys the benefits of being a tax-exempt organization without the need for lengthy IRS approval proceedings. It can start work immediately.
- The institute's tax-exempt status, and PMN's standing as a public benefit corporation, can help promote charitable giving to the institute. That, in turn, can support public-interest reporting at The Inquirer, the Daily News, and Philly.com.
- A PMN charitable trust, which has the same board members as PMN, was created to hold the one voting share of company stock, so as to vest control of the company in its board and ensure its editorial independence.
- If PMN makes a profit, its directors must then decide what to do with the money. They can use it to fund the journalistic enterprise, or give part or all of it to the institute.