

Q&A / Frequently Asked Questions

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1. With this change, who owns *The Philadelphia Inquirer*, *Daily News* and *philly.com*?

The newspapers remain in the same legal entity (*Philadelphia Media Network* or "PMN"). However, PMN is now owned by a new nonprofit, the Institute for Journalism in New Media, LLC ("Institute") rather than by Mr. Lenfest.

The Institute is an affiliate of the TPF Special Assets Fund of The Philadelphia Foundation ("TPF"), a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and a public charity. But neither the Institute nor TPF will control the newspapers. Instead, PMN's Board of Directors will be responsible for operational and key decision-making related to the newspapers and *philly.com*. PMN remains a "for-profit" business.

2. Who has decision-making power over the journalism/daily operations of *The Philadelphia Inquirer*, *Daily News* and *philly.com*?

Although the Institute now technically owns PMN, under the new structure created – and to protect its editorial independence – PMN will operate independently under its current management team and its Board of Directors.

Under Mr. Lenfest's Gift Agreement, "*The editorial function and news coverage of PMN shall at all times remain independent of the Institute and the Institute shall not attempt to influence or interfere with the editorial policies or decisions of PMN.*"

3. How does the ownership of PMN by the Institute benefit the community?

Since 1829, *The Philadelphia Inquirer* has established a well-earned reputation for excellence in journalism across the Philadelphia region and southern New Jersey. The *Daily News* and *philly.com* have followed suit. Under this new ownership structure, PMN continues to maintain its fierce editorial independence, which benefits the community, as does the Institute's ability to provide funding for critical journalism ventures that serve the public good.

More, the mission of the Institute is to continue journalism in the digital age – to explore and research new media delivery models that can step into the role of printed newspapers, if needed, in providing journalism through socially valuable coverage. Further, the Institute is committed to the education of young journalists, demonstrating that this career is a viable and important path, as well as developing/implementing best practices within an evolving media landscape.

4. What is the difference between the Board of Directors for PMN and the Board of Managers for the Institute?

The Board of Directors of PMN governs PMN and the operations of the two newspapers and philly.com. The Board of Managers for the Institute governs the tax-exempt mission of the Institute. Although inherently connected to one another, these are independent bodies with independent missions and independent responsibilities.

5. Where/How does the charitable trust fit into the structure?

A charitable trust was created to hold the one voting share of stock of PMN. The trustees of the charitable trust are the same as the members of the Board of Directors of PMN. The purpose of the charitable trust was to vest control of PMN in the hands of its Board of Directors so as to ensure it would be operated independently from the Institute and maintain editorial independence.

6. Why was this structure the best one to implement?

The donation of PMN to the Institute provides an innovative “best of both worlds” structure from both a business perspective and a philanthropic perspective:

- PMN remains a taxable corporation not subject to the strict requirements of the Internal Revenue Code or supervision by the Attorney General (*who has jurisdiction over nonprofit tax-exempt organizations*).
- With the Institute established, charitable contributions can be received by the Institute from individuals, corporations, and foundations. In turn, some of these contributions can be directed to be used by the Institute to fund journalism projects by PMN for the public benefit and to serve the public interest. Thus, the Institute is a philanthropic resource for PMN.

7. Is this new structure just a tax planning strategy by Mr. Lenfest to ensure a significant tax deduction despite the struggles of the business?

Due to a large charitable contribution carry forward, Mr. Lenfest will receive no income tax benefit from the gift of PMN to the Institute or his gift of \$20 million to its new endowment.

8. Is there a similar model in the country being implemented?

There is no model exactly like the one that Mr. Lenfest has created.

The Poynter Institute is similar, wherein Poynter, a Section 501(c)(3) tax-exempt educational organization, received a contribution of the stock of the *St. Petersburg Times* (now the *Tampa Bay Times*), which it holds as a taxable subsidiary. What is different is that this contribution did not involve a partnership with a local community foundation, such as The Philadelphia Foundation, and the stock was given to financially support the Institute.

Another example is that of Ewing Kauffman who previously gifted the Kansas City Royals to the Greater Kansas City Community Foundation in 1968, so as to keep the franchise in Kansas City for the benefit of the community.

9. What type of innovation do you hope that this structure helps to spur?

This creative structure enables PMN to receive philanthropic support while maintaining the flexibility of a for-profit entity. This structure eliminates certain types of constraints that would be imposed upon a nonprofit. For example, the lack of nonprofit constraints will allow the newspapers and philly.com to accept philanthropic gifts while continuing to editorially make political endorsements, cover sports and also, provide coverage of arts and culture.

Long-term, what Mr. Lenfest has created may very well illuminate a new path forward for other for-profit newspapers to benefit their respective communities through an innovative restructuring that encourages the development of journalism in the digital age.

10. How can you assure that the endowment won't be used to stem operational deficits for the print operations?

The endowment of the Institute is owned by the Institute to further its mission and it is subject to the oversight of its independent Board of Managers.

The Institute will not transfer any funds as contributions to the capital of PMN for general operating expenses of PMN or to cover deficits.

The Institute can only serve as a philanthropic resource to PMN, in furtherance of its educational mission to fund certain news coverage that serves the public interest, which might not otherwise be covered due to lack of funding at PMN.

Any grants provided by the Institute to PMN will be subject to a "grant agreement," specifically providing for the use of the grant (*i.e., for the specific type of journalism project to be covered*), ensuring that the grant will be used for the educational and tax-exempt purposes of the Institute, and impose reporting requirement on PMN to show that funds were used as directed.

11. Why not make a \$20 million gift directly to PMN rather than the Institute?

Such a gift to PMN would be a temporary fix. A gift to the Institute's endowment will help to ensure the continuation of journalism within this region – not a particular format in which that journalism is distributed. It's important to have a long-term view in making this gift. This – and any other endowment gift – is not meant to serve as a short-term funding gap.

12. With the Institute's Board of Managers comprised of so many academics, how does this "ensure" the future of independent and public service journalism for Philadelphia?

Universities are a resource in the Institute's mission to develop journalism in new media. Along with the university representatives, the Board of Managers will include members from the industry to provide appropriate balance.

13. When you say the Institute can financially support other journalistic endeavors beyond PMN entities, what does that mean?

The Institute has not been created solely to support journalism for the public benefit at *The Philadelphia Inquirer*, *Daily News* and *philly.com*, it has a broader mission – to develop journalism in new media in the digital age. In the near term, the focus is on PMN, but longer term, as the endowment grows, this focus could expand.

14. Will only the universities with representation on the Institute's Board of Managers receive consideration for financial support?

No, the Institute is not limited in its "partnerships" with other universities or other organizations (*both tax-exempt and taxable*) by those organizations represented on the Board of Managers. The Institute has the flexibility to partner with any organization that furthers its mission.

15. How/Why were the initial members of the Institute's Board of Managers chosen?

The original members of the Board of Managers were selected by Mr. Lenfest based on their significant expertise and as recommended by experts in the professional field. In the future, new Board members shall be elected by the independent Board of Managers, not selected by Mr. Lenfest.

16. If I want to make a gift to *The Philadelphia Inquirer*, *Daily News* and *philly.com*, how does that work?

Gifts in support of journalism for the public benefit and public interest, including gifts specifically for *The Philadelphia Inquirer*, *Daily News* and *philly.com*, would be made to the Institute. Through the new structure, these contributions will be tax-deductible.

17. Can I restrict my gift to PMN and/or its properties or can I only donate to the Institute?

Yes. Donations made to the Institute can be earmarked for certain types of news coverage by PMN in the public interest.

18. Will the Institute's Board of Managers ultimately make the decision of how gifts are spent? What is the priority in terms of spending from the endowment?

With respect to the endowment established by Mr. Lenfest, there is a Gift Agreement under which the Institute's Board of Managers is directed as to the priority of the spending from the endowment.

The first priority is to cover the costs of operating the Institute, then to fund, as needed and through grants, specific journalism projects, and to provide funding to universities and other organizations for the development of journalism delivered by new media.

It is important to note that under this new structure, the Institute is not obligated to approve any/all requests from PMN and further, PMN is not obligated to accept funding for projects that are offered to it.

19. What mechanisms are in place to ensure that true journalistic pursuits are being funded by this endowment?

Since the Institute is considered a tax-exempt organization under Section 501(c)(3), it can only fund journalism projects that further its tax-exempt purposes. Such projects generally include only those projects that “serve the public interest.” *The Philadelphia Inquirer, Daily News* and *philly.com* have long delivered such projects from investigative reports to international coverage to in-depth reporting of critical public services such as education.

Funding by the Institute to PMN must be separately accounted for and reports must be provided by PMN to the Institute as to the use of the funds to ensure that the funds furthered their intended purposes.

20. Why did you choose The Philadelphia Foundation as a partner for the Institute?

The Philadelphia Foundation has been a trusted community foundation since 1918 and it has successfully partnered with a multitude of local charitable organizations to serve the public interest and needs of the Philadelphia community. The Philadelphia Foundation is an ideal partner to help fulfill Mr. Lenfest’s goal of ensuring that the journalism, which is so vital to the Philadelphia region and the public interest, is continued to be provided by PMN.

21. What is the endowment goal for the Institute?

A decision as to an endowment goal will be the purview – and high priority – of the Board of Managers of the Institute. Such specific goals will only be announced after careful consideration and conversation.