

Nonprofit *Chronicle of Higher Education*

The *Chronicle of Higher Education*, the flourishing tabloid-sized weekly devoted to coverage of the affairs of academia, has made the transition from nonprofit to commercial status. The 12-year-old paper, which was established and expanded with the help of foundation grants, has a paid circulation of more than 65,000. The shift from nonprofit ownership is unusual, perhaps unique in the field.

One of the success stories among specialized publications in the last decade, the *Chronicle* is regular reading for college and university administrators and for many faculty members, and serves as a kind of national parish pump for the higher education community.

Editorial Projects for Education (EPE), the nonprofit corporation that was the paper's parent organization, voted to divest itself of the paper last year; the shift to the new status was made in November. The paper was sold to editor Corbin Gwaltney and executive editor Jack Crowl, both principals in the creation and growth of the enterprise. They are sole owners, with Gwaltney holding 60 percent of the stock and Crowl 40 percent. Those familiar with the development of the *Chronicle* say that Gwaltney's mix of editorial and entrepreneurial skills has been a major factor in the paper's successful growth. The *Chronicle*'s management has been particularly enterprising in its use of new publishing technology.

The EPE decision to divest itself of the *Chronicle*, according to board members, was made essentially because the *Chronicle* demanded so much of the board's time and attention that serious work on other projects was precluded. The new president of EPE, Ronald A. Wolk, a former Brown University vice president for development, says that for the last 3 or 4 years the board had been seriously interested in diversifying. Wolk says that board members were proud of the *Chronicle*, but thought EPE should be doing other things. Gwaltney, who served as president of the EPE as well as editor of the *Chronicle*, is a perfectionist, says Wolk, and was reluctant to start other projects which couldn't be given adequate attention.

The board, however, voted to move forward on new projects. Several options on disposition of the *Chronicle* were considered, including making the *Chronicle* an independently operating subsidiary of EPE, but Wolk says that lawyers and bankers consulted on the matter advised the board that the best course would be to sell the paper. Wolk says that the board was concerned that the quality of the *Chronicle* might not be maintained by a commercial publisher and that this encouraged the idea of a sale to the management. The board was determined to do the "legally correct thing" in conducting the sale, says Wolk, and engaged Alexander Brown & Sons, an investment banking and brokerage firm, to advise on proper terms for the transaction.

Brown & Sons, which is based in Baltimore and operates nationally through 18 offices, has an extensive background in the evaluation for sale of companies, including publishing firms. In the case of the *Chronicle* a variety of factors, including price-to-earnings ratio, were taken into account and Brown's recommendations were based on comparisons with a score of similar companies. Neither Brown officials nor others familiar with this area of corporate finance

were able to cite immediate precedents of sales involving changes in status from nonprofit to commercial.

None of the principals were willing to respond to inquiries by *Science* about details of the settlement, with EPE officers saying they deferred to Gwaltney's feeling that the financial arrangements were a private matter. There was no story on the ownership change in the *Chronicle* when it occurred. EPE's 1977 tax return form 990, a matter of public record, put EPE's gross income for 1976 at about \$2.5 million and net worth at \$875,283.

EPE grew out of discussions in the mid-1950's within an informal group of editors of school and college magazines interested in fostering better communications in education. Gwaltney was editor of the Johns Hopkins magazine and a member of the group. (The EPE board continues to have a heavy representation from that network.)

EPE was formed when the editors decided to pool their efforts and produce an insert for use in their magazines—the first was a survey of American higher education in 1958. The insert was offered successfully to other editors and became an "annual report" produced by EPE. The *Chronicle* evolved from another EPE initiative, a newsletter for college and university trustees called the *Fifteen Minute Report*. The editors found administrators interested in the report and explored the possibility of providing news of higher education on a more ambitious scale.

Carnegie Corporation officers proved sympathetic to the idea. Carnegie had provided a small grant for the newsletter and the foundation saw a need for a medium of fast, accurate information in the expanding field of higher education. Foundation records show Carnegie provided a start-up grant of \$120,000 in 1965 and renewed it for \$100,000 in 1967. In 1969 the Ford Foundation chipped in with a grant of \$300,000 to be used over a 5-year period for general operating expenses. In 1972, Carnegie added \$152,000, mostly for expansion. The foundations have had no comment on the change in ownership, but staff members familiar with the relationship observe that the *Chronicle* has performed the news function it was created for and could not have made it through a long period of deficit operation without outside help.

What does the future hold for EPE now that the *Chronicle* is on its own? EPE continues to publish the *Fifteen Minute Report* and a "desk book" which combines a calendar and fact file useful to those in higher education. After a lapse of several years EPE has revived the annual report for alumni magazines and broke even on it this year.

In process are plans to change the form and content of the newsletter. The intention is to broaden the newsletter's scope so that it will appeal to a leadership group in higher education which includes alumni, who are increasingly involved in policy issues. Other ideas include initiatives in public television, adult education, and book publishing. At the moment, the television idea is getting the most attention. What is proposed is to tap the expertise and existing technical resources in institutions of higher education for programs on public television in the "magazine" format now popular. Foundation funding would be required for production, but EPE is doing the exploratory work now.

—JOHN WALSH