

The New York Times

Archive

NYTimes  Welcome, [marysbutler](#) - [Member Center](#) - [Log out](#)

SEARCH

NYT Since 1981 

TimesSelect

---

Tip for TimesSelect subscribers: Want to easily save this page? Use Times File by simply clicking on the Save Article icon in the Article Tools box below.

---

BUSINESS/FINANCIAL DESK

## Investors, Including Bono, Buy a Big Piece of Forbes

By **DAVID CARR (NYT)** 1673 words

Published: August 7, 2006

SINCE the death in 1990 of the legendary publisher Malcolm S. Forbes, his four sons and a daughter have sold his cherished assets here and there -- his private jet, the collection of Fabergé eggs, a handwritten copy of Lincoln's last address. The father suggested in his memoir that it was only natural and proper that his children do so, but even he might have been taken aback by the most recent divestiture.

On Friday, the family sold a significant minority stake in a newly formed company, Forbes Media, which includes the 89-year-old Forbes magazine started by their grandfather, B. C. Forbes; the Forbes.com Web site; and a number of smaller media properties, to Elevation Partners, a private equity group.

Malcolm Forbes, whose tastes in music ran to Scottish bagpipes, might have been even more surprised that among the new owners of the company is Bono, the U2 singer and one of six partners in Elevation.

"My father and grandfather would approve," said Steve Forbes, who spoke by telephone from the offices of Forbes in Manhattan along with Roger McNamee, a managing director and co-founder of Elevation. "No one is the master of their own universe. Time and circumstances change. We wanted the wherewithal to pursue the enormous opportunities in front of us, and Elevation understands technology, media and print. They are not just a source of capital; they are a source of insight."

Mr. Forbes emphasized that the company was looking for operational flexibility rather than familial liquidity, but it was clear that a business model that had been "blasted by the Web," as Mr. Forbes put it, had taken a toll on the Forbes family. The magazine, swept up in the optimism of the digital boom in the late 90's, paid dearly in terms of credibility and advertising pages when the market collapsed. Two runs for president by Mr. Forbes also proved costly.

There are bright spots: the company's own aggressive investment in digital technologies is showing significant profits, and advertising sales at the magazine appear to be rebounding a bit. But the Forbes brothers have struggled to maintain profits at their business magazine, which is unaligned with a large media company, at a time when advertising continues to flee print.

The Forbes company and Elevation circled each other for several months -- Mr. Forbes and Mr. McNamee both described it as a mating ritual -- before getting down to serious negotiations in the last several weeks, concluding Friday with the signing of documents. Terms of the transaction were not disclosed, but some people said that the deal gave Elevation a stake of more than 40 percent at a cost of \$250 million to \$300 million.

Those people, however, did not have firsthand knowledge of the transaction, and no one directly involved in the deal would confirm those numbers. Even though Forbes has now taken on partners, it continues to be an exceedingly private enterprise.

Proceeds from the sale will be used both to invest in the business and to pay out money to members of the family.

Mr. McNamee called the alliance with Forbes a "brand-defining moment" for Elevation, a relatively new partnership conceived by a rock star and guided by some of the more successful venture capitalists on the West Coast.

"It says that we are in the business of helping content creators in the traditional media world manage the transition imposed by the Internet," he said. Bono was not directly involved in the Forbes meetings, but Mr. McNamee said that the singer was attracted to the magazine because it "has a point of view," adding that Bono "drove this part of the discussion and likes the fact that there has been a consistent philosophy throughout its history."

But it was clear from talking with Mr. McNamee that his group was buying into a Web site with a magazine attached, as opposed to the other way around. Forbes.com had 10 million unique visitors worldwide, a very robust number, in June, according to comScore Media Metrix.

During the boom, Forbes invested tens of millions of dollars in its digital endeavors with an eye toward an initial public offering. That strategy did not pan out in the near term, but it left the company positioned for growth once the Web became a viable advertising proposition. With few hopes that the magazine would return to its glory years of the 1990's as the largest magazine in terms of pages in the business news category, much of the value of the deal is built on potential profits from the Web site.

"The Web has disrupted traditional business models in the print world, and Forbes is poised to take advantage of a huge opportunity," Mr. McNamee said. "What is not to like? We are like a kid in a candy store."

While the magazine has not seen much in the way of investment or editorial impact in the last few years, the Web site is growing, with plans for a new travel site. It outdraws competing sites like CNN Money and BusinessWeek Online. Competitors complain that the site has used pay-for-click alliances to build traffic artificially and has deployed editorial gimmickry, like a feature on "Top Topless Beaches," to increase traffic in unbusinesslike ways.

Mr. McNamee said that Forbes's edge over its competition in the digital realm was very real, in part because the family came to understand the nature of opportunity on the Web more quickly than its competitors.

"The Web undermines the advantages of scale," he said. "It is our view that the distribution model that used to dominate in media is largely unsustainable. We are in the first inning, and Forbes has really trusted content, a history of innovation on the Web and a very vibrant business."

A share of the company had been shopped for months by J. P. Morgan, so the sale of part of the company was not unexpected, but the people on the other side of the table did come as a bit of a surprise. Elevation Partners is a two-year-old fund formed by veterans of the digital economy that raised \$1.9 billion to invest in media and entertainment deals. This is the third deal for the fund, after investments in a video gaming partnership and a real estate Web business.

No one in the group has any significant experience in print properties, although they have abundant digital and finance expertise. The other managing directors include Fred Anderson, former chief financial officer of Apple Computer; John Riccitiello, former president and chief operating officer of the video game publisher Electronic Arts; Marc Bodnick, founding principal of the private equity group Silver Lake Partners; and Bret Pearlman, former managing director of the Blackstone Group. Mr. McNamee, who founded Silver Lake Partners and Integral Capital Partners, and Mr. Riccitiello will take seats on the Forbes board.

They now have a hand in a storied brand that has been buffeted by its status as an unaligned, independent magazine. Forbes's competitors have significant corporate backing -- Fortune is owned by Time Warner, BusinessWeek by McGraw-Hill, and Condé Nast will soon introduce a magazine to be called Portfolio.

There has been speculation that the rough going for most business magazines in the last five years -- Forbes has a little more than half the ads it had at the height of the technology boom -- combined with Mr. Forbes's two runs for president (costing north of \$70 million) left the family in need of additional liquidity. But Mr. Forbes said the partnership with Elevation was driven by ambition, not financial weakness.

"We have investment needs for real opportunities," he said. "The whole world has opened up again, and we don't want our children to think we just sat on our hands. Yes, it has increased family liquidity -- we do have estate-planning to do -- but we are now poised to go against the behemoths."

A media brand seeking cachet and capital could do worse than signing up Paul Hewson, aka Bono. For the last 25 years, Bono has stayed atop a fickle business by embracing the latest technology in order to build global reach, constantly renewing the creative product and engaging in public stewardship along the way, including work on trade issues and global poverty.

Of course, Bono's investment in a magazine that celebrates wealth and consumption is bound to raise eyebrows. But Mr. McNamee said the stake in Forbes did not necessarily clash with his politics and his rhetoric, saying, "The way you solve poverty is giving people the tools to overcome it." Bono could not be reached for comment.

Timothy C. Forbes, chief operating officer of Forbes Media, is actually the music fan in the family, but Steve Forbes, whose hobbies run more toward flat-tax advocacy, said that "One" is his favorite U2 song. It begins somewhat portentously with a plaintive pair of questions: "Is it getting better, or do you feel the same? Will it make it easier on you, now you got someone to blame?"

With a name like Bono on the letterhead, Elevation is not-so-private equity, but Mr. McNamee said that Elevation -- the word is a U2 song, the name of one of its tours and an equity fund -- was Bono's idea.

"He looks at this as a great opportunity to get involved in traditional media and move it forward," Mr. McNamee said.

The deal has some specific benefits to the Forbes family. Those who know the brothers say that they are completely engaged in running the company and have little idea what they might otherwise do. So selling out, as was briefly discussed when Condé Nast was first contemplating getting into business publishing, was never really an option.

Steve Forbes said that the company had been looking for a partner on and off since 1999.

"This was a very good time to get the kind of wherewithal we need for the kind of expansion we need to have," he said. "This is a natural step for the company with the right people. Forbes as always been about entrepreneurial capitalists."

Photo: Roger McNamee, left, a business partner of the singer Bono, is teaming up with Steve Forbes and his family, who control Forbes Media. (Photo by Fred R. Conrad/The New York Times)