

Chronology of Edison Project Funding
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1991

Media entrepreneur Christopher Whittle, founder of Whittle Communications and creator of the controversial Channel One in-school news program, introduces his Edison Project idea. He plans to build 1,000 new, for-profit schools, 200 of them within five years, at a projected cost of \$2.5 billion.¹ Over the next four years, Edison will invest \$44 million from private investors in research and development.²

1992

A group of educators and business people, led by former Yale University president Benno Schmidt, spends the year developing the Edison school curriculum.³

1993

Whittle reduces the scope of the planned Edison Project, from opening a network of private schools, to managing 20 public schools. While Whittle Communications secured approximately \$40 million from two of its major investors, Philips Electronics NV and Associated Newspaper Holdings,⁴ Whittle himself is removed from daily operations at Whittle Communications by those same investors.⁵ Time Warner, Inc., an initial financial backer declined to commit any more funds to the effort.⁶

1994

In July Edison announces it will try to raise a minimum of \$50 million to support the new network of schools.⁷ Later in the year, Whittle Communications collapses and Whittle sells Channel One, his only profitable product, to K-III Communications (now Primedia) for \$300 million.⁸

1995

In February, Edison secures the financing for its first for-profit public schools, scaling back its plans to open more than a dozen schools in fall 1995 to five or fewer. Investors agreed to commit less than \$10 million for the first year; a second installment for 1996 is planned but not guaranteed, representing a total package of less than \$30 million. Investors included the Sprout Group, a venture capital group owned by Equitable Company's Donaldson, Lufkin & Jenrette Securities Corporation.⁹ As part of the arrangement, Christopher Whittle is forced to share chairmanship of the company with Janet Hickey, a Sprout representative.¹⁰

1996

In November, the Edison Project completes a private \$30.5 million financing, the third time that Whittle has been able to solicit major private investment. Investors include Richmond Leeds Education Company LLC; J.W. Childs Associates, LP; Zesiger Capital Group LLC; and Christopher Whittle, who remains the company's largest equity holder.¹¹

1997

The Edison Project announces it will seek \$50 million from the private equity market and considers an initial public stock offering which the company expects would raise \$75-100 million.¹²

1998

In May, Edison executive vice president Chris Cerf says that a planned expansion in 1999 would add 22 new schools. Cerf reports that the expansion would bring Edison to "static-state profitability," the point at which the company would become profitable if it stopped growth expenditures.¹³ In October, the Edison Project obtains \$56 million of private equity financing, bringing the total raised since 1991 to \$161 million. Two companies, J.P. Morgan Capital Corporation and Investor AB of Sweden, invested \$20 million each, with the remainder coming from WSI Inc. (a holding company controlled by Chris Whittle) and Richmond Leeds Education Company, an education industry investment corporation. With the new financing, Edison projected that by 2001 it will increase the number of schools it manages to 75.¹⁴ Also in October, Edison announces that it will offer stock options to staff members of its Miami school. Teachers, administrators, and other school staff will have an option to buy a limited amount of stock when the company goes public.¹⁵

Footnotes

¹ Solomon, Jolie. "Mr. Vision, Meet Mr. Reality," Newsweek, 16 August

1993, 62.

² Edison Project news release, "Edison Completes a \$56 Million Private-Equity Financing," 7 January 1998, from the company's webpage (www.edisonproject.com), cited on 12 November 1998.

³ Mandell, Jeff. "A Private Delusion: The Edison Project," Texas Observer, 26 September 1997, 15.

⁴ Walsh, Mark. "Scaled-Back Edison Plan Focuses on Managing Schools," Education Week, 8 September 1993.

⁵ "A Media Empire Is Whittled Away," U.S. News & World Report, 22 August 1994, 14.

⁶ Walsh, Mark. "Scaled-Back Edison Plan Focuses on Managing Schools," Education Week, 8 September 1993.

⁷ Stecklow, Steve. "Edison's For-Profit Public Schools Get Terms for Financing, but Number Is Cut," Wall Street Journal, 22 February 1995, p. B12.

⁸ "A Media Empire Is Whittled Away," US News & World Report, 22 August 1994, 14.

⁹ Stecklow, Steve. "Edison's For-profit Public Schools Get Terms for Financing, but Number Is Cut," Wall Street Journal, 22 February 1995, p. B12.

¹⁰ Carton, Barbara. "Edison Project Is Given New Financing in Move Reducing Role of Its Founder," Wall Street Journal, 17 March 1995, p. B7.

¹¹ Kerber, Ross. "Edison Project Completes Funding for \$30.5 Million," Wall Street Journal, 20 November 1996, p. C18.

¹² Fleming, Eric. "Education Co. Preps \$50M in Private Equity, Mulls '98 IPO," Corporate Financing Week, 20 October 1997, 1.

¹³ Hart, Timothy. "Edison Project Announces Major Growth Spurt for '99," Wichita Business Journal, 29 May 1998, p. 19.

¹⁴ "New Financing to Allow Edison Project to Expand," Wall Street Journal, 7 January 1998, p. A6.

¹⁵ Toch, Thomas. "A Carrot for the Teacher," US News & World Report,

2 November 1998, 54.

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