

## INVEST

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the lower the money manager's fee.

After consulting with other foundation leaders like William Nichols, treasurer of the William and Flora Hewlett Foundation in California, and John Craig, treasurer of the Commonwealth Fund in New York, Landry decided to create The Investment Fund for Foundations - TIFF - and open up an office in Charlottesville, Virginia.

Landry is chairman of TIFF's board of directors. David Salem, formerly an investment adviser in Boston, is chief executive officer.

They are looking at the Common Fund - a successful mutual fund established in 1971 for the exclusive use by universities, colleges and private schools - as a model for their nonprofit. TIFF investors are limited to private and community

foundations.

"There is a lot of interest in TIP (TIFF Investment Program)," Salem says. "The combination of its origins, the way we're structured, the fact that our board is all unpaid volunteers with considerable experience, the fact that the members brought us into being and have invested a lot of money, the fact that the whole enterprise is nonprofit - each one of these attributes differentiates the program from the vast universe of investment alternatives foundations have."

The boards for TIFF and TIP boast such foundation stars as David White, treasurer of the Rockefeller Foundation in New York City; Jack Meyer, chief executive officer of Harvard University's investment subsidiary in Boston; and John Mebane, senior investment officer of The Duke Endowment in Charlotte.

Each of these foundations

awarded grants to TIFF, which are being used to defray start-up costs which normally would be pinned to investors' fees.

And each group has invested generously. The Duke Endowment, the only North Carolina investor so far, put in \$25 million.

"We've managed bonds ourselves in-house and found we just didn't have the expertise in some areas," Mebane says, explaining The Duke Endowment's interest in TIP. "We wanted other areas of the bond market, and they have excellent managers for each of the areas of the bond market."

The Duke Endowment invested in TIFF's bond fund. For now, there are four other fund choices: a U.S. equity fund, international equity fund, emerging markets fund, and short-term fund.

The diversity of funds lends security to investors, Salem says.

And each fund is managed by a team of money managers with

impressive resumes.

Chapel Hill's Smith Breeden Associates Inc., which counts Eastman Kodak Co. and Florida's state treasury as clients, is on the list. Smith Breeden helps manage TIFF's bond and short-term funds.

Investment operations began on June 1. Landry and Salem sought to begin long before that but ran into government obstacles.

They needed congressional approval to gain regulatory exemption like that enjoyed by the Common Fund. But unlike the Common Fund, their bill got stuck in a legislative morass. Twice Congress passed their exemption request in a larger tax bill. Twice, President Bush vetoed the tax bill.

On June 1, they began operating with the Security Exchange Commission's approval but not with the special regulatory exemption. Salem is confident the next Congress will provide that.

"For one, it has broad support;

two, its revenue neutral; and three, it was twice approved by Congress," Salem says.

So far, thirty foundations from California to New Jersey have invested in the program. Fourteen more are committed. They're as small as the Hartless Foundation in Florida with less than \$1 million in assets and as large as the Mac Arthur Foundation with over \$3 billion in its coffers.

"I think it's going to be an excellent product," Mebane says. "It's something that's been needed for a long time."

Foundations must invest a minimum of \$50,000 for TIP's short-term fund and \$100,000 for the others.

To find out more, contact TIFF's Foundation Advisers Inc. (FAI) at (800)-984-0084 or (804)-977-9955.

FAI representatives also are available to meet individually with foundation boards or trustees, Salem says.

## KATE

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Program to set up the program, which it called Aging at Home.

"We brought in about 14 people from across the state who are in this business" of providing care to the elderly, says Vance Frye, director of the Trust's Health Care Division. Initially, he says, the Trust wanted to develop a uniform model of in-home care for the frail elderly, and then put it into effect in communities throughout the state. But the 14 experts didn't like that idea.

Instead, they wanted the Trust to set up guidelines for designing various programs in response to the needs of individual communities. The Trust agreed: With \$1 million from the Trust, programs have been launched in 11 counties. Ranging

from adult daycare to hospice, those programs differ in structure but are similar in their aim to help the frail elderly.

Sandy Crawford Leak, who helps Maddox administer the Aging at Home Program for the Trust, says the initiative is different from others that target the frail elderly because one of its primary goals is to make each local program sustainable at the end of the two years of funding.

"It's not only responsive grantmaking, but it's responsible," says Leak. "These projects are being worked with in a way that doesn't always happen with philanthropic kinds of efforts."

Cope says the Trust will continue to pursue proactive grantmaking through future projects. Much of that discussion is going on at Wachovia Bank, the Trust's sole trustee.

Kate Reynolds had no children, says Cope, and that's probably why she set up the Trust in that way, naming Wachovia Bank of North Carolina, her husband and her husband's assistant as its only trustees. She made no provisions for the two men to be replaced upon their deaths, leaving Wachovia in charge of distributing her wealth.

Advisory boards for the Health Care Division and the Poor and Needy Division make funding recommendations to the trustee, but the final say in all grantmaking and policy decisions lies with Wachovia.

Unlike family foundations, at which descendants of the founder might have different grantmaking philosophies, Kate B. Reynolds' wishes are carried out to the letter.

"The corporate trustee," says Cope, "keeps its eye on the wishes of the grantor."

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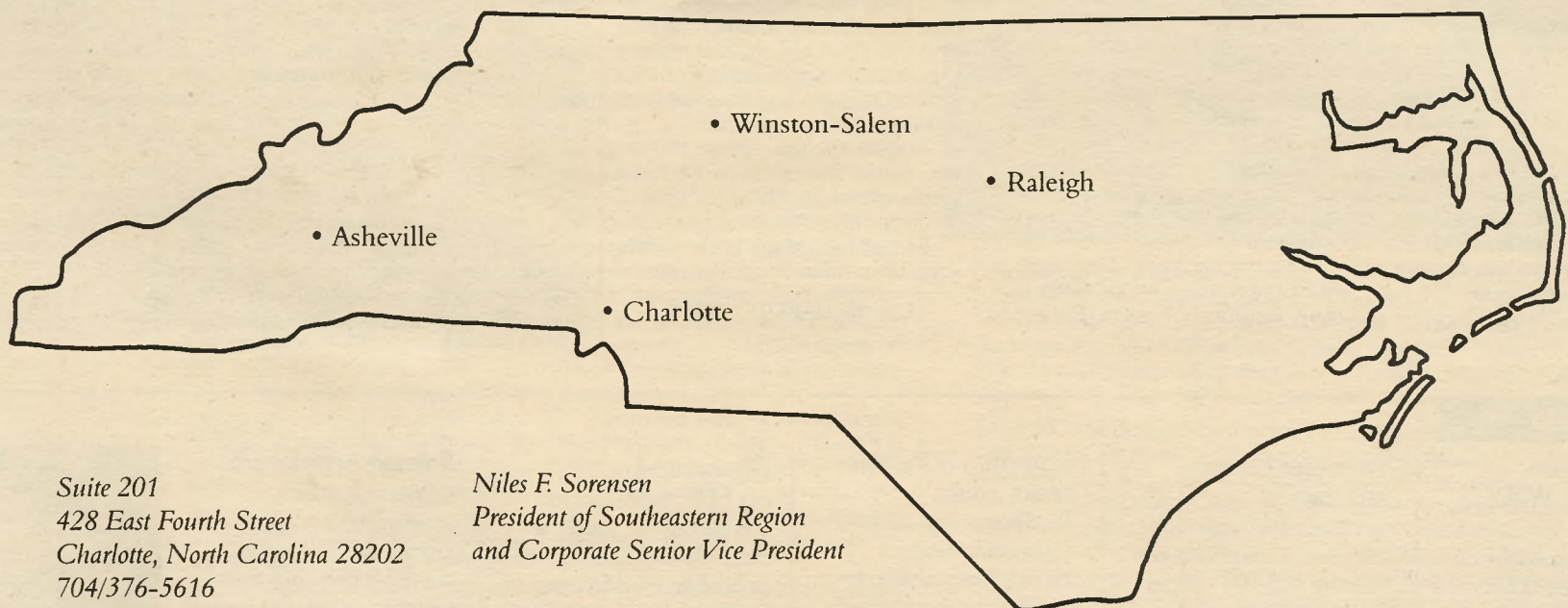
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