

FOUNDATIONS OFFER FUNDING OPPORTUNITIES

B iotechnology companies have taken advantage of a wide range of financing vehicles, including joint ventures, limited partnerships, private placements, debentures, warrants, public stock offerings both in the U.S. and abroad, mergers and acquisitions, and licensing agreements. One potential funding strategy that is often overlooked, however, is tapping into foundations.

The evolution of the biotechnology industry makes it today an appropriate target for foundation funds. Many endowments sponsor research projects, including preliminary studies and corroborative experiments; selected foundations provide seed money or funds for program expansion and new staff or faculty positions. Some groups may grant general or operating support, but many decline such requests, which may be viewed as too nonspecific or non-targeted.

Several different types of foundations could prove useful to the biotech industry:

- An independent foundation is a private foundation so designated by the Internal Revenue Service. Its assets are often provided by the families of deceased individuals. Some of the largest independent foundations include the McKnight Foundation (Minnesota), the McCune Foundation (Pennsylvania), the Lucille P. Markey Charitable Trust (Florida), the Harry Winston Research Foundation (New York), and the David and Lucile Packard Foundation (California).

- Company-sponsored foundations usually derive their philanthropic ca-

pabilities from profit-making corporations. These endowments often focus on industries that may be synergistic with their sponsors' primary businesses. Five examples of larger company-sponsored foundations are the Xerox Foundation (Connecticut), the Amoco Foundation (Illinois), the General Motors Foundation (Michigan), the Procter and Gamble Fund (Ohio), and the Aetna Life & Casualty Foundation (Connecticut).

- The operating foundation, another type of private foundation, focuses on carrying out a specific program voted on and agreed to by its governing body. One such foundation that makes grants actively is the National Institute for the Food Service Industry.

- Community foundations usually result from the gifts of many individuals, and are often deemed public charities under tax laws. Five of the larger community foundations are the New York Community Trust, the Hartford Foundation for Public Giving, the Cleveland Foundation, the San Francisco Foundation, and the Chicago Community Trust.

The majority of foundation grants carry a geographic focus within the United States and thus often attract a local audience. Although limitations are usually clearly identified, the governing body may reserve the right to make exceptions.

The Foundation Center, with major offices in New York, Washington, Cleveland, and San Francisco, is an independent national service organi-

zation established by foundations to provide current information on philanthropic giving. According to the Foundation Center, the bulk of total grant dollars reported comes from the states that possess the larger, national foundations: California, Michigan, New York, Pennsylvania, and Texas. Interestingly, these states also contain a large proportion of biotech's activity.

The 100 largest U.S. foundations awarded approximately \$280 million over a recent 12-month period for health-related subjects, and approximately \$101 million for science-related activities. These figures represent some 24 percent and 9 percent of the total giving, respectively. Smaller foundations, by contrast, tend to focus more attention on regional activities, yet even here health and science receive approximately 30 percent of total giving.

And the trend for supporting health-related causes will probably increase. In Hartford, CT, the insurance capital of the world, several of the larger foundations associated with the insurance industry are diligently at work assessing how best to support research activities and social programs associated with AIDS. Surprisingly, several of the trend-setting insurance companies have indicated that few R&D companies have asked for foundation money to support AIDS-related projects.

Funding specific programs in new and growing biotechnology companies remains a complex problem, especially during these turbulent economic times. Foundations may offer a vehicle to help bridge this gap. But be warned: The number of applications to most U.S. foundations is very large and the number of bequests comparatively small. Thus the prudent biotech company will first gather all the needed facts—such as the geographic and subject preferences of the various foundations and whether they are making grants at the time—and proceed with considerable planning.

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