Private Bank Overview

STRUCTURAL COMPARISON OF FORD AND GATES FOUNDATIONS

J.P.Morgan

Gates Foundation

Structure

Gates Foundation
Private operating foundation

Bill & Melinda Gates Foundation (foundation, but organized as trust)
Grant-making and programmatic work

Bill and Melinda Gates Foundation Trust (trust)
Investments

Governance

Trustees and Co-Chairs
- Bill Gates, trustee and co-chair
- Melinda Gates, trustee and co-chair
- Warren Buffett, trustee
- Bill Gates Sr., co-chair

Management Committee, which oversees all of the foundation's efforts:
- Jeff Raikes, CEO
- Sylvia Burwell, President of Global Development Program
- Allan Golston, President of U.S. Program
- Tachi Yamada, President of Global Health Program
- Martha Choe, Chief Administrative Officer of Foundation Operations
- Connie Collingsworth, General Counsel and Secretary Foundation Operations
- Richard Henriques, Chief Financial Officer, Foundation Operations
- Kate James, Chief Communications Officer, Foundation Operations
- Geoff Lamb, Managing Director, Public Policy, Foundation Operations
- Franci Phelan, Chief Human Resources Officer, Foundation Operations

Trustees
- Bill and Melinda Gates are the only trustees

Advice

Global Development Program Advisory Panel

Global Health Program Advisory Panel

United States Program Advisory Panel

Offers independent assessments of strategies and helps evaluate results.

Team of outside investment managers

Grant-making Areas of Focus

Global Development Program
- Agricultural Development
- Financial services for the Poor
- Water, Sanitation, and Hygiene
- Global Libraries
- Special Initiatives

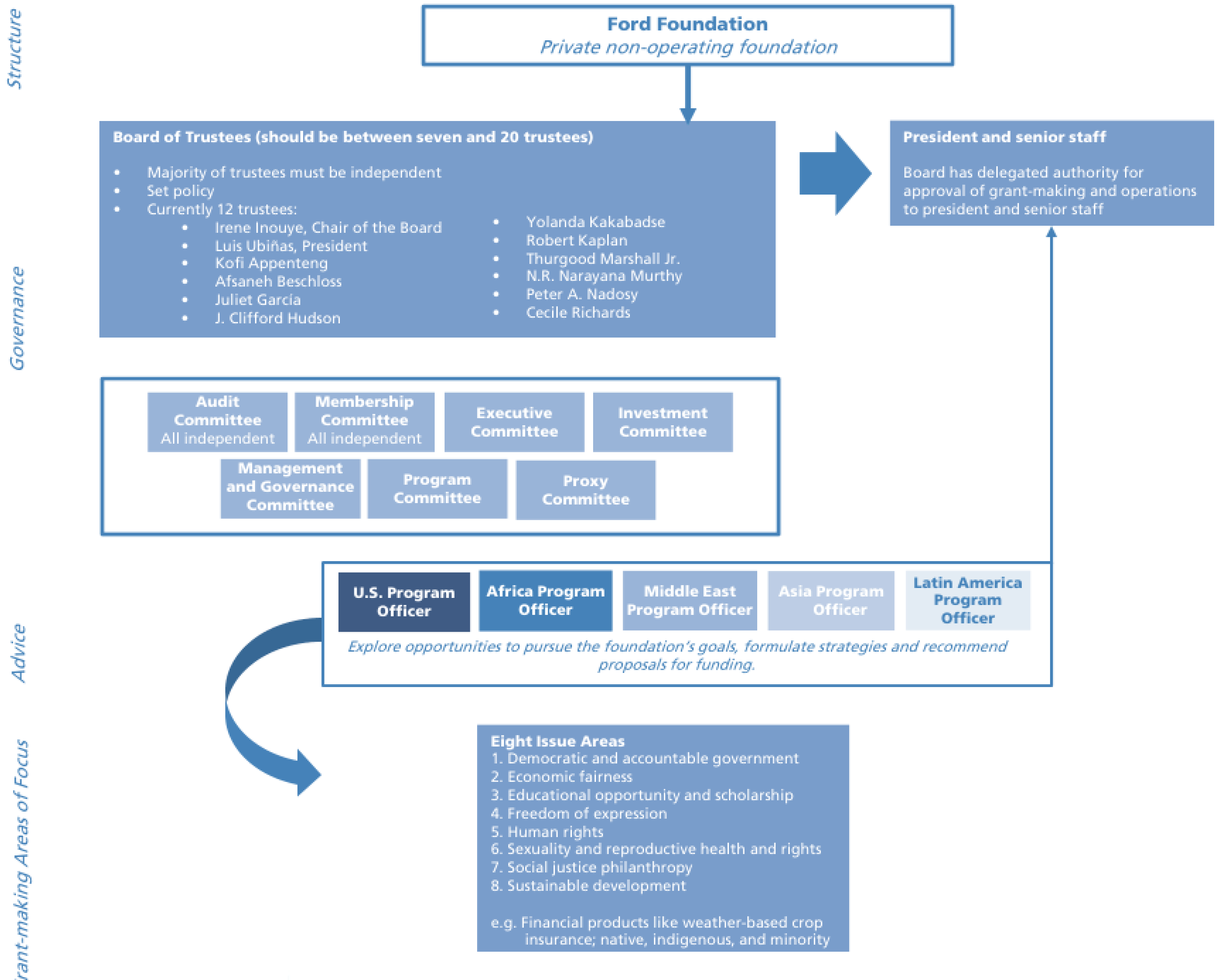
Global Health Program
- Enteric and Diarrheal Diseases
- Family Planning
- HIV
- Malaria
- Maternal, Neonatal, and Child Health
- Neglected and Other Infectious Diseases
- Nutrition
- Pneumonia
- Polio
- Tobacco
- Tuberculosis
- Vaccines

United States Program
- Education
- U.S. Libraries
- Pacific Northwest

Note: Not to exist in perpetuity. Goal is to spend all of its resources within 50 years after Bill and Melinda's deaths.

Source: Gatesfoundation.org

Ford Foundation



Source: Fordfoundation.org

Note: To exist in perpetuity.

Appendix

Gates Foundation

Overview
- Largest "transparently" operated private operating foundation in the world
- Formed as the William H. Gates Foundation with an initial stock gift of $94 million
- After a merger with the Gates Learning Foundation in 2000, Gates gave an additional $126 million
- In 2006, Warren Buffett pledged to give the foundation approximately 10 million Berkshire Hathaway Class B shares spread over multiple years through annual contributions, worth approximately $30 billion in 2006
- The primary aims of the foundation are, globally, to enhance healthcare and reduce extreme poverty, and in America, to expand educational opportunities and access to information technology
- The foundation is controlled by its three trustees: Bill Gates, Melinda Gates, and Warren Buffett

Structural changes
- In October of 2006, the trustees created a two-entity structure: the Bill & Melinda Gates Foundation (foundation) and the Bill & Melinda Gates Foundation Trust (trust). Both entities are tax-exempt private foundations that are structured as charitable trusts.
  - The **foundation** works to reduce inequities around the world. In the developing world, it focuses on improving health and alleviating extreme poverty. In the United States, the foundation supports programs related to education. In its local region, the foundation promotes strategies and programs that help low income families. The foundation is based in Seattle, Washington, with branch offices in Washington, D.C., New Delhi, India, Beijing, China and London, United Kingdom. Its Trustees are Bill and Melinda Gates, and Warren Buffett
  - The **trust** holds the donated investment assets from Bill and Melinda Gates, and receives contributions from Warren Buffett. The primary role of the trust is to manage the investment assets and transfer proceeds to the foundation as necessary to achieve the foundation's charitable goals. Its trustees are Bill and Melinda Gates

Statistics
- Number of employees: approximately 874[1]
  Asset trust endowment: $36.4 billion[1,2]
  Total grant commitments since inception: $23.91 billion[1]
  Total 2009 grant payments: $3.0 billion
- Geographic Reach: The foundation supports grantees in all 50 states and the District of Columbia. Internationally, it supports work in more than 100 countries

[1] As of September 30, 2010
[2] Endowment includes $1.6 billion from the first installment of the gift from Warren Buffett recorded August 24, 2006, the second installment of $1.76 billion recorded on July 11, 2007, the third installment of $1.8 billion recorded on July 1, 2008, the fourth installment of $1.25 billion recorded on July 1, 2009, and the fifth installment of $1.6 billion recorded on July 1, 2010.

Source: Gatesfoundation.org

Gates Foundation, continued

Grantmaking areas
- Global Development Program
- Global Health Program
- United States Program

Guiding principles
- 1: This is a family foundation driven by the interests and passions of the Gates family.
- 2: Philanthropy plays an important but limited role.
- 3: Science and technology have great potential to improve lives around the world.
- 4: We are funders and shapers—we rely on others to act and implement.
- 5: Our focus is clear—and limited—and prioritizes some of the most neglected issues.
- 6: We identify a specific point of intervention and apply our efforts against a theory of change.
- 7: We take risks, make big bets, and move with urgency. We are in it for the long haul.
- 8: We advocate—vigorously but responsibly—in our areas of focus.
- 9: We must be humble and mindful in our actions and words. We seek and heed the counsel of outside voices.
- 10: We treat our grantees as valued partners, and we treat the ultimate beneficiaries of our work with respect.
- 11: Delivering results with the resources we have been given is of the utmost importance—and we seek and share information about those results.
- 12: We demand ethical behavior of ourselves.
- 13: We treat each other as valued colleagues.
- 14: Meeting our mission—to increase opportunity and equity for those most in need—requires great stewardship of the money we have available.
- 15: We leave room for growth and change.

Source: Gatesfoundation.org

Ford Foundation

Overview

- An independent, nonprofit, nongovernmental organization with its own board that is entirely separate from the Ford Motor Company. The trustees of the foundation set policy and delegate authority to the president and senior staff for the foundation's grant making and operations. Program officers in the United States, Africa, the Middle East, Asia and Latin America explore opportunities to pursue the foundation's goals, formulate strategies and recommend proposals for funding.
- Headquartered in New York City, makes grants in all 50 states and, through 10 regional offices around the world, support programs in more than 50 countries.
- The Ford Foundation was originally incorporated on January 13, 1936 under the provisions of Act No. 327 of the Public Acts of 1931, known as the Michigan General Corporation Act.
- FMV of all assets 10,373,847,207 (from 2009 990-PF)

Structural changes

- Unlike many other foundations that overhaul their operations after the crisis, Ford did not hire an outside consultant to run the process, but instead relied on internal staff members and on the new president, Luis Ubiñas, and his background as a consultant.
- Ubiñas led an internal examination of Ford's management structure. The goal of the examination was to ensure that the Foundation's resources were aligned in the most effective way to carry out the Foundation's mission.
- Foundation staff members have been figuring how best to adopt structural revisions that encourage greater collaboration.
- The overhaul brought into focus to what Ford calls "lines of work," which are individual initiatives managed by individual program officers that have at times numbered more than 200, by condensing them into 35 new lines of work handled by groups of program officers around the world. Those teams report to a director with responsibility for several of those 35 areas.
  - Thus, a single line of work devoted to advancing and supporting Native American arts and culture has been melded into a new, broader line of work supporting and promoting native, indigenous and minority contemporary artists.
  - Similarly, a line of work dedicated to expanding microfinance, which Ford pioneered, will morph into a broader effort to develop financial products like weather-based crop insurance and leasing of production equipment.
  - Ford also will put dollar figures on each of the eight issue areas, which will address longstanding criticism of the foundation's devotion to small grants.
- Last year, Ford's assets fell 30 percent to $9.5 billion, yet it remains the country's second-largest foundation after the Gates Foundation. It has said it will increase its payout as a percentage of its assets this year and next.

Articles of Incorporation

- The corporation is organized on a non-stock basis. The amount of assets which the corporation possesses is: Real property, NONE; personal property, TWENTY-FIVE THOUSAND DOLLARS cash. The corporation is to be financed under the following general plan: By contributions to it of funds and property absolutely or in trust for its purposes as herein stated and for no other purpose. This corporation is organized on a directorship (trusteeship) basis.
- Has a perpetual term.

Source: Fordfoundation.org; 2009 Ford Foundation 990-PF;
Strom, Stephanie. "New Leader Overhauls Ford Foundation." *NYTimes*. April 13, 2009.

Ford Foundation, continued

Articles of Incorporation, continued

- The number of Trustees of this corporation may be fixed from time to time by the trustees. Trustees may be elected at any meeting of Trustees by vote of a majority of the Trustees.
- All of the property of this corporation and accumulations thereof shall be held and administered to effectuate its purposes and to serve the general welfare of the people. Upon the dissolution of the Foundation, the Board of Trustees will, after paying or making provision for the payment of all the liabilities of the Foundation, dispose of all the assets of the Foundation exclusively for the purposes of the Foundation in such manner, or to such organization or organizations organized and operated exclusively for scientific, educational or charitable purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended (or the corresponding provision of any subsequent federal tax laws), as the Trustees of the Foundation shall determine.

Bylaws

- Should have between seven and 20 trustees.
- Committees: Audit committee, executive committee, investment committee, management and governance committee, membership committee, program committee, proxy committee

Investments

- The Foundation's investment decisions have been delegated by the Board to the President and to senior investment staff. Accordingly, the Board as a matter of practice does not make specific investment decisions.

Grant-making

- Potential grants are subject to pre-grant review, legal review, compliance with U.S. Anti-terrorism financing rules, a countersigned grant letter, one or more site visits, a requirement that grantees submit periodic financial and narrative reports, and a new and expanded worldwide program of grantee audits.

Annual report 2009

- The board of trustees approves program and operational budgets on a two-year basis. The size of the two-year budget takes into account three considerations: the need to satisfy the U.S. federal payout requirement (the obligation to disburse annually about 5 percent of the average value of the investment portfolio); the objective of preserving the value of the endowment for long-term charitable funding; and program needs and opportunities.
- The foundation made the strategic decision to raise our payout rate in 2009 to meet all pre-existing commitments and provide grantees with added support in a time of severe economic crisis.
- The foundation does not receive outside contributions to its endowment. Their policy has been to try to preserve the real (inflation-adjusted) value of the foundation's endowment so as to maintain the real value of its program spending.
- The portfolio's asset allocation changed substantially over the course of last year, as they took advantage of improved market valuations to reduce public equity exposure and increase exposure to inflation-linked bonds, short-term Treasury securities, and opportunistic investments in real assets and credit. The foundation continued to maintain a highly liquid portfolio, providing it with the ability both to meet ongoing spending needs and to pursue additional investment opportunities arising from the current environment.

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