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MICHELE AND STEVE KIRSCH
ARE ALREADY MAKING A
MARK ON PHILANTHROPY



New economy philanthropists **Steve and Michele Kirsch** strive to get statistically guaranteed returns

donor class

rules

on charitable investments and save the world at the same time

By John Sedgwick

PHOTOGRAPHS BY JEFFREY THURNER

On Steve Kirsch's

personal Web site (skirsch.com), surfing alms-seekers find the kind of excuses they expect from a busy family man. His wife, Michele, is in law school; he himself is the CEO of an Internet start-up company, Propel; and they have two children still in school, so they don't have a lot of time for philanthropy.

Then comes the kicker: "So we picked a few easy goals we can accomplish in our spare time." He lists them: "Saving the world [from wayward asteroids and nuclear destruction]," "curing major diseases [cancers]," "cleaning up the air," "reforming education," "reforming politics," and so on, all the way down to "making it illegal to send mass promotional faxes and e-mails," the dreaded spam that is a particular irritant to an around-the-clock e-mailer like Kirsch.

Ah, the giddy nonchalance, the near-delusional sweep of charitable ambition—surely, you're thinking, the man's joking. Not so. This is the new philanthropy as embraced by the new money of the new economy. In the vital center of the e-world, big money is pushing big ideas, and on the philanthropic front, few agendas are bigger than the Kirsches'. In his day job, Steve Kirsch is no more manic than any other hero of a Silicon Valley success story (or serial success stories, in his case). But in the grandeur, if not grandiosity, of his philanthropic ambitions, he is very likely the leader of the pack.

Kirsch began his entrepreneurial killings in the early 1980s, when he started Mouse Systems (the optical mouse, his invention) and pocketed \$2 million when he sold it in 1988. Next came Frame Technology (software for designing high-quality documents), which brought him \$20 million when he sold it in 1995. Then came Infoseek (an early type of search engine, his invention), which yielded him \$200 million, out of a total of \$5 billion for all investors, when he sold out to Disney in 1999. Now he's on to Propel (an e-commerce software tool he dubs "Amazon in a box"), and the man is only 43.

Yet, if the entrepreneurial Kirsch merely fits the new economy myth, the philanthropic Kirsch seems bound to rewrite it. The heft of his charity is not what is so exceptional. Other Americans, from the new economy and the old, have given more than he. The Kirsches' eponymous foundation weighs in at a relatively modest \$65 million. Its largest gift since its inception in 1999 was \$2 million to create the Kirsch Center for Environmental Studies at De Anza College in Cupertino, California. But given that the

Kirsches' fortune is currently only \$150 million, the scale of their philanthropic commitment is astounding. They are two of the few donors under the age of 50 to make *Worth's* list of the 100 most generous Americans in lifetime giving, published in the April issue.

The key to Kirsch's approach to both charitable donations and private investments is the idea of leveraging. Some of this is born of necessity, of course, since he doesn't—yet—have billions to spend. But when it comes to levers, he's like Archimedes, who once boasted of needing only a place to stand and a lever to move the earth. The audacity, the scope, the soaring high spirits of this fellow citizen are no less extreme.

Consider Kirsch's bid to save the earth from a fatal battering by an asteroid. He has made donations totaling a mere \$250,000 to the Spacewatch Project, an institute at the University of Arizona that, among other things, scans the skies for incoming asteroids. Silly? Not to Kirsch. "You can mathematically prove that there is no other charitable donation you can make that has a higher return on investment," he says. Two asteroids have already come close in the past few years. It's inevitable, he says: Someday one of these things will hit—if, that is, it isn't identified well in advance and then somehow deflected. "It's a statistically guaranteed return on investment. Guaranteed!"

The same logic and passion inform his initiative to cure cancer. And not just one type of cancer, mind you, but all cancers. He spotted his point of leverage by accident one day when he went to the Stanford University Medical Center for treatment of a knee injury. There he fell into conversation with Joon Yun, M.D., a founder of Targesome, a biotech company that owns patent rights to a synthetic particle, called Targesome, which is a precisely targeted delivery vehicle for anticancer medicine. Its ability to focus on the cancer cells minimizes the damage to healthy cells. "Targesome's drug works by cutting off the cancer cells' blood supply," Kirsch explains. He checked out Targesome with H. William Strauss, M.D., the chief of nuclear medicine at Stanford and a member of Targesome's advisory board, who gave the outfit a thumbs-up. Kirsch promptly applied his lever—a \$2 million investment, this time from his personal fortune, not his charitable endowment. Yun says the money has already made a huge difference, having paid for the gathering of preliminary data that, in turn, has secured \$7.5 million in further financing. Kirsch figures it's a win for him whether or not Targesome succeeds: If the investment doesn't pan out, he will be able to deduct the loss on his income tax. But if it clicks, he will donate the profits to the Kirsch Foundation—"and," he says, "I cure cancer."

Kirsch gets enough irony into such assertions to be disarming. But it is impressive, too, that the Kirsches often put their mouths where their money is. To clean up the air, for example, both of them have gone public as major backers of new California legislation that would encourage the use of nonpolluting electric and natural-gas-powered vehicles by allowing them entry into high-occupancy-vehicle lanes on state highways. In their support of this legislation, the Kirsches have invested hundreds of hours

Kirsch makes it a point never to give money anonymously and doesn't shy away from cajoling others to stop "sitting back on their assets."



THE HOUSE RUNS ON GREEN POWER, THE CARS RUN ON ELECTRICITY, AND THE KIRSCHES RUN ON ENTREPRENEURIAL FERVOR.

sending e-mails to solicit support in the Valley, testifying before the legislature, and personally lobbying politicians all the way up to Governor Gray Davis. The work paid off last fall when assembly bill 71 passed overwhelmingly.

Why does Kirsch put so much effort into making what appears to be a tiny dent in a titanic problem? "Promoting electric cars is a step in the direction of California weaning itself from fossil fuels," Kirsch says. "If we can do it in California, we can do it in the rest of the United States. And if we can do it in the rest of the U.S., we can do it in other countries around the world." Where most people might see traffic perks for electric vehicles, Kirsch sees another way to move the earth.

The Kirsches' philanthropy isn't all so far out, so to speak, as posting sentries for incoming asteroids. Besides creating their center for the environment at De Anza College, their foundation has given more than \$500,000 in support for campaign finance reform. And on the volunteer-cum-donor front, Kirsch has worked tirelessly with former California senator Alan Cranston

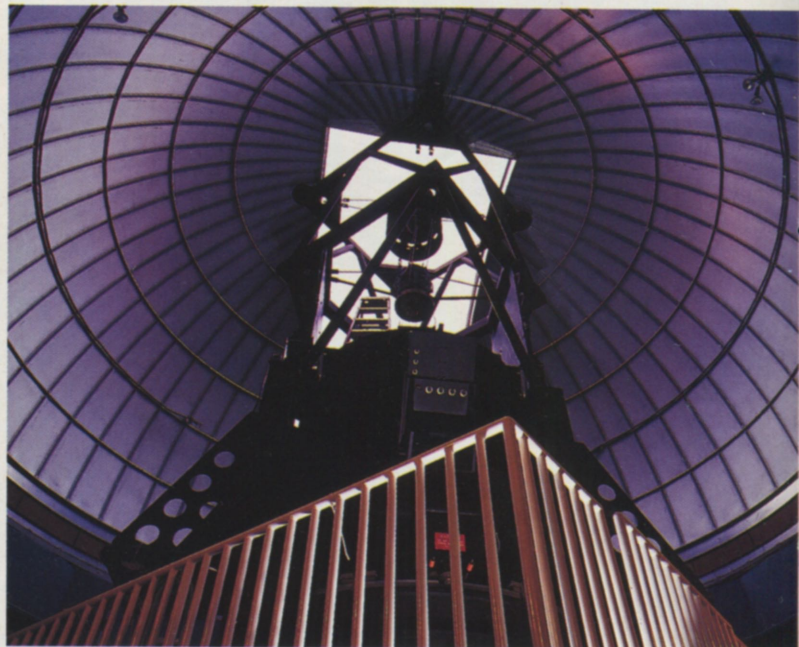
and others in a determined crusade to pass the comprehensive nuclear test ban treaty. Dozens of other initiatives have been more limited in scope but equally bold, such as \$100,000 for the Mars Society's efforts to explore the Red Planet or \$10,000 to bring solar power to South African schools. So far this year, their foundation is on track to dispense more than \$10 million, more than double the federally mandated minimum of 5 percent of total assets that foundations must pay out.

The Kirsches are well aware of the larger context of their giving. They see themselves (and are seen by interested observers) as key figures in the so-called new philanthropy that is gradually shifting American charity's center of gravity from the East Coast to the West, from the old to the young, from the old economy to the new, and in the process unleashing a stunning everything-is-possible attitude in the donor class. "We're breaking molds here," Kirsch says. "For us, philanthropy is not some East Coast thing of dressing up and going to charity balls. We're doing it our way."

This is a little unfair to the East Coast, of course. Without

Personal reasons guided

Kirsch's interest in cancer research. He was desperate to find a cure for stepfather Harold Karol's stomach cancer.



SCOPING THINGS OUT: JOON YUN, M.D., IN THE LABS OF TARGESOME; THE SPACEWATCH PROJECT AT THE UNIVERSITY OF ARIZONA.

functions or events like charity balls, America's famed largesse might turn off as suddenly as a summer shower. The Kirsches have been known to attend a few parties themselves. Michele, who has given away millions from her own discretionary fund at the foundation, finds these events awkward. She describes how people approach her now: "'Oh, Mrs. Kirsch,' they say. It's almost as if they're in awe. It's weird." According to her, however, Steve enjoys "the public side" of philanthropy. And that's what charity balls are: public gatherings where benefactors of one sort or another are confirmed in the worthiness of their causes and in the benevolence of their hearts.

In Silicon Valley,

Kirsch has become an exemplary leader of West Coast philanthropy precisely by going public, as it were, with his benevolence. He makes it a point never to give money anonymously and doesn't shy away from cajoling others in high-tech land to stop "sitting back on their assets," as he likes to say. Consequently, says Gordon Moore, chairman emeritus of Intel, who has received more than one Kirsch e-mail soliciting support,

"Steve Kirsch has picked up the philanthropic leadership here in Silicon Valley." Moore regards Kirsch as the successor to the fabled David Packard, the co-founder of Hewlett-Packard who became the Valley's first patron saint of philanthropy with his support of local charities. But Kirsch is a successor with a twist: Packard concentrated on local issues, whereas Kirsch thinks globally. "He's getting into some pretty big areas," Moore adds, "the kind that attract people's attention." Peter Hero, the president of the Community Foundation Silicon Valley, which is emerging as the pre-eminent institution for local social change, concurs: "Steve exemplifies the best of the new philanthropic attitude. He's smart, he's willing to take risks, and he's having a lot of fun."

The couple's youth is key, since it gives them influence with newly gilded Gen Xers who aren't yet ready for their own foundations. Some have banded together to create SV2, a new social ventures fund within the Community Foundation Silicon Valley, and not long ago, the Kirsches hosted a party—not, of course, a charity ball—for SV2 at their house, where Ronnie Lott, a former San Francisco 49er defensive back, talked about the importance of giving back to the community.

Such efforts seem to be paying off. Although the young cybernauts in the Valley used to just pocket their IPO winnings, they are increasingly earmarking a good portion of the haul directly for philanthropy. One hot new company, Equinix, announced that it was starting a foundation just 20 days after going public this summer. As for the problem of where to give the money, a significant gift from the Kirsch Foundation amounts to a *Good Housekeeping* seal of approval, certifying the recipient as worthy of support. Says Jay Harris, publisher of the *San Jose Mercury News*,

"To be able to say to others in the new economy that Steve and Michele have ponied up \$200,000 to support a local arts group makes it more acceptable for others to step up. It really helps."

Home base for this dynamo of charitable energy is a spanking new house in fashionable Los Altos Hills. From the outside, it looks a bit like a Minoan palace, albeit one with two electric vehicles in the driveway—Steve's GM sedan, Michele's Toyota SUV. Inside, of course, it's pure 21st century—a "smart" house with automatic everything, all run on environmentally correct green power. The Kirsches are still trying to work out the technological glitches (the most recent punch list runs to 10 pages). But as they sit for their interview in their curvilinear living room, they seem entirely content. The sound of a trickling fountain in the front hall mingles with the easy-listening soundtrack of 1970s hits on the ubiquitous sound system; the decor is in restfully muted earth tones; two Sub-Zero refrigerators sit in the adjoining kitchen, and a heated pool and tennis court are just outside.

The two have been married for seven years now. They were introduced by the glitzy socialite and part-time matchmaker Pari Livermore. "After our first date, I thought, It's not going to work," recalls Michele, a Mills College graduate who was working in commercial real estate at the time. "But Steve was a man on a mission. He coaxed it, massaged it." And four months later, she said yes. The same complementarity remains, with Steve the outgoing one, Michele more cautious. Still, it's fun to see them together. Steve is Mister Up. He runs wild with his enthusiasms, his voice booming, his hands flying about, his oddly high-pitched laugh bouncing off the walls. As he talks about the anti-asteroid project, or just about anything else, he can hardly contain himself. "We're driving the earth without car insurance," he exclaims. "If the earth were an automobile, we would be required to have collision insurance." But will it be enough just to identify the incoming asteroid? "Believe me, if we find something that will hit us in 10 years, I guarantee that Congress will allocate the funds to deflect it. It will be the first bill that happens."

Neither Steve nor Michele were born philanthropists, of course. Few people are. She was raised in Davis, California, the daughter of an engineer. He grew up in West L.A., the son of a CPA. But Kirsch was, as he says, "a computer guy," and that has made all the difference. Kirsch was 10 when he used his first computer, an Olivetti Underwood Programma 101. "It was basically a giant programmable calculator," he says, but it fascinated him. He passed an exam to take classes at the local Computer Learning Center, but the instructor thought the presence of a 12-year-old would disturb the adults taking the course, and offered him weekend computer time on a giant IBM 360 mainframe instead. A year or two later, Kirsch was sneaking out of the house at 4 A.M. to bicycle to the computer room at UCLA, where a team of computer scientists led by the legendary Vint Cerf was developing what would become the first node on the Internet with a grant from the Defense Advanced Research Projects Agency. "Little Stevie," as Kirsch was called, had managed to ingratiate himself with Cerf, who may have seen something of himself in the eager little boy. Kirsch, amazingly, was given the task of writing the program to send and receive e-mail on the massive Scientific Data Systems Sigma 7 computer. More amazingly, he succeeded.

The rest is in the entrepreneurial record books. He became a

Continued on page 175



Steve Kirsch, increasingly a role model for young philanthropists, believes in personal formulas for giving

YOU HAVE TWO SMALL CHILDREN. HOW WILL YOU TEACH THEM TO DEAL WITH THE MONEY YOU LEAVE THEM?

We'll try to encourage them to be responsible with money by giving them small sums over time once they're older, rather than a lot of money all at once. If they were given \$100 million at age 25, they might say, "Great, we don't have to work. We can lie on the beach and have a great time, buy fancy cars and six vacation houses." So we'll try them out with little bits at a time and see how it goes.

ARE YOU GOING TO TELL THEM THAT THEY HAVE TO GIVE SOME OF IT AWAY?

No. That's entirely up to them. But I hope they will, of course. Most of my money will go to our foundation, and I assume they'll have a role there. So they'll be involved in philanthropy in that way.

WHICH PHILANTHROPISTS DO YOU PARTICULARLY ADMIRE?

David Packard. He took the early lead in putting a lot of money to work around Silicon Valley. His foundation shows up wherever you look. And Bill Gates has done a great job. He picked a great mission [his global health initiative] that makes a lot of sense. There are few initiatives like his, yet they are remarkably cost-effective.

ARE ANY PHILANTHROPIC CAUSES SIMPLY A WASTE OF MONEY?

Some make more sense to me than others. Which is why, at the foundation, we reject plenty of proposals every year. It's the same as for-profit investments. There are many fewer good opportunities than bad ones. It's easy to create a business that loses money.

DOES A CAUSE EVER SEEM A LITTLE TOO FAR OUT?

We're not going to be put off by controversy, if that's what you mean. We might do something on cloning for the replacement of body parts if the right proposal came along. Same with stem-cell research.

IS THERE A REASON YOUR FOCUS ISN'T ON FUNDING CULTURAL PROGRAMS?

I selectively fund, based on personal taste. Some like the ballet, some don't.

DO YOU THINK SELF-INTEREST IS AN IMPORTANT MOTIVATOR IN CHARITABLE GIVING?

For some gifts, certainly. When Larry Ellison gives \$100 million to longevity research, he's probably thinking about his own mortality. Or when Andy Grove goes on the board of CaP CURE, he's probably thinking of his history of prostate cancer.

IS PHILANTHROPY REALLY FUN?

It's not the most fun thing I do, but it's in the top five. I think of it as work but a satisfying kind of work.

KIRSCHES

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philanthropist in 1990. He gave away “maybe a hundred here, a hundred there.” Soon he found himself on the development committee for a mental health clinic in Palo Alto, and not knowing the first thing about charitable fundraising, he turned to veteran Valley philanthropist Leonard Ely for advice. “You know, Steve,” Ely replied, “some people in this world want to give money away.” Self-evident as this thought may sound, Kirsch found it astonishing, and he later compared the discovery to the moral awakening of Ebenezer Scrooge in *A Christmas Carol*. As he explains: “It’s not like you see people on the street saying, ‘Want some money? Can I give you 20 bucks?’” He realized that he was one of those people who wanted to give, and he started a donor-advised charitable fund, managed by a community foundation.

He didn’t have the money to give heavily until after he married Michele, in 1993. One of the first things they did was sit down for what she calls a “pie-in-the-sky” discussion of philanthropy.

“We focused on what’s important to us,” Michele recalls. The environment, education, and community, they decided. “That was the seed of everything we’ve done, right there.” To actually do anything, however, they needed some serious money. That arrived on the day of their first anniversary. They had gone to the Post Ranch Inn at Big Sur to celebrate when word came in about the big score from Frame. Steve said that he was going to put \$5 million of it into the donor-advised fund. “It wasn’t as if we were living like millionaires at that point,” Michele says. But all the same, she told him, “Sure, Steve, if that’s what you want.”

As Steve and Michele describe their philanthropy, it’s clear that something extremely personal is at work here, and it’s all the more heartfelt for that. “I’m operating out of self-interest,” Steve says. “Enlightened self-interest. What I do may appear to be for unselfish reasons, but actually it’s for me and for the people close to me, my family especially.”

He does not seek to save the world for its own sake, and why should he? He wants to keep his family from being annihilated by a stray asteroid—and if other families are saved, so much the better. Personal reasons guided his interest in cancer research. He was desper-

ate to find a cure for stepfather Harold Karol’s stomach cancer. Michele says he was “devastated” when Karol died. “Lots of his friends have cancer, too,” she adds. Similarly, Kirsch has invested in research on macular degeneration, which his mother suffers from. His foundation has also given \$100,000 to Angela Christiano, a prominent geneticist who is hoping to reverse baldness, which Steve suffers from, by finding the genetic switch that governs the process.

There’s nothing new—as in “new philanthropy”—in this. Outwardly, the spirit he brings to his giving epitomizes the old spirit of the American West with its wild enthusiasm, its hyperbole, its boisterous derring-do, its sheer spaciousness, its abundance. That spirit is (one hopes) timeless.

Another aspect of Kirsch’s spirit, however, is bound to a time and place. Consider the background: The charitable impulses of the American rich have always had to break through a formidable obstacle—the dispiriting fear that the objects of their charity will play them for a fool, that they might be had. But this was before the ascendancy, in the business world, of the venture capitalist, the angel investor, and, above all, the highly educated, utterly unabashed, problem-defying technologist-inventor turned serial entrepreneur. These people don’t know from fear. Or if they do, they also know that whatever money they lose, they can always pick themselves up and make some more. Lots more.

Maybe the really new new thing in Kirsch’s spirit is that the ethos of the new economy allows him to do what only the rarest of earlier philanthropists could do. And that is to integrate the two-sidedness that emerges in a successful businessperson’s mind when the giving mood begins to stir. Making money and giving it away are generally perceived as two very different, perhaps antithetical, operations. In Silicon Valley, however, they are two sides of the same coin, which is problem solving. “I never planned to be a philanthropist or a do-gooder or whatever,” Kirsch explains with a shrug. “I just love inventing new things and solving problems.” This is clearly the right attitude for leaders of the next generation of philanthropists who will take on the challenges of the new century. ■

John Sedgwick is a Worth contributing editor. His novel The Dark House was published by HarperCollins in July.

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the honeymoon suite.*



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