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IPO gives Helmsley trust new bite

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Investors who bought shares last month in the initial public offering of the Empire State Building's owner did more than just snag a piece of the famous tower. Their cash is helping to find a cure for diabetes, preserve the Galápagos Islands and standardize educational curriculums.

Those are just a few of the projects funded by the Leona M. and Harry B. Helmsley Charitable Trust, which will receive about $660 million—or the majority of the proceeds from the Empire State Realty Trust's IPO—to pad its already considerable endowment. When ranked by its $4.1 billion in assets, the Helmsley trust is the country's 12th-largest foundation. It has been gearing up to spend the money. The trust has more than tripled its number of employees to 65 in slightly less than two years, to devise, monitor and fund grant programs. It will soon begin providing grants to groups that aid vulnerable children as part of its initiative to fund education and human-services efforts. Meanwhile, it has expanded its education focus to encompass the entire country rather than just New York City. Sources close to the trust say it will give out $255 million during the fiscal year that started in April, a 20% increase from the year-earlier period. "The IPO wasn't a surprise," said John Ettinger, who became the trust's first CEO when he joined the five-year-old organization in early 2012. "We'd spent a lot of time thinking about how we would allocate the funds."

Some money left on the table

Because the IPO was priced at the low end of the $13- to $15-a-share range, the trust didn't reap as much money as possible. What's more, the proceeds from the IPO are believed to be the last major windfall it

will receive. The Helmsley estate controls the vast real estate assets the couple left behind, and although there are still some trophy properties left, none will generate such a bounty as the IPO.

Even so, the trust has had ample means to quickly establish itself as a significant player in its categories of focus: health, education and human services, and initiatives focused on certain places like Israel and the Galápagos. In those broad categories, it has highlighted particular niches like digestive diseases and Israeli technology. "It's impressive that they have clear strategic goals and focus," said Joel Fleishman, author of *The Foundation: A Great American Secret—How Private Wealth Is Changing the World*. "It's really nothing short of amazing because it usually takes a lot longer to get this far."Mr. Ettinger said the trust's board has worked diligently to develop its specific focuses. The small number of trustees also helps cut down on bureaucracy. "It helps us to be nimble," he said. The early years were hardly smooth. When Mrs. Helmsley died in 2007, she famously left $12 million to her dog, Trouble, kicking off a media circus. She also left behind instructions that part of her money should support animal-related charities, prompting the ASPCA and the Humane Society to sue to be included among its grantees after the trust was established in 2008. In 2011, a judge ultimately decided that the five trustees (one has since passed away) handpicked by Mrs. Helmsley should direct the funds as they saw fit. The trustees decided to work in areas where there were substantial unmet needs and play a leadership role. The trust doesn't fund grants for such basic needs as food and shelter or what Mr. Ettinger called "higher calling" projects, such as museums. Instead, it primarily focuses on what he calls the "middle level," providing funding for initiatives that will allow people to blossom. "You need health and education for people to thrive," said Mr. Ettinger. When it came to drilling deeper into some of its targeted issues, the trustees' personal lives and preferences manifested themselves. Experts note that is not uncommon in such foundations. For example, one of the trustees' daughters has diabetes, and another one's child has a digestive disease. Diabetes researcher Dr. Mark Atkinson said that David Panzirer, Mrs. Helmsley's grandson and a trustee, called him five years ago and asked to visit. Dr. Atkinson said Mr. Panzirer asked a "whole lot of questions" about why certain types of research are funded and others aren't. The trust granted Dr. Atkinson $2.5 million to study type 1 diabetes in people living with it for between six months and two years. "It was some of the toughest peer review I've had in 30 years of researching," said Dr. Atkinson. "But the trustees are willing to accept risk." Richard Geswell, president and chief executive of the Crohn's and Colitis Foundation of America, echoed Dr. Atkinson's comments about peer review. But the trust's thorough approach has borne fruit. Mr. Geswell said a grant by the trust helped finance research that discovered 20 different types of bacteria that are present in the gut of someone with Crohn's. So far, the trust has given the foundation $33 million—its biggest funder by far. Mr. Geswell said that without the trust, "our research would be two years behind."

Supporting teachers

Sometimes the trust takes a different direction. After working with schools in the South Bronx, it decided to begin working on nationwide education initiatives and committed $50 million to the work last year. Rich McKeon, education program director for the trust, said that 45 states have adopted the Common Core State Standards, which provide a clear description of what students need to learn to be ready for college or their careers and what teachers must do to help them reach those goals. It is providing grants to support teachers so they can meet the new standards.

It will be years before the trust knows if it was money well spent. But Mr. Ettinger believes it is critical for the trust to take some risks, especially because it has the money to make significant investments. The funds can also be used as a very attractive carrot to bring about change. One effort the trust is funding is a consortium of researchers at different medical schools that will share its findings about inflammatory bowel disease. The trust believes that will move knowledge along much faster. "We need to think outside the box," said Mr. Ettinger. "The challenge is to be impactful, but to do that, you have to spend money."