

MONEYWISE

Investment Clubhouse
High Tech, High Finance

The GrassRoots Investment Group L.L.C. uses technology to conduct business and stay in touch

By Matthew S. Scott

The members of the GrassRoots Investment Group L.L.C. don't allow barriers to prevent their club from becoming the best. This energetic and innovative group of young, college-educated, fast-rising professionals is using technology to improve the efficiency of club business. The group is also making sure its partners stay with the club as it grows, no matter where in the country their careers may take them.

Affectionately known as GRIG, the club was established in Florida in September 1998 by a group made up mostly of Florida A&M graduates. Senior Partner Phillipe Tatem says, "The whole idea of the group was to facilitate networking and give partners the ability to get financing for our own business ideas." Today, its 19 members live and work in seven states and the District of Columbia. The oldest partner is age 27, and the youngest, 23, with 15 of the 19 hailing from Florida A&M.

GRIG partners pay dues of \$125 per month. Most group members have set up electronic deposits to ensure their dues are paid on time. Meetings are held every two months via a conference call arranged through the local telephone companies at a discount. This system allows members to work their busy schedules and still be available for the meeting by calling an 800 number, no matter where they are in the country.

The group also saves time and money by handling much of its business on its Website, www.grig.com. The Website was constructed free of charge by one of the partners. All financial reports, meeting minutes, account information, and data on each partner's equal share is located in a secure area on the site for members to access, thereby eliminating the need to address those matters at meetings.

The partners have turned their college degrees and enthusiasm for technology into their biggest assets. "We have people who are in law school, who are engineers, some who work for Internet companies, who own their own businesses, [as well as some] in banking and sales, and we lean on those individuals," says Tatem. "And when we look for new members, we look for someone who has talent that is more diverse from our current base."

Unfortunately, the group's enthusiasm for technology led it to construct a technology-heavy portfolio that was devastated by the tech wreck of 2000. The group was devastated, too. "Last year we exited the market in May, selling everything and moving to a cash position because the market was falling and we were scared to death," Tatem admits. He says that from 1998 to 2000, GRIG had returns close to 60% a year, with its portfolio crossing the \$200,000 mark. However, with the market crash factored in, Tatem estimates GRIG had an average yearly return of 12%.

Currently, GRIG owns American Express (NYSE: AXP), AOL Time Warner (NYSE: AOL), the Legg Mason Balanced Primary Fund (LMBTX), cash, and a position in Smoothtransitions Networks, an Internet start-up run by one of the partners. SmoothTransitions is a "death services" company that makes dealing with the loss of a family member easier "by providing information on low-cost funeral homes and crematoriums, and the capability for family and loved ones to send gifts, flowers, and cash to the bereaved family," Tatem says. The company will start serving clients in July.

According to Tatem, the club's portfolio value as of April 2002 was \$118,000. He says the losses it took has the members exploring more nonmarket-related investments such as real estate and business ventures. It has a franchise committee that is researching the purchase of a Blockbuster video store. The club's goal is to reach the \$1 million mark within five years. "Later this year, we're going to put an emphasis on identifying stocks and hopefully get back into the market," says Tatem.

GRIG's Top Holdings

Company	Exchange/Symbol	Portfolio Weighting
Cash	N/A	78%
Smoothtransitions Networks	N/A	12
Legg Mason Balanced Primary Fund	LMBTX	5
American Express	NYSE: AXP	3
AOL/Time Warner	NYSE: AOL	2

*As of May 6, 2002