



2009 | Annual Report

PUERTO RICO | Science, Technology  
& Research Trust

PUERTO RICO | Science, Technology  
& Research Trust

2009  
ANNUAL REPORT

SUBMITTED TO

THE HONORABLE LUIS G. FORTUÑO BURSET

GOVERNOR OF THE COMMONWEALTH OF PUERTO RICO

AND

SECRETARIATS OF THE SENATE AND

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

OF THE COMMONWEALTH OF PUERTO RICO

OCTOBER 2009

# CONTENT

## Message from Executive Director

5

1

## Setting the Foundations

6

Ongoing Agenda of the Trust...	7
KBE Cluster.....	8
Science City.....	11
2008-2009 Highlights	
Technology Transfer Unit.....	14
European Federation of Biotechnology.....	15
Outreach Program.....	16

2

## Other ongoing Projects of the Trust

18

Research Grants Programs .....	19
Academic Research Incentive Program.....	20
High School Science Laboratories Program.....	20
Trust Profile .....	21

3

## Exhibits

28

Exhibit A.....	29
Financial Statements	
Exhibit B.....	41
Awarded contracts	
Exhibit C.....	42
News clippings	
Exhibit D.....	43
EFB letter	



Urban Gateway

## Message from the Executive Director

### INNOVATION: GATEWAY TO PUERTO RICO'S ECONOMIC FUTURE

Puerto Rico is a proven leader in science and innovation. According to the 2008-2009 World Economic Forum Report on Economic Competitiveness (WEFREC), Puerto Rico is the only Latin American country with a mature innovation-driven economy. More specifically, according to this report Puerto Rico ranks:

- 12 in availability of scientists and engineers
- 20 in innovation
- 28 in business sophistication

This is evidence that we are recognized globally as a leader in science and its various disciplines, including, biotechnology, information technology, communications, and engineering, among others. Puerto Rico values and understands science and innovation. Thus, by focusing on scientific research and development (R&D), we will create better jobs and more opportunities for our economic advancement and improved quality of life.

This year, the Puerto Rico Science, Technology and Research Trust has moved full speed ahead in our agenda by creating new alliances through outreach efforts. Among other accomplishments and as a direct result, the Trust became the first Regional Branch Office of the European Federation of Biotechnology outside of Europe with the exception of Russia. Moreover, we have advanced significantly in the development of Science City by concluding the site's Environmental Impact Assessment, as well as the Land Use Consultation. More importantly, the Trust initiated its role as the primary certifying body for Puerto Rico's science, technology and research activities by evaluating and recommending to the Secretary of Puerto Rico's Department of Treasury, qualified scientific research in the Island. This role was delegated to the Trust through regulation 7685 of the Puerto Rico Treasury Department, which implements the provisions of Law No. 101 of June 27th of 2008 that grants income tax exemption to qualified researchers in the Island.

Recently elected Governor Luis G. Fortuño Burset has included Science City as one of his administration's priority economic development projects and announced that he will submit legislation to designate the site as a Special Tax District. This strategy is aimed at making private investment within Science City more attractive.

I am evermore confident that the groundwork laid out by the Trust thus far, together with the initiatives planned for the next year will continue to lead Puerto Rico towards becoming a major protagonist of the global knowledge-based economy.

Warmest regards,

**Luis E. Rodriguez-Rivera, Esq.**

Executive Director, Puerto Rico Science, Technology and Research Trust





# SETTING THE FOUNDATIONS



## Ongoing Agenda

- ⌘ During these initial years, the Puerto Rico Science, Technology & Research Trust (PRSTRT or the Trust), has remained as follows:
- ⌘ Developing and promoting a culture and infrastructure that will recognize the value of science and technology in the economic and social development of Puerto Rico
- ⌘ Strengthening public and private contributions to the Trust Fund through a comprehensive outreach program and other activities
- ⌘ Promoting the collaboration between government, academic and industrial sectors in the development of science, technology and research
- ⌘ Promoting technology transfer and the commercialization of products and ideas that result from local research
- ⌘ Financing and creating coherent strategies to attract world-class researchers and scientists to Puerto Rico in order to promote local discoveries

### ⌘ Looking to Reduce Local Talent Exodus

The continued exodus of some of the best talent in high technology fields deprives Industry and Academia in Puerto Rico of the critical human resources necessary to advance a robust life sciences economy. This trend is of significant proportions as indicated by the following data:

- ⌘ 33% of all medical graduates from the University of Puerto Rico Medical Sciences School go to the mainland US to complete their residence requirements,
- ⌘ 40% of all University of Puerto Rico Graduates in Engineering are hired by multinational corporations from the mainland US;
- ⌘ 50% of Puerto Ricans graduating with a PhD in Puerto Rico or the mainland US are employed outside the Island.

According to our research this talent would return to the Island given the right conditions.

As part of its ongoing agenda, the Trust is committed to the development of activities that have a positive impact in the retention of the talent educated in the Island and in attracting those who have emigrated due to lack of specialized opportunities within our boundaries.

The further development of the Knowledge-Based Economy Cluster, and within it the Science City, will be a valuable initial step in building upon Puerto Rico's most valuable natural resources—its people.

### Knowledge Based Economy Cluster (KBE Cluster)

Nearly 2000 acres are contained within the Cluster, which is located along the Tren Urbano mass transit system. Located within the Cluster are:

University of Puerto Rico, Río Piedras Campus

University of Puerto Rico, Medical Sciences Campus

Puerto Rico Medical Center (13 hospitals)

University of Puerto Rico's Botanical Garden

University of Puerto Rico's Molecular Sciences Complex

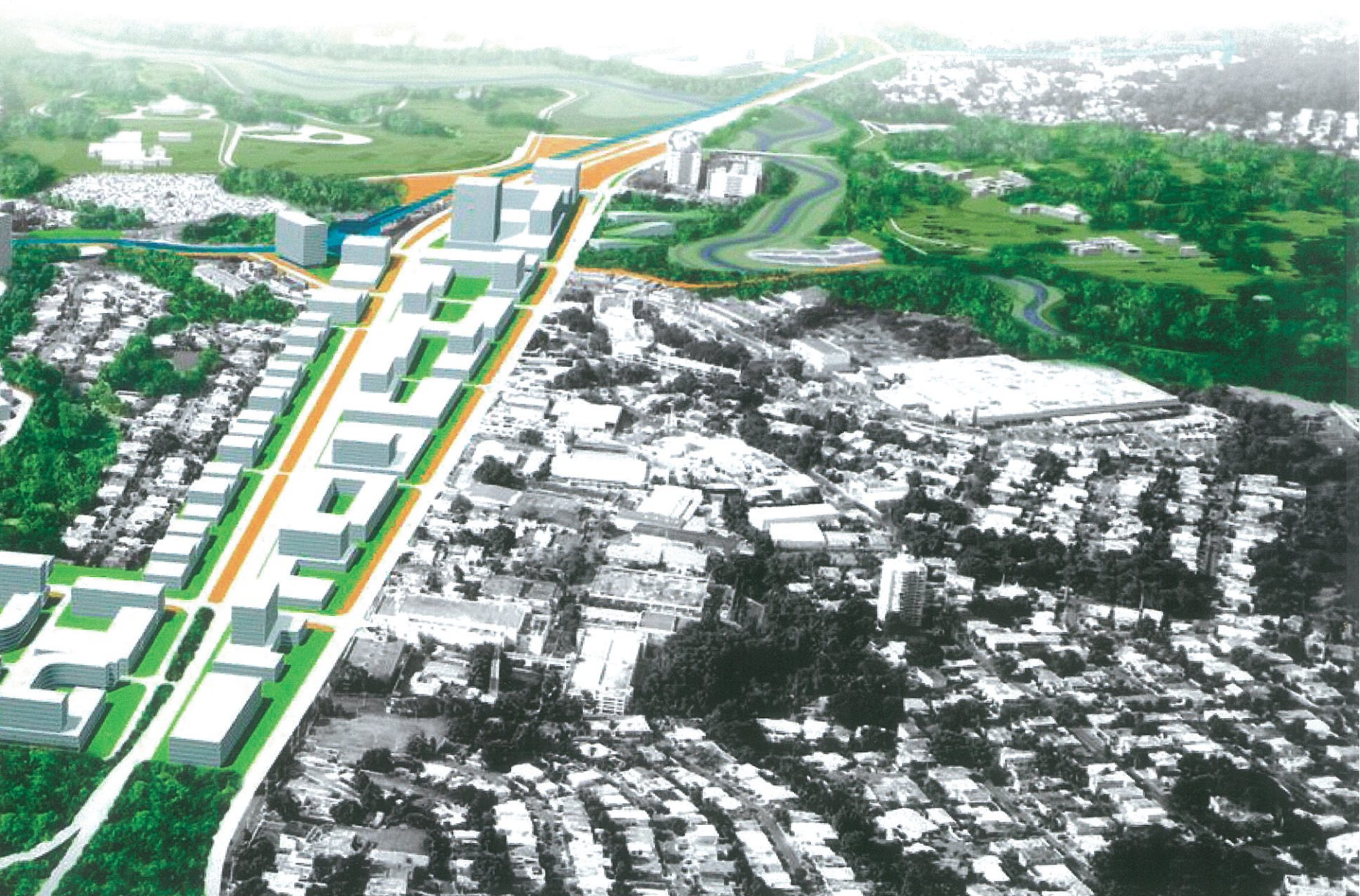
Puerto Rico Comprehensive Cancer Center



### ❖ 2008-2009 Highlights

Inauguration of the Comprehensive Cancer Center Research Building within the KBE Cluster. As part of a partnership between UPR Medical Sciences Campus and the prestigious MD Anderson Cancer Center, the new Comprehensive Cancer Center Research Building houses nine laboratories and was completed with an investment of \$25 millions.

Construction of new UPR Molecular Sciences Building, design for 120,000 sq feet of laboratories spaces. When inaugurated this coming December, it will provide the infrastructure, among others for: promoting research on different areas, developing alliances between the academia and industrial sectors, and stimulating cooperative agreements between multidisciplinary groups.







PUERTO RICO  
Science City

...where everything comes together

**:: 2008-2009 Highlights**

The Puerto Rico Science City will be located in the heart of the Knowledge-Based Economy Cluster in a 69.9 acre land parcel where the former Río Piedras State Penitentiary (Oso Blanco) was located.

The cutting-edge concept of Science City is a state of the art enclave that integrates high-tech research and development facilities with commercial laboratories, an efficient transportation network, and vibrant urban neighborhoods.

A center of innovation and academic exploration, Science City will include 1,000,000 square feet of laboratory and incubator space; a hotel and conference center; office space; a civic center with school facilities; a museum and library; commercial space; residential buildings and recreational areas, all while maintaining the historic structure of the former Oso Blanco in place. In addition, there will be landscaped open spaces and a walkway (paseo lineal) that will connect Science City to the Río Piedras Medical Center, the Cancer Research Center, the Botanical Gardens and the Molecular Sciences building (presently under construction). All these features, when combined with the existing cultural and social amenities of the Metro Area and its accessibility, will make Science City very attractive to both researchers and investors.

Construction of the Science City project will take place in stages and will last approximately 20 years.

By providing a clear strategic agenda for the development of Science City, the Trust is contributing to the development of a new economic vision for Puerto Rico – a 21st Century Knowledge Economy.

Fiscal year 2008-2009, has been very productive in advancing the development of this complex. The major accomplishments include:

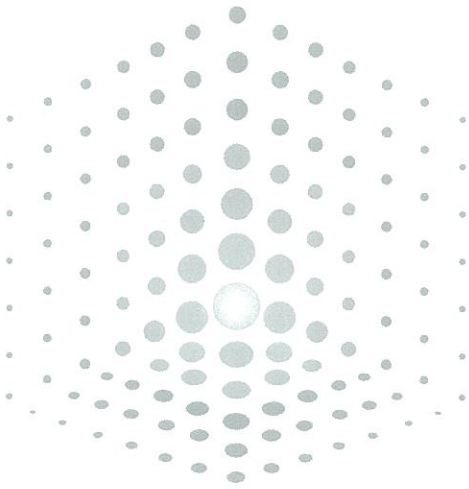
During the Spring semester of 2008-2009, Columbia University's Real Estate Development Master's Program selected the development of Science City as a special charette or case study for its students. In March 2009, the Trust's Executive Director participated as a juror in the presentation of the student development proposals for Science City.

### ∴ Permitting Process

On October 1, 2008 the Trust submitted a Land Use Consultation for the consideration of the Puerto Rico Planning Board (PRPB). This document is necessary to complete the early stages of the permitting process of any land development or construction project in Puerto Rico. Said permitting can take as much as five years, depending of the extension of the land, the zoning regulations applicable to the project and the complexity of the proposed development, among many others. Through hard work and persistence, the Trust is near to completing this process in less than one year and is awaiting action of the Planning Board approving the Land Use Consultation.

In the case of the PRSTRT project, Science City, a Land Use Consultation (LUC) was required to:

1. Change Oso Blanco's Land Classification from "Public" to Commercial-2 (C-2), Residential-5 (R-5) and Institutional. After the land classification is changed, our appraisal consultants will assign a market value to the land, which will have a significant impact on the Trust's capital assessment and the marketability of the project.
2. Begin the permitting process needed to develop Science City, specially the infrastructure component. After the Land Use Consultation is approved, any permitting process will be done directly at the Puerto Rico Permits and Regulations Administration through a Certification Process. Typically, the certification process is faster and simpler than the regular permitting process, which requires interaction with the PRPB. The certification process will be followed on every project within Science City, since the Project Resolution submitted to the PRPB includes a waiver for the Trust to submit all permits to the Administration of Regulations and Permits, instead of submitting any variation to the PRPB.
3. Bring the Master Plan to a feasible reality and commence a development schedule and strategy for all projects proposed within Science City.
4. Prepare and submit to the Puerto Rico Environmental Quality Board an Environmental Impact Assessment (EIA) which includes:
  - a. Transit Study
  - b. Socioeconomic Impact Assessment
  - c. Infrastructure Conditions Assessment
  - d. Historical Structures and Archeological Materials Survey
  - e. Economic Feasibility Study
  - f. Fauna and Flora Study



In order to complete this process, the PRSTRT hired the engineering firm CMA Architects and Engineers to prepare all the environmental and site documentation listed above. Also, our legal advisors Pietrantonio, Méndez & Álvarez LLP reviewed all documentation in order to (i) assure that all legal and regulatory aspects were widely covered; and (ii) that all documents were consistent in their language and qualitative aspects with each other. Also, our Master Plan Consultants, Toro Ferrer Architects and Archud actively participated in the review process in order to assure the Trust that all the urban and aesthetic premises of the plan were included in the LUC. Since Science City was conceived as a Transit Oriented Development it was important to include such condition and its supporting documents as part of the LUC and the EIA.

The public notice for the Environmental Assessment was published on February 7, 2009 and the public hearing for the Land Use Consultation was held on March 31, 2009. The project did not receive any negative written or personal reactions during the public hearing or during the rest of the process. Comments of the Municipality of San Juan were answered by supplying additional information. On the other hand, the Secretary of Economic Development is working with the Housing Department to assure an access from the Las Américas Highway through Las Amapolas public housing project's site. Once this issue is taken care of and clarified we will be able to obtain a final approval for the project.

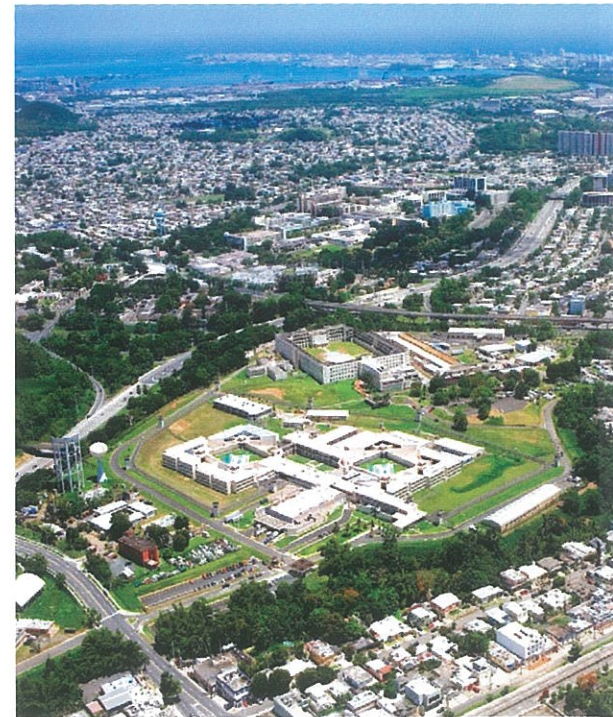
### Development Process

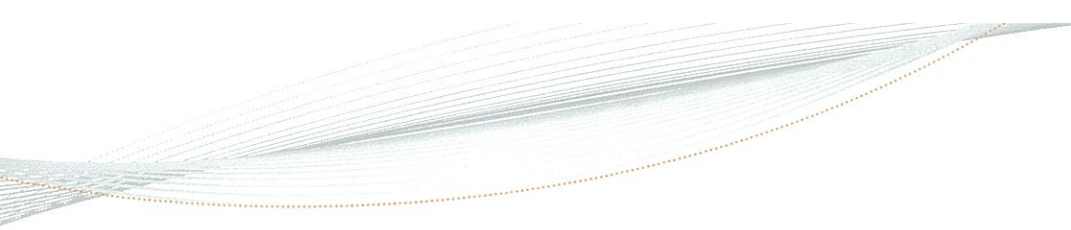
Since early January 2009, the Executive Director has been working with the management team of the Department of Economic Development and Commerce (DEDC) in order to provide them with the necessary information about Science City, so that they consider including Science City within the strategic projects of Governor Luis Fortuño. As a direct result of these efforts, the Governor recently announced that his administration is including Science City as one of his administration's priority in Economic Development and, furthermore, that he will submit legislation to designate the site as a Special Tax District in order to attract investment to this enclave.

The PRSTRT has proposed four infrastructure and laboratories projects estimated at \$100 million as a starting point for the development of the complete Master Plan:

1. Demolition of existing structures
2. Construction of the Sciences Boulevard and accesses from Las Américas Highway.
3. Rehabilitation of former officers dormitories (UPR laboratories project)
4. Improvements to the existing sewer and water supply systems, as required by Puerto Rico Aqueduct and Sewer Authority.

The Trust has also been working with the DEDC management team to develop alternate finance strategies for the development of Science City.





We began also to collaborate with the Cancer Center on the development of the Comprehensive Cancer Center Project (CCCCP). Since the Sciences Boulevard ends on the CCCP's site, we commenced the schematic design of the Sciences Boulevard. Our designers are working in coordination with the designers of the CCCP to assure that the CCCP takes into account the premises and the design guidelines of Science City.

#### :: Viability Studies

The PRSTRT commissioned the real estate development advisory firm Cushman & Wakefield for the preparation of a go-to-market or viability study focusing on science biotechnology components of the project. The report has been presented and discussed with the PRSTRT Board of Trustees, and we are currently preparing an implementation plan based on the recommendations made by the consultant on the above report.

#### Technology Transfer Unit

The protection and commercialization of scientific intellectual property - be it inventions, new processes or production methods - require highly specialized practices and procedures which are usually carried out by a technology transfer unit staffed with highly qualified personnel.

In order to successfully transform our economy into a knowledge-based economy, it is imperative that we offer first rate technology transfer services. With this in mind, the Trust has directed its efforts to the establishment of a Technology Transfer Unit for Puerto Rico.

The **Technology Transfer Unit** will be a streamlined and effective structure for the commercialization of science and technology research. It may be used by academic institutions and private parties to protect intellectual property, improve production capacity, and develop new products. Students, professors, young entrepreneurs and established industries could take advantage of this new opportunity to set up enterprises based on their own research. It will also help promote and showcase inventions, patents and research performed in Puerto Rico. This year, the Trust has been actively searching for specialized professionals in the field of Technology Transfer. Although these are highly difficult recruiting positions, our goal is to complete this task by end of the 2009-2010 fiscal year.

## The European Federation of Biotechnology

This prestigious organization was established by European scientists in 1978. The European Federation of Biotechnology (EFB) is Europe's non-profit federation of National Biotechnology Associations, Learned Societies, Universities, Scientific Institutes, Biotech Companies and individual biotechnologists.

The mission of EFB is to promote the safe, sustainable and beneficial use of the life sciences; to promote research and innovation at the cutting edge of biotechnology; to provide a forum for interdisciplinary and international cooperation; to improve scientific education and to facilitate an informed dialogue between scientists and the public.

The EFB Central Office (ECO) is located in Barcelona, Spain. Membership administration, organization of Executive Board meetings and General Assemblies, website management and organization of the European Congresses on Biotechnology are some of the main responsibilities of ECO. The EFB has 225 institutional members from across Europe and 5,000 personal members from 56 countries; the EFB has 13 Regional Branch Offices in Europe to support its activities in the various areas of biotechnology covered by the Federation.

### :: The Trust as an EFB Regional Branch Office

During fiscal year 2008-2009, the Trust initiated conversations with the EFB in order to become a member, recognizing the potential for networking and exchanging best practices by taking advantage of their experience and membership. In turn, the EFB identified that the Trust represented an important partner for Latin America. As a result, the Trust was designated as the first Regional Branch Office (RBO) in the Americas and the second outside of Europe.

As an RBO, the Trust will be required to perform the following tasks as a representative of the EFB, among many others:

- :: Representation to national government and regional authorities
- :: Coordination of regional and selected projects
- :: Establish various contacts (ministries, universities, organizations, media)
- :: Arrange regional meetings, workshops, conferences, etc.
- :: Arrange meetings and workshops in the region for EFB Sections and Task Groups
- :: Regional membership campaigns
- :: Distribute information about EFB and EFB events in the region
- :: Ensure EFB presence at relevant events in the region



Executive Director of the Puerto Rico Science, Technology and Research Trust, Luis E. Rodríguez Rivera, Esq. and Mr. Jens Sundbye, Director of the European Federation of Biotechnology.

- ∴ Establish data base on institutions and contacts in the region
- ∴ Disseminate information about funding opportunities in the region
- ∴ Facilitate EFB media contacts in the region
- ∴ Deliver regional information and data for EFB website, data base, EFB Central Office (ECO) and EFB Executive Board (ExBo).

#### Support and cooperation with selected EFB Sections and Task Groups

As a Regional Branch Office, the Trust will select the EFB Sections and/or Task Groups we will be working on since we are considering playing an active role in these, such as hosting regional activities and working on research papers on areas of interest to the Trust.

#### Region

The Trust will be meeting with EFB personnel to define our Region since we are an exceptional case. According to previous conversations, our region might be defined as Latin America.

### Outreach program

In order to put forth Puerto Rico's economic development goals and secure a leadership position in the world's knowledge-based economy, the Trust has developed and implemented a comprehensive outreach program whose purpose is manifold and includes:

- ∴ Educating and disseminating information about the Trust and its projects to the entire community and promoting Puerto Rico as an ideal destination for science and innovation.
- ∴ Meeting with academic researchers, administrators and organizations in the biotechnology field, both locally and abroad, in order to obtain input, advice and recommendations that will further assist us in developing Puerto Rico's R&D public policy.
- ∴ Identifying and attracting investors and public and private donors for the Trust and its projects

Fiscal year 2008-2009 was exciting and very active. Considerable progress was achieved locally, in the US and in Europe as well.

Locally, the Trust offered presentations in the following fora, among others:

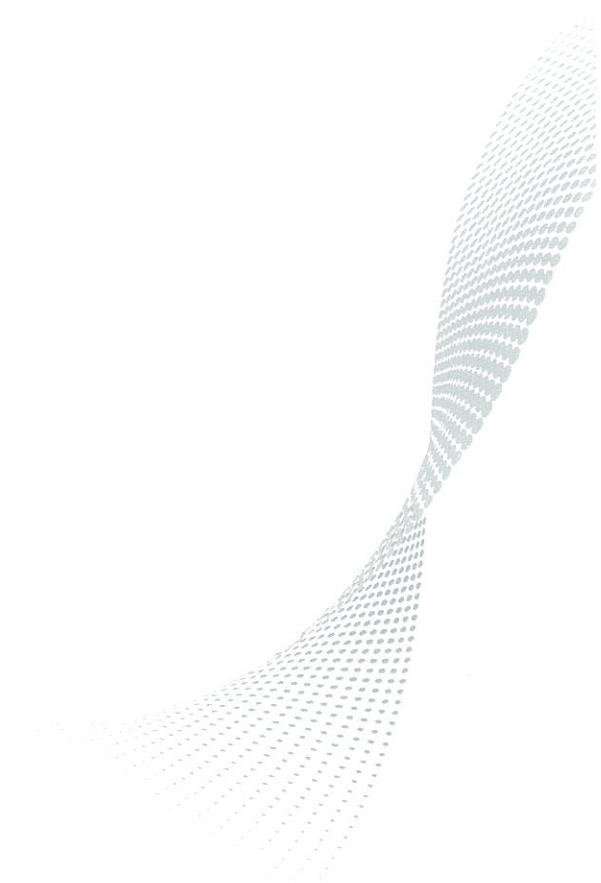
- ⌘ In June 2009 we took part in The Science and Technology Opportunities in Puerto Rico Plenary Session AUTM Eastern Region Meeting , “Going Global: Innovation without Borders”, sponsored by the Association of University Technology Managers and the University of Puerto Rico (San Juan).
- ⌘ The Bioengineering Symposium, “Science and Engineering for Economic Development”, Keynote Address, sponsored by the University of Puerto Rico at Mayagüez and Purdue University, (Mayagüez, April 2009).
- ⌘ 1st Convention of Puerto Rico Medical Students’ Association, “Public Policy regarding the Development of Puerto Rico’s First Knowledge-based Economy Cluster”, sponsored by the University of P.R. School of Medicine, Ponce School of Medicine, Universidad Central del Caribe School of Medicine and San Juan Bautista School of Medicine (Ponce, April 2009).
- ⌘ The Commonwealth Government’s Biolstand Initiative, Nanobiology, Nanomedicine and Innovation for Biotechnology Workshop, sponsored by the Institute for Functional Nanomaterials, the National Science Foundation and the University of Puerto Rico (San Juan, November 2008).
- ⌘ Industry-Academia Colloquium 2008, “Professionals for the Innovation Era”, sponsored by the Puerto Rico Life Sciences Clusters and Astra Zeneca (Canóvanas, October 2008).

In the U.S. the Trust was an active member of Puerto Rico’s delegation in Bio Atlanta 2009.

In Europe, the Trust made a presentation in EuroBio 2008 and participated in the Tech Transfer Summit organized by EFB (France, October 2008).

In the Caribbean, the Trust took part in the TECDO event in Santo Domingo (Dominican Republic, October 2008).

The Trust also presented the project to fellow non-profit organizations, government institutions and developers, which included the San Juan Ecological Corridor Alliance and the Municipality of San Juan.





2

OTHER ONGOING PROJECTS  
OF THE TRUST



## Research Grants

During 2008-09, the Trust provided financial assistance to the Bio Process Development and Training Complex (BDTC) in the amount of \$442,446. This financial assistance funded the first stage of a joint project between the BDTC, CDI Laboratories (a local biotech company) and the John Hopkins University's Institute of Basic Biomedical Sciences, for the purpose of generating monoclonal antibodies against human proteome.

The Joint Project financed by the Trust has accomplished significant progress during the past year. In essence, through Phase I of the project for generation of monoclonal antibodies against human proteome, CDI proved the concept of generating highly specific anti-human monoclonal antibodies (MABs) in a consistent, high-throughput fashion.

The Trust has also separated funds for a grants program aimed at promoting high-level academic scientific research in Puerto Rico, and funds for a grants program aimed at promoting high level corporate scientific research in Puerto Rico. Specifically, the Research Grants Program will offer matching funds to improve the competitive position of promising research proposals that are submitted to the National Science Foundation and/or the National Institute of Health, and that represent areas of interest for the development of Puerto Rico's knowledge-based economy.

The Research Grants Program will be available to researchers in public and private universities, colleges, and affiliated non-profit research institutions located in Puerto Rico. A similar program will be launched for corporate institution researchers.



The Bio Process Development Training Complex (BDTC) was inaugurated in November 2008, with an investment of \$12.5 million and provides 16,000 sq. feet for cutting edge Research and Development lab space.



### Academic Researcher Incentive Program

The Trust has initiated its efforts to support the recruitment and retention of scientists in the University of Puerto Rico by releasing \$2 million during 2008-09 from the Centennial Fund earmarked for this purpose.

The Trust also intends to fund a parallel researcher program aimed at promoting the recruitment of world-class researchers by public and private universities and colleges located in Puerto Rico. In particular, the Academic Researcher Incentive Program will support local universities and colleges that recruit world-class researchers by subsidizing portions of their salaries and/or laboratory equipment needed for their particular research necessities.

### Highschool Science Laboratories Program

Together with the Puerto Rico Infrastructure Financing Authority (PRIFA), the University of Puerto Rico and the Department of Education, the Trust collaborated in 2008-09 in a project aimed at equipping all high schools in the public education system with science laboratories in order to increase quantitative and qualitative curricular scientific activities. Although the program ended in December 2008, Approximately thirty laboratories were built in high schools located in fifteen different municipalities.

As part of the High School Science Laboratories Program, the University of Puerto Rico and the Department of Education aim to provide comprehensive and systematic support to schools and to make of each science and math teacher an expert in its area, bringing quality education to all students. Schools with laboratories are receiving training in the areas of biotechnology, biology, physics, chemistry and general science.

The Trust hopes to promote the continuation of this or similar programs in the near future.

# TRUST PROFILE

## THE BEGINNING

The Government of Puerto Rico (“Puerto Rico”) decided to strengthen its economic development strategy by promoting knowledge-based economic activities. Diversifying and modernizing our economy, strengthening our human capital skills in science and technology, and investing in scientific research and development is essential in order to continue our leadership in the global knowledge or innovation-based economy.

Many international jurisdictions, as well as several states of the United States, are investing billions of dollars in these areas in order to attract and retain the world’s best talents, and continue increasing their competitiveness and growing their economies.

Within this context, the Puerto Rico Government determined that the creation of a non-traditional organization was necessary in order to effectively develop and implement public policy for the development of a knowledge-based economy. Thus, an independent body, supported by government but free from partisan politics, was preferred as the vehicle to define and implement this change – the idea of the Puerto Rico Science, Technology and Research Trust (the “Trust”) was born.



## CREATION OF THE TRUST

On August 18, 2004, Act Number 214 ("Act 214") was approved authorizing the creation of the Trust through a public deed as a non for profit trust. The Trust would be created to, among other duties:

- ∴ establish an alliance between the public and private sectors to promote and develop research, science and technology;
- ∴ act as an agent to promote investment and financing of activities that strengthen science, technology and research in Puerto Rico, expected to have a positive impact in the economic, social and educational development;
- ∴ serve as liaison between the government, the academia and the industry;
- ∴ promote the transfer of technology and commercialization of local creations, ideas and products; and
- ∴ finance, sponsor and create strategies to draw to Puerto Rico world-class researchers, scientists, both individuals and entities, and make of Puerto Rico the home of new discoveries and initiatives.

Pursuant to Act 214, the President of the University of Puerto Rico and the Secretary of the Department of Economic Development and Commerce executed before Notary Public Jaime Arturo Riera Seivane public deed number twenty three (23) (the "Constituting Deed") whereby the Trust was created in December 2004. The Constituting Deed brings into it, as the main document of the Trust, the powers and duties of the Trustees and the Trust and includes provisions pertaining to the internal organization of the Trust.

### Funding of the Trust

As per the spirit of Act 214, the Trust should be maintained as an autonomous entity. Its seed funding shall be nourished annually from the following sources: (i) 20% of the Economic Development Special Fund administered by the Puerto Rico Industrial Development Company, (ii) \$5,000,000 annual appropriation beginning in fiscal year 2005-2006, proceeding from the balance of the moneys collected on account of the federal excise taxes sent to the Department of the Treasury each fiscal year, according to Section 7652(a)(3) of the United States Internal Revenue Code of 1986, and (iii) private donations. Also, upon its creation, as a onetime non-recurring funding, Act 214 ordered the transfer of the following amounts to the Trust: the remaining funds non disbursed (as of the approval of Act 214) by the Puerto Rico Industrial Development Company to the University of Puerto Rico for the "Centenary of the University of Puerto Rico Scientific Research Fund" and a special one-time appropriation of \$5,000,000 from the Public Improvements Fund.

## BOARD OF TRUSTEES

The Board of Trustees is the body entrusted with the essential task of governing the Trust, establishing the general policy of the Trust to fulfill the objectives of the Act and the Constituting Deed, approving the strategic plan(s) of the Trust, determining the eligibility of benefited entities and projects, authorizing disbursement of funds and implementing the public policy of the Trust among others:

### Composition

Act 214 and the Constituting Deed provide that the Trust will be directed by a Board of Trustees consisting of eleven (11) members:

- :: six (6) non-Government trustees and
- :: five (5) ex officio Government trustees.

### Non-Government Trustees

The six (6) non-Government Trustees must be individuals appointed by the Board of Trustees as per the following criteria:

- :: Of the six, three (3) must be or must have been members of the university community as professors or researchers and three (3) must belong to the private sector in the field of high technology.
- :: Of the same six, two (2) must be internationally recognized in their field and two (2) must have at least general knowledge of either the biological sciences, the health care sector or information and communications technologies and be proficient with respect to recent research developments in these areas and the technical and scientific mechanisms used to translate new knowledge into applications that stimulate and further growth

Each non-Government Trustee shall be appointed for a six-year term and at no time shall serve for more than two consecutive six-year terms.

- :: Dr. Paul Lizardi
- :: Dr. Fabrizio Bonanni
- :: Gil Medina, Esq., CPA
- :: Dr. Mariano García-Blanco
- :: Dr. Emma Fernández-Repollet
- :: Dr. Lester Martínez

### Ex Officio Government Trustees

The five (5) ex officio Government Trustees must be individuals holding the following positions in government: Secretary of the Department of Economic Development and Commerce, President of the University of Puerto Rico, President of the Government Development Bank of Puerto Rico, Executive Director of the Puerto Rico Industrial Development Company, and Executive Director of the Office of Management and Budget.

Each Government Trustee must hold his appointment for as long as he holds the government office that entitles him to that appointment.

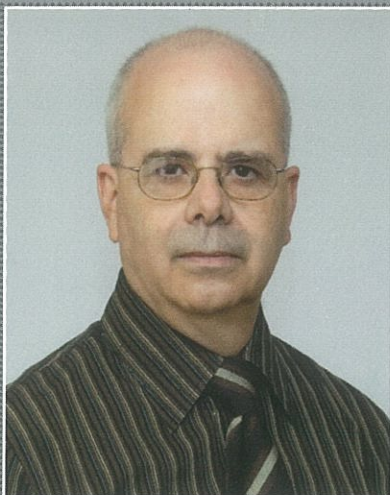
### Ex Officio Government Trustees:

Some of the Ex Officio Government Trustees changed during the year due to the electoral process that took place in November 2008. By the end of fiscal year 2008-2009 these trustees were:

- :: University of Puerto Rico President, Antonio García Padilla, Esq.
- :: Department of Economic Development and Commerce Secretary, José R. Pérez- Riera
- :: Puerto Rico Industrial Development Company Executive Director, Javier Vázquez, Esq.
- :: Government Development Bank for Puerto Rico President, Carlos M. García Rodríguez
- :: Office of Management and Budget Director, María Sánchez-Bras

### Officers

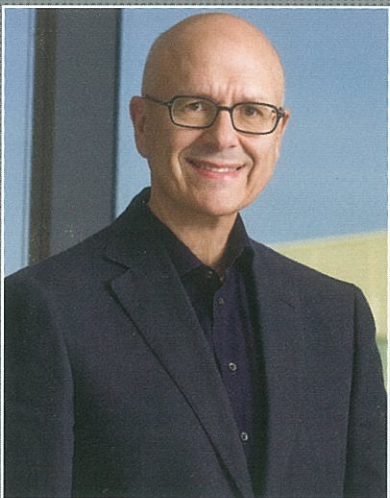
- :: José R. Pérez-Riera, President,
- :: Gil Medina, Vice President,
- :: Fabrizio Bonanni, Secretary,
- :: Javier Vázquez, Assistant Secretary



### DR. PAUL LIZARDI

YALE UNIVERSITY PROFESSOR OF PATHOLOGY AND  
AGILIX CORPORATION SCIENTIFIC ADVISORY BOARD COFOUNDER

Dr. Lizardi is a professor of pathology, biophysics and molecular biochemistry in the Department of Pathology at Yale University's School of Medicine. He is considered one of the leading experts in the study of cancer genetics and epigenetics (the study of reversible changes in genetic regulation). He is also well known for his technological innovations in the amplification of DNA. The work conducted in his laboratory has generated more than 30 patents in the field of Rolling Circle Amplification Technology (RCAT), in signal/guide molecular technology, the amplification of isothermal genomes, and GenCompass technology. His lab has also made significant contributions in the fields of cancer diagnostics and the development of therapeutic instruments. His professional interests include cancer biology, epigenetic abnormalities, analysis of molecular alterations in cancer development, quantitative biology, genome operating systems, and the role of science and public policy, among others. In 1999, the Nature Biotechnology journal named Dr. Lizardi as one of the scientific researchers with greatest impact in the field of technological innovation due to his advances in the detection of DNA mutation in human genomes. He has served on professional organizations such as the American Chemical Society, American Association for the Advancement of Science, and the Editorial Board of Laboratory Investigation. Dr. Lizardi holds a bachelor's degree from the University of Puerto Rico, a PhD from Rockefeller University in New York, and postdoctoral studies from the Carnegie Institution of Washington in Baltimore.



### DR. FABRIZIO BONANNI,

EXECUTIVE VICE PRESIDENT, OPERATIONS, AMGEN INC.

Dr. Fabrizio Bonanni is Amgen's executive vice president, Operations, overseeing the company's global production activities as well as site and facilities management. Since joining Amgen in April 1999, Bonanni has served as senior vice president, Manufacturing; senior vice president, Quality and Compliance; and corporate compliance officer. Previously, he was corporate vice president, Regulatory and Clinical Affairs and corporate vice president, Quality System for Baxter International Inc., a company he joined in 1974. At Baxter, Bonanni spent half of his career in international operations, including an eight-year assignment as vice president, Quality and Regulatory Affairs, at the company's European headquarters in Brussels, Belgium. His responsibilities at Baxter included quality and regulatory affairs, manufacturing, microbiology and sterilization engineering, and total quality management, for (bio)pharmaceuticals, blood derivatives, medical devices and in-vitro diagnostics.

Bonanni earned his doctorate in chemistry, magna cum laude, from the University of Florence and has done postdoctoral work in physiological chemistry at the Massachusetts Institute of Technology. He is a state-certified chemist and a member of the Ordine dei Chimici of Tuscany. He is an alumnus of the Institute for International Management, Northwestern University, J.L. Kellogg Graduate School of Management, and of the Executive Program in Manufacturing, Harvard University, Graduate School of Business Administration. Bonanni is fluent in French and English, in addition to his native Florentine Italian. Bonanni serves on the Biotechnology Industry Organization's (BIO) Executive Committee, the Board of Trustees for the Museum of Contemporary Art in Los Angeles, and as a Trustee of the Science Technology and Research Trust of Puerto Rico.

## GIL MEDINA, ESQ., CPA

FORMER SECRETARY OF COMMERCE OF THE STATE OF NEW JERSEY AND CURRENT EXECUTIVE MANAGING DIRECTOR CUSHMAN AND WAKEFIELD, INC IN NEW JERSEY.

Gil Medina is an attorney and CPA who has developed extensive expertise in sales, technology, regulatory and administrative matters. He served for seven years as the Secretary of Commerce for the State of New Jersey. After public service, he became the Vice-President of Marketing for a Voice-Over-Internet-Protocol (VoIP) company and the President of a biotechnology start-up. He subsequently joined the global commercial real estate company, Cushman & Wakefield, Inc., as Director of Technology Enterprise Group, specializing in developing and implementing comprehensive real estate services for government, private and public scientific research organizations and corporations. He currently serves as the firm's Executive Managing Director and is responsible for managing the firm's New Jersey operations. Mr. Medina is also a member of various organizations, including Rutgers University School of Business Advisory Board, Board of Trustees of the New Jersey District Council of the Urban Land Institute, Board of Trustees of the Biotechnology Council of New Jersey and Board of Trustees of the New Jersey Health Care Quality Institute. Other professional achievements include:

- ⌘ The President of Brazil conferred upon Gil the Rank of Commander in the Order of Cruzeiro do Sul.
- ⌘ This is the highest honor bestowed on foreign nationals by the Republic of Brazil in recognition of valuable services rendered to the Republic and its citizens.
- ⌘ Elected Delegate-at-Large to the 1996 and 2000 Republican National Conventions.
- ⌘ Co-Chairman of the New Jersey State Republican Committee.
- ⌘ Served on the Informal Experts Group on IP Telephony of the International Telecommunication Union's World Policy Forum on IP Telephony. He was the presenter at the Policy Forum.
- ⌘ Resource person for the ITU, the Federal Communications Commission and the US Department of State on telecommunications policy.
- ⌘ In 2003 he received at the Biotechnology Council of New Jersey a Distinguished Service Award.
- ⌘ Received awards from various important trade associations, among others: the Biotechnology Industry Organization (State Executive of the Year) and the National Association of Industrial and Commercial Properties (Industry Service Award).
- ⌘ In 2004 he was appointed to the Small Business Administration's National Advisory Council by SBA's Administrator.
- ⌘ Advisor to state governments on economic development policy: New Jersey, New York, Oklahoma, Pennsylvania.





## DR. MARIANO GARCÍA-BLANCO

DIRECTOR OF THE DUKE CENTER FOR RNA BIOLOGY AT DUKE UNIVERSITY SCHOOL OF MEDICINE

Dr. Mariano García-Blanco, M.D., Ph.D. is Professor of Molecular Genetics and Microbiology, Professor of Medicine, and Director of the Duke Center for RNA Biology at Duke University School of Medicine, and Professor of Emerging Infectious Diseases at Duke-NUS Graduate Medical School, a joint venture of Duke University and the National University of Singapore.

He also serves as adjunct professor at the School of Medicine at the University of Puerto Rico's Medical Sciences campus.

The García-Blanco laboratory studies three aspects of the regulation of human and viral genes: i) the interface between synthesis and the processing of mammalian pre-messenger RNA, ii) the alternative processing of these RNAs to produce multiple proteins from one gene, and iii) the regulation of gene expression in human pathogenic flaviviruses. The first two are the focus of the group at the Duke University School of Medicine in Durham, North Carolina. The work on flaviviruses (dengue and Yellow Fever) is carried out at Duke and at the Duke-NUS Graduate Medical School in Singapore.



## DR. LESTER MARTÍNEZ-LÓPEZ

FORMER US ARMY MEDICAL RESEARCH AND MATERIALS COMMAND COMMANDING GENERAL

As commander of USAMRMC, Dr. Martínez-López was in charge of medical research and investigation initiatives that greatly benefited the U.S. Army and the Department of Defense. USAMRMC divides its research efforts into four areas: infectious disease research, battle injury treatment, operational medicine research, chemical and biological defense research. USAMRMC also manages specialized medical programs, including research related to breast, prostate, and ovary cancer, neurofibromatosis, telemedicine, and military health. Dr. Martínez-López had under his command the daily operations of six major USAMRMC research laboratories, all of which made up a large part of the Army's scientific and technological capacity. Under his direction, USAMRMC strengthened its reputation in biomedical research, contract research programs, and many collaborative efforts with the most prestigious research and development companies. With USAMRMC, Dr. Martínez-López managed an agency with a \$1.6 billion budget and more than 5,000 employees around the world. He is considered a pioneer in the development and global implementation of Information and Technology Management, which provides service in electronic medical records management, medical logistics systems, robotics, and other applications. He graduated from the University of Puerto Rico's School of Medicine and completed his master's degree in Public Health at Johns Hopkins University. He has been a medical doctor since 1978 and he is a Fellow of the American Academy of Family Practice and Board Certified in Aerospace Medicine.

## EMMA FERNANDEZ-REPOLLET, PH.D.

VICE PRESIDENT FOR RESEARCH AND TECHNOLOGY  
UNIVERSITY OF PUERTO RICO

Dr. Fernández-Repollet received her B.A. in Education from the University of Puerto Rico Rio Piedras Campus, her M.S. and Ph.D. in Physiology from the University of Puerto Rico Medical Sciences Campus, and a postdoctoral training in renal physiology at Duke University and the University of North Carolina at Chapel Hill. She joined the faculty of the Department of Pharmacology at the University of Puerto Rico Medical School in 1982, and rose through the ranks from Assistant Professor to Professor in less than ten years. She has published over forty original research and review articles and book chapters in the field of protein malnutrition, deep nephron function, and gentamicin nephrotoxicity, and is the inventor on two patents. In 1992 she received the Young Science Investigator Award from the Puerto Rico Academy of Sciences.

At the University of Puerto Rico, Dr. Fernández-Repollet has been instrumental in establishing and administering a Research Centers in Minority Institutions (RCMI) Program on the Medical Sciences Campus. This Program focuses in developing a competitive biomedical infrastructure by providing funds for research facilities and human resources. Since its inception in 1986, the RCMI Program has been awarded over \$40 million for improving the research infrastructure at the Medical Sciences Campus. Currently, grant funds to the program exceeds \$13 million dollars. She received the Fred Greenwood Award from the National Association of RCMI Directors in recognition for her contributions to the disadvantage and under-served ethnic minority populations.

Dr. Fernández-Repollet has served on a number of review groups and advisory committees of the National Institutes of Health, including the committee for developing the National Center for Research Resources Strategic Plan for 2004-2008. She was also the President of the National Research Centers in Minority Institutions (RCMI) Program Directors Association from 2003-2006 and Secretary of the Board of Directors of the Center for Quantitative Cytometry from 1990-2004. She currently serves as Vice President of INDUNIV, an industry-university research consortium and is a member the Board of Directors of the Puerto Rico Science, Technology and Research Trust Fund and of the Alliance for the Economic Development of Puerto Rico.

Dr. Fernández-Repollet has occupied her current position as Vice President for Research and Technology since 2003. The regular duties of this position include overseeing the development of research infrastructure, the recruitment of competitive investigators, and the creation of a technology transfer unit. She is currently the Principal Investigator of a Science Education Partnership Award from National Center for Research Resources, with the goal to stimulate the interest of K-12 students in biomedical research.





3

EXHIBITS

# RSM ROC & Company

Certified Public Accountants & Consultant

## Puerto Rico Science, Technology and Research Trust

Financial Statements  
June 30, 2009



Puerto Rico  
Science, Technology  
& Research Trust

EXHIBIT A

FINANCIAL STATEMENTS

# RSM! ROC & Company

Certified Public Accountants & Consultants

RSM ROC & Company  
PO Box 10528  
San Juan, PR 00922-0528  
787.751.6164 F 787.759.7479  
www.rocpr.net

To: The Board of Directors of  
Puerto Rico Science, Technology and Research Trust

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Puerto Rico Science, Technology and Research Trust (the Trust) (a non-for-profit Puerto Rico organization) (the Trust) as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 4, during the year ended June 30, 2008, the Trust received land and property contributed from a third party, which is stated at \$18,000,000 in the accompanying balance sheet. The land and property is valued according to a preliminary market value opinion report, which is based on significant assumptions that may affect the final fair market value. We were unable to satisfy ourselves as to the fair market value by means of other auditing procedures.

Also, as described in Note 1 the Trust should receive twenty percent of the money deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO). As of June 30, 2009, the amount corresponding to the years ended June 30, 2008 and 2009 was not deposited in the Special Fund for Economic Development by the Treasury Department of Puerto Rico; consequently the amount corresponding to the Trust is undeterminable as of this date. Therefore, such revenues have not been recorded in the accompanying statement of activities and changes in net assets for the year ended June 30, 2009.

RSM ROC & Company is an independent member firm  
of RSM International, an affiliation of independent  
accounting and consulting firms.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the fair market value of land and property, and the amount of the twenty percent of the money to be received from the Special Fund, the financial statements referred to above present fairly, in all materials respects, the financial position of Puerto Rico Science, Technology and Research Trust as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico  
September 25, 2009.

Stamp No. 2450477 was affixed to  
the original of this report.

*RSM ROC & Company*

EXHIBIT A

FINANCIAL STATEMENTS

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## BALANCE SHEET June 30, 2009

	General Operations	Scientific Investigation Fund for the Centenary of the University	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 30,707,986	\$ -	\$ 30,707,986
Contribution receivable	5,000,000	-	5,000,000
Accrued interest receivable	2,720	-	2,720
Other assets	28,052	-	28,052
	<u>35,738,758</u>	-	<u>35,738,758</u>
<b>NONCURRENT ASSETS:</b>			
Equipment and leasehold improvements, net	115,782	-	115,782
Temporarily restricted assets- due from government entity	-	32,000,000	32,000,000
Permanently restricted assets – Land and property for research, development and infrastructure project related to science and technology	18,000,000	-	18,000,000
Land development costs	341,900	-	341,900
	<u>\$ 54,196,440</u>	<u>\$ 32,000,000</u>	<u>\$ 86,196,440</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Program service payable	\$ -	\$ 4,500,000	\$ 4,500,000
Accounts payable	245,853	-	245,853
Current portion of obligation under capital lease	1,832	-	1,832
	<u>247,685</u>	<u>4,500,000</u>	<u>4,747,685</u>
Obligation under capital lease	9,119	-	9,119
	<u>256,804</u>	<u>4,500,000</u>	<u>4,756,804</u>
<b>NET ASSETS:</b>			
Unrestricted	35,597,736	-	35,597,736
Temporarily restricted	-	27,500,000	27,500,000
Permanently restricted	18,341,900	-	18,341,900
	<u>53,939,636</u>	<u>27,500,000</u>	<u>81,439,636</u>
	<u>\$ 54,196,440</u>	<u>\$ 32,000,000</u>	<u>\$ 86,196,440</u>

The accompanying notes are an integral part of this balance sheet.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the year ended June 30, 2009

	General Operations	Scientific Investigation Fund for the Centenary of the University	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
<b>REVENUES AND SUPPORT:</b>			
Grants	\$ 5,000,000	\$ -	\$ 5,000,000
Donations	1,000,000	-	1,000,000
Interest income	83,302	-	83,302
	<u>6,083,302</u>	<u>-</u>	<u>6,083,302</u>
<b>EXPENSES:</b>			
Program services	-	4,500,000	4,500,000
Support services-			
Management and general	1,982,549	-	1,982,549
	<u>1,982,549</u>	<u>4,500,000</u>	<u>6,482,549</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	4,100,753	(4,500,000)	(399,247)
<b>NET ASSETS, beginning of year</b>	<u>49,838,883</u>	<u>32,000,000</u>	<u>81,838,883</u>
<b>NET ASSETS, end of year</b>	<u>\$ 53,939,636</u>	<u>\$ 27,500,000</u>	<u>\$ 81,439,636</u>

The accompanying notes are an integral part of this statement.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## STATEMENT OF CASH FLOWS For the year ended June 30, 2009

### CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in unrestricted net assets	\$ (399,247)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by operating activities:	
Changes in assets and liabilities-	
Decrease in assets:	
Contributions receivable	6,300,000
Accrued interest receivable	21,180
Other assets	32,760
Increase in liabilities:	
Accounts payable	<u>4,387,201</u>
Net cash provided by operating activities	<u>10,341,894</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(77,092)
Additions to land development costs	<u>(209,200)</u>
Net cash used in investing activities	<u>(286,292)</u>

### CASH FLOWS USED IN FINANCING ACTIVITIES:

Principal payments of obligation under capital lease	(827)
--	-------

NET INCREASE IN CASH	10,054,775
CASH, beginning of year	<u>20,653,211</u>
CASH, end of year	<u>\$ 30,707,986</u>

The accompanying notes are an integral part of this statement.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

---

### 1) Organization and summary of significant accounting policies:

- A) Organization – Puerto Rico Science, Technology and Research Trust (the Trust) is a non-for-profit organization, created by Act No. 214 of the Legislature of the Commonwealth on August 18, 2004 (Act No. 214). The purpose of this Trust is to foster and fund research, development and infrastructure project related to science and technology that will promote the economic, social or educational development of the Commonwealth and to operate exclusively for charitable, educational and scientific purposes. These projects are to be financed as follows: (i) twenty percent of the money deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO), (ii) the moneys of Scientific Investigation Fund for the Centenary of the University of Puerto Rico, (iii) a special appropriation of five million dollars from the Improvements Fund, (iv) a five million dollars from the balance of collections of federal excise taxes in accordance with Section 7652(a)(3) of the United States Internal Revenue Code 91986, as amended, (v) and private donations, other government funds, and legislative appropriations.

The Act provides that the Board of Trustees, composed of 11 trustees, five of whom shall be members *ex officio*: the Secretary of the Economic Development and Commerce Department, the President of the University of Puerto Rico, the President of the Government Development Bank, the Executive Director of the Puerto Rico Industrial Development Company, the Director of the Office of Management and Budget, and six Trustees individuals appointed by the Board of Trustees as required by the Act, will act as the Trustees of the Trust.

- B) Summary of significant accounting policies – The accounting policies used by the Trust conform to predominant industry practices and follow accounting principles generally accepted in the United States of America. The following summarizes the most significant accounting policies:

Basis of presentation – The accompanying financial statements have been prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires that all not-for-profit organizations present a balance sheet, a statement of activities, and a statement of cash flows. The statement also requires that the classification of the net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in one of the three categories as follows: unrestricted, temporarily restricted and permanently restricted net assets. As of June 30, 2009, the Trust's net assets are classified as unrestricted, temporarily restricted and permanently restricted net assets.

The financial activities of the Trust are recorded in individual funds for special purposes. Fund accounting is designed to aid financial management by segregating transactions related to certain activities. A fund is a separate accounting entity with a self-balancing set of asset, liabilities and fund balance accounts. The financial activities of the Trust that are reported in the accompanying basic financial statements have been classified into the following major funds:

- *General Operations* – The General Operations Fund is the general operating fund of the Trust that is used for all financial resources, except those required to be accounted for in another fund. This fund is used to account 100 percent of the proceeds from the Act to be used for corporate projects and activities (30% to 40%), academic research (30% to 40%), and research infrastructure (20% to 30%).

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

- *Scientific Investigation Fund for the Centenary of the University* – This fund is used to account for University of Puerto Rico activities and projects related to academic research, recruit and retention of researchers, infrastructure, and technology transfer activity.

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Allowance for doubtful accounts – The Trust provides an allowance for doubtful accounts equal to the amount of estimated uncollectible accounts. The estimate is based on the review of the current status of donor pledges, contributions and grants. It is reasonably possible that the estimate of the required allowance for doubtful accounts could change. As of June 30, 2009, no account has been determined by the Trust as uncollectible.

Revenues – The Trust derives its revenues from contributions received from the government, corporations, and individuals. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the net assets of those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Trust reports the support as unrestricted.

Contributed services – Contributions of services are only recognized if services received: (a) create or enhance non-financial assets or would typically need to be purchased if not provided by donation, (b) require specialized skills and are provided by individuals possessing those skills. The contribution revenue for services received is recognized at the fair value of those services.

Property and equipment – Is recorded at cost, or if donated, at the fair value at date of receipt. In the case of equipment under capital leases, at the present value of the net minimum lease payments, in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases*. Maintenance, repairs and minor improvements are expensed when incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Description	Estimated Useful Life
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	5years
Equipment under capital lease	Lease term

At the time property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

---

Income taxes – The Trust is exempt from Puerto Rico and US Federal income taxes under the provisions of the Act. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Operational expenditures – Operational expenditures related to programs or functions of the Trust are included in the respective caption in the accompanying Statement of Activities and Changes in Net Assets. Those expenses which are not directly related to such programs or functions are included as management and general support services.

Functional allocation of expenses – The costs of providing the Trust's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and support activities.

Promises to give – Unconditional promises to give that are expected to be collected or to be given are recorded at net realizable value and/or at the present value of their estimated future cash flows if expected to be collected or to be given in future years. The Trust had unconditional promises to give for \$5,000,000 recorded as contribution receivable at June 30, 2009.

Long-lived assets – The Trust follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Accordingly, management reviews the carrying value of long-lived assets in circumstances that indicated that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using the present value of expected future cash flows. The provisions of this statement did not affect the accompanying financial statements.

Land development costs – Represent costs for a land site consultation approval and certification of environmental compliance in connection with land received by the Trust for the construction of its facilities. Refer to Note 5.

Advertising costs – The Trust follows the policy of charging advertising costs to expense as incurred.

Fair value measurements – In September 2006, the Financial Accounting Standard Board issued Statement No. 157, *Fair Value Measurements* (SFAS 157). This statement establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America (US GAAP), and expands the definition about fair value and how it is measured. The provisions of SFAS 157 require accounting pronouncements to use the valuation techniques promulgated under the new standard. Accordingly, SFAS 157 does not require any new fair value measurement. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position No. 157-2, Effective Date of FASB Statement No. 157, "Fair Value Measurement", which delayed the effective date of SFAS 157 until fiscal years beginning after November 15, 2008, for all fair value measurements of all nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value on the financial statements on a recurring basis.

The Trust's management is currently evaluating the impact, if any, that this new pronouncement will have in the Trust's financial statements

EXHIBIT A

FINANCIAL STATEMENTS

## PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

### NOTES TO FINANCIAL STATEMENTS

June 30, 2009

---

2) **Concentrations of credit risk:**

As of June 30, 2009, all of the Trust's bank balance, aggregating approximately \$31,000,000, was exposed to custodial credit risk since such deposits, all of which are maintained at the Government Development Bank for Puerto Rico, are uninsured and uncollateralized.

Current vulnerability due to certain concentration with one grantor consists of the contribution from the federal excise taxes, as explained in Note 1A. During the year ended June 30, 2009, this contribution represented approximately 82% of the Trust's revenues.

3) **Temporarily restricted asset - due from government entity:**

As established in Act No. 232, the Trust is entitled to receive \$40,000,000 from the Puerto Rico Industrial Development Company in connection with certain stipulated initiatives related to science and technology development and infrastructure projects for the Scientific Investigation Fund for the Centenary of the University. As of June 30, 2009, there are of \$32,000,000 pending to be collected.

4) **Permanently restricted assets - land and property:**

On October 22, 2007, the Trust received approximately 70 acres of prime real estate in the metropolitan area of San Juan, which includes the former Río Piedras Correctional Facilities (Oso Blanco State Penitentiary).

The Trust valued the land and property at \$18,000,000 based on a preliminary market value opinion report, dated October 20, 2008, subject to certain extraordinary assumptions, which if not true, could affect the reported condition and value opinion. The main extraordinary assumptions are summarized as follows:

- a. The land and property must be developed in accordance with the master plan.
- b. There is no contamination in the property and no contaminants have emanated from the property to near bayed properties or bodies of water.
- c. The demolition and infrastructure development costs are no other than the ones already considered.
- d. The southeast wing of the historic prison building can't be demolished as proposed in the master plan.

Based on the magnitude of these extraordinary assumptions, we considered that any variance could affect the preliminary fair market value of the land and property as stated in the financial statements and the results of the operations.

The Trust plans to transform the 70-acre Oso Blanco State Penitentiary site into a four-phase biotech campus with the purpose of facilitate the development of infrastructure favorable to the research and development of science and technology. Costs related to the design, development and improvements of the campus will be capitalized as incurred.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

### 5) Property and equipment:

At June 30, 2009, property and equipment consisted of:

Description	Amount
Furniture and fixtures	\$ 54,672
Computer equipment	2,554
Leasehold improvements	49,756
Equipment under capital lease	11,776
	<u>118,758</u>
Less: Accumulated depreciation and amortization	(2,976)
	<u>\$ 115,782</u>

### 6) Obligation under capital lease:

The Trust entered into a capital lease agreement covering office rental equipment that calls for monthly payments of \$271, expiring in January 2014.

Future minimum lease payments are as follows:

Year ending June 30,	Amount
2010	\$ 3,252
2011	3,252
2012	3,252
2013	3,252
2014	1,897
	<u>14,905</u>
Less: Amount representing interest	(3,955)
	10,950
Less: Current portion	(1,831)
	<u>\$ 9,119</u>

### 7) Operating lease agreement:

On September 15, 2008, the Trust entered into a lease agreement covering its office facilities that calls for monthly rental payments of approximately \$4,800 until September 14, 2011, with an automatic renewal option from September 15, 2011 to September 14, 2013 with monthly rental payments of \$5,020.

EXHIBIT A

FINANCIAL STATEMENTS

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Minimum lease payments under the lease agreement during each of the years subsequent to June 30, 2009 are as follows:

Year ending June 30,	Amount
2010	\$ 57,800
2011	57,800
2012	60,200
2013	60,200
	<u>\$ 236,000</u>

8) **Supplemental information to the statement of cash flows:**

A) Non-cash investing and financing transactions – During the year ended June 30, 2009, non-cash investing and financing transactions consist of the following:

Description	Amount
Acquisition of equipment capital lease- Cost	\$ 11,776
Obligation assured	<u>\$ 11,776</u>
Other acquisition of equipment- Cost	\$ 54,260
Accounts payable	<u>\$ 26,924</u>

B) Other cash flows transactions – During the year ended June 30, 2009, total interest payments paid by the Trust amounted to approximately \$530.

9) **Subsequent events:**

No events or transactions have occurred subsequent to the balance sheet date and through September 25, 2009 that would require recognition or disclosure in the financial statements.

## EXHIBIT B

# AWARDED CONTRACTS

### Contracts for fiscal year 2008-09

Contract Number	Contractor	Date of Execution	From	Term: To	Compensation Amount	Purpose of the Contract
2009-000001	José Luis Mendoza & Co.	11-July-2008	11-July-2008	30-June-2009	\$15,000.00	Accounting services
2009-000004	Picó & Blanco	22-August-2008	22-August-2008	30-June-2009	\$100,000.00	Legal services
2009-000005	PRIDCO (EuroBio)	15 -September-2008	15-September-2008	30-June-2009	\$30,000.00	Lease Agreement
2009-000006	PRIDCO	15-September-2008	15-September-2008	14-September-2011	\$57,830.40	Office Space Lease
2009-000010	Populicom, Inc.	15-September-2008	15-September-2008	30-June-2009	\$47,000.00	Advertising
2009-000009	McCooe & Associates	25-September-2008	25-September-2008	30-June-2009	\$90,000.00	Consulting services
2009-000008	NEXVS, Inc.	29-September-2008	29-September-2008	30-June-2009	\$72,000.00	Advertising
2009-000007	Casiano Communications	9-October-2008	9-October-2008	30- June-2009	\$8,788.00	Advertising
2009-000002	Pietrantoní Méndez & Alvarez	7-November-2008	7-November-2008	30-June-2009	\$250,000.00	Legal services
2009-000003	RSM ROC & COMPANY	7-November-2008	7-November-2008	30-June-2009	\$45,000.00	Consulting services
2008-000009-B	Toro Ferrer	4-December-2008	4-December-2008	30-June-2009	\$60,000.00	Technical services
2008-000011-A	Jack Granowitz	4-December-2008	4-December-2008	30-June-2009	\$70,000.00	Consulting services
2009-000014	Cushman & Wakefield	11-March-2009	11-March-2009	30-June-2009	\$190,000.00	Consulting services
2009-000008-A	NEXVS (Amendment)	12-March-2009	12-March-2009	30-June-2009	\$ -	Advertising
2009-000010-A	Cinetrix Media Inc.	24-April-2009	24-April-2009	30-June-2009	\$2,000.00	Advertising
2009-000010-A	Populicom, Inc.	28-April-2009	28-April-2009	30-June-2009	\$12,000.00	Advertising
2009-000012-A	MP Engineers of Puerto Rico	30-June-2009	30-June-2009	30-June-2010	\$ -	Technical services
2009-000009-C	Toro Ferrer	30-June-2009	30-June-2009	30-June-2010	\$ -	Technical services

## EXHIBIT C

# NEWS CLIPPINGS

FECHA	MEDIOS	PÁGINA	TITULAR
Miércoles 9 de julio 2008	El Nuevo Día	28	Fórmula para retener científicos
Jueves 16 de octubre 2008	El Vocero	61	PR en Tech Transfer Summit
Sábado 11 de octubre 2008	El Nuevo Día	40	La Bioisla pica la curiosidad Europea
Miércoles 11 de noviembre de 2008	El Nuevo Día (Negocios)	36	Advent-Morro inyecta dosis de biotecnología
Domingo 2 de noviembre de 2008	El Nuevo Día (Portada)	8,9,10 y 11	Lo que Fortuño no debe cambiar
Domingo 11 de enero de 2009	El Nuevo Día (Ciencia y Tecnología)	6	Inmune a la crisis la Ciudad de las Ciencias
Domingo 11 de enero de 2009	El Nuevo Día (Dominical)	10	Frutos de la invención boricua
Jueves 26 de febrero de 2009	El Nuevo Día (Ciencias)	70	Nuevos bríos para la neurobiología en las Isla
Miércoles 25 de febrero de 2009	El Nuevo Día	22	Apuestan a las ciencias como inversión segura
Miércoles 25 de febrero de 2009	El Vocero (Negocios)	42	Avanza proyecto de biociencia en Mayaguez
Martes 24 de febrero de 2009	El Nuevo Día (Negocios)	28	Se incuba la primera empresa local de biotecnología en Mayaguez
Miércoles 14 de febrero de 2009	El Nuevo Día (Negocios)	34	Se acerca Interphex Puerto Rico
Lunes 9 de febrero de 2009	El Vocero (Negocios)	37	Un objetivo cada vez más cerca
Martes 17 de marzo de 2009	El Nuevo Día (End Educador)	68	Ciencias sobre ruedas
Sábado 14 de marzo de 2009	El Vocero		Aviso de Vista Pública
Miércoles 11 de marzo de 2009	El Nuevo Día (Negocios)	32 y 33	Nueva esperanza para el desarrollo
Del 5 al 11 de marzo de 2009	El Todo (Toa Baja)	6	Iniciativa para desarrollo de ciencias y matemáticas
Viernes 22 de mayo de 2009	El Nuevo Día (Negocios)	36	La Isla da la batalla por la biotecnología
Jueves 21 de mayo de 2009	El Vocero (Negocios)	59	Enlace biotecnológico con Latinoamérica
Jueves 21 de mayo de 2009	Puerto Rico Daily Sun (Economy)	11	PR Pursues business alliances at BIO 2009



EUROPEAN FEDERATION OF  
BIOTECHNOLOGY

Mr. Luis E. Rodriguez-Rivera, Esq.  
Executive Director  
Puerto Rico Science, Technology and Research Trust  
PO Box 363475  
San Juan, PR 00936-3475

Barcelona 1st August 2009

Certification of Puerto Rico Science, Technology & Research Trust as an official EFB Regional Branch Office

Dear Luis E. Rodriguez-Rivera

This is to certify, following application and discussions between the European Federation of Biotechnology AISBL and the Puerto Rico Science, Technology & Research Trust that the Trust, a leading organization for the biotechnology sector and community in Puerto Rico and an important partner of the European Federation of Biotechnology, is hereby recognized by the European Federation of Biotechnology (EFB) as an EFB Regional Branch Office (RBO) in Puerto Rico. This status takes effect as of August 1<sup>st</sup>, 2009 and will remain in effect until 31 July 2010. Status may be renewed annually with the approval of both EFB and the Trust. Please note that Regional Branch Office status grants the Trust a significant honorary status as well as the right to represent the Puerto Rico Biotechnology sector within the EFB, but does not give the Trust a right to contract agreements or make commitments on behalf of the EFB.

May we express our congratulations, and also our strong interest and desire to work effectively together to support the biotechnology sector in Puerto Rico and Europe.

Sincerely, on behalf of the European Federation of Biotechnology,

Jens Sundbye  
Treasurer and Director  
European Federation of Biotechnology AISBL  
7, Place du XX Aout,  
Liège, Belgium  
BE. 0876.997.883

Central Office: Pg. Lluís Companys 23, Barcelona, 08010, Spain Tel: (+34) 93.268.7703 Fax: (+34) 93.268.4500

PUERTO RICO

Science, Technology  
& Research Trust

**Puerto Rico Science, Technology and Research Trust**

PO Box 363475

San Juan, Puerto Rico 00936-3475

e-mail: [info@prsciencetrust.org](mailto:info@prsciencetrust.org)

[www.prsciencetrust.org](http://www.prsciencetrust.org)