

PUERTO RICO | Science, Technology  
& Research Trust

2012 ANNUAL REPORT

> Growing through Innovation and Commercialization

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& Research Trust

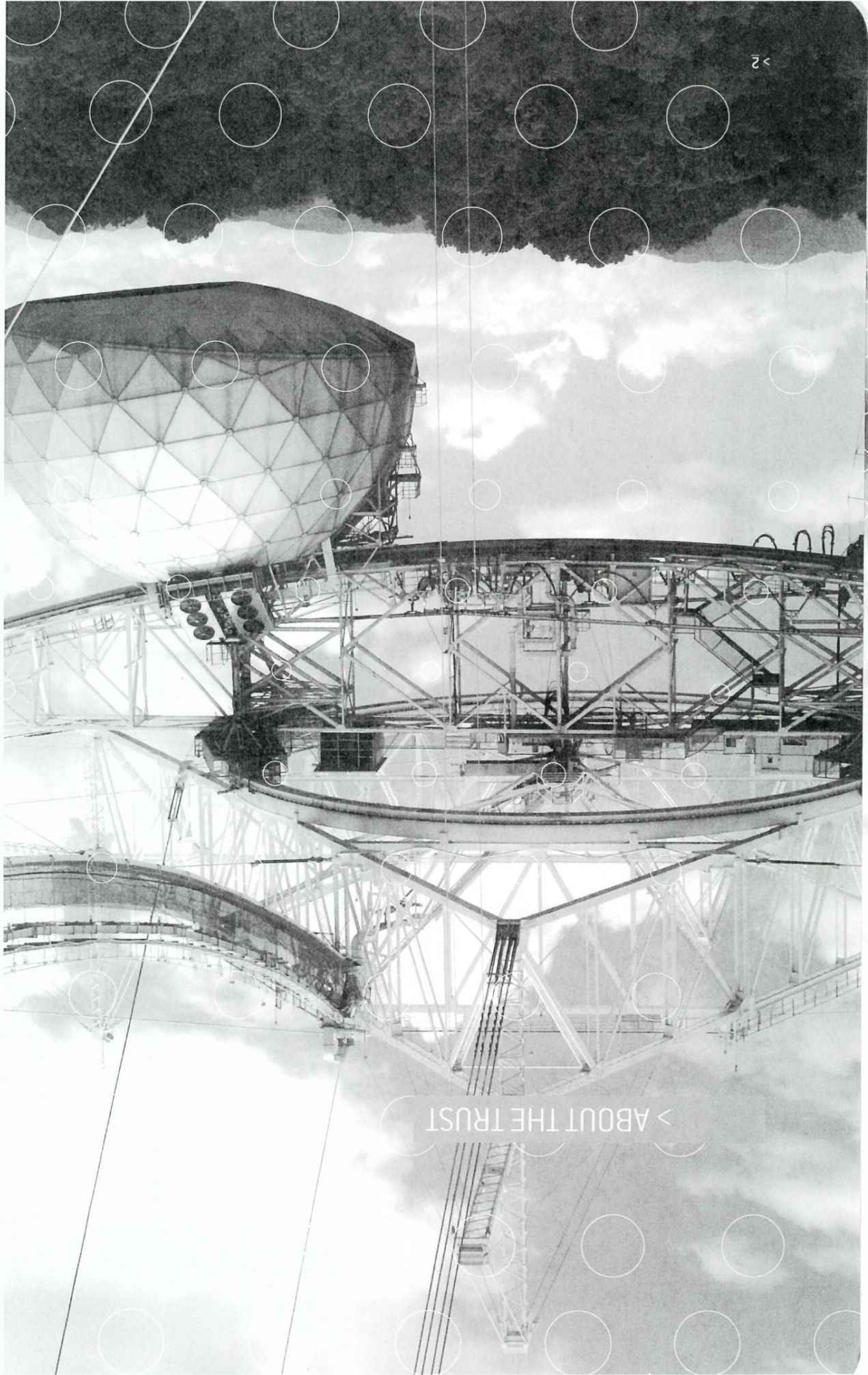
2012 ANNUAL REPORT

> Growing through Innovation and Commercialization



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> ABOUT THE TRUST

> VISION / To take advantage of Puerto Rico's competitiveness in the life sciences and high technology fields; to increase capital investment in research, development and technology; and to effectively transform our island into a world leader in such industries. /

> MISSION / To promote science and technology research and development projects; to provide financial support for the infrastructure construction needs of scientists and researchers in Puerto Rico; and provide the tools necessary to market their discoveries to the world. /



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> **Dr. Fabrizio Bonanni**

Executive Vice President, Operations, Amgen Inc.

Dr. Fabrizio Bonanni is in charge of overseeing Amgen's global production activities, as well as its site and facilities management. Since joining Amgen in April, 1999, Bonanni has served as Senior Vice President of Manufacturing, Senior Vice President of Quality and Compliance, and Corporate Compliance Officer. Previously, he served as Corporate Vice President of Regulatory and Clinical Affairs, as well as Corporate Vice President of Quality System for Baxter International Inc., a company he joined in 1974. At Baxter, Bonanni spent half of his career dealing with international operations, including an eight-year assignment as Vice President of 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, graduating magna cum laude from the University of Florence, and has performed postdoctoral work in physiological chemistry at the Massachusetts Institute of Technology. He is an alumnus of the Institute for International Management, Northwestern University; J.L. Kellogg Graduate School of Management; and the Manufacturing Executive Program, from Harvard University's Graduate School of Business Administration. Bonanni is fluent in French and English, in addition to his native Florentine Italian. Bonanni also serves on the Biotechnology Industry Organization's (BIO) Executive Committee and is a Trustee of the Science, Technology, and Research Trust of Puerto Rico.



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> **Dr. Mariano García-Blanco**

Mariano A. García-Blanco, M.D., Ph.D., is Professor of Molecular Genetics and Microbiology, as well as Professor of Medicine at Duke University, in Durham, North Carolina. Additionally, he directs Duke University's Center for RNA Biology. His laboratory at Duke University is currently researching the regulation of genetic units in human and viral genomes. The lab is also studying certain areas related to prostate cancer and regulating gene expression in dengue viruses.

He is also a Professor at the Graduate Medical Sciences School in Singapore, a joint venture of Duke University and the National University of Singapore, where his laboratory is investigating the development of novel therapeutics for the dengue fever.

Dr. García-Blanco also serves as Adjunct Professor at the School of Medicine of the University of Puerto Rico. Professor García-Blanco is a co-founder of Intronn Inc. (acquired by VIRxSYS Corporation, from Rockville, Maryland), Veri-Q Inc. (a subsidiary of Proteome Sciences PLC, Surrey UK), and Singapore Advanced Biologics (SABio Pte Ltd. Singapore).

Dr. García-Blanco is an internationally recognized expert in RNA biology and has authored articles for approximately 120 scientific publications. He serves on several important national and international boards, such as the National Institute of General Medical Sciences (one of the National Institutes of Health), and the Advisory Council of Scientific Advisers for the Center for Genetic Engineering and Biotechnology of the United Nations. In 2011, he was elected to the Association of American Physicians.

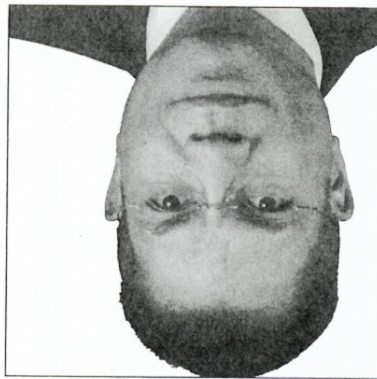
Dr. García-Blanco obtained his undergraduate degree in biochemical sciences at Harvard University and his M.D. and Ph.D. in molecular biophysics and biochemistry at Yale University. He obtained post-doctoral training in RNA biology with Nobel laureate Philip A. Sharp at the Massachusetts Institute of Technology.

> Gualberto Medina

Executive Managing Director  
Cushman & Wakefield, Inc.

Gualberto Medina, attorney, CPA and licensed real estate broker, has developed extensive expertise in management, sales, business development, technology, and regulatory matters.

He has served as a business development professional for a VOIP telecommunications company, President and General Counsel of a biotechnology company, and business development professional for a global real estate company, Senior Manager at a global real estate company, and legal counsel to a major federal department. Medina has also been a board member of several for-profit and non-profit corporations, as well as an elected official, Policy Advisor to several city, state and federal bodies. He is also a fully practicing attorney and CPA for the New Jersey Secretary of Commerce and currently, the firm of Cushman & Wakefield, Inc.



C&W is the world's largest privately held commercial real estate services firm. It delivers strategies to enhance the value in a company's core and non-core real estate portfolio. As Executive Managing Director, Gil manages Cushman & Wakefield's New Jersey operations, which consist of three offices in Western, Central and Northern New Jersey. He is responsible for the operations and business development of all of the service lines offered by the firm, including: Commercial, Industrial, and Retail Brokerage Services; Asset Services including Property and Project Management; as well as Financial Services; Valuation Advisory Services, and Consulting. He is also responsible for formulating and implementing strategic initiatives for the company throughout New Jersey and securing major accounts. As the Director of Cushman & Wakefield's Technology Enterprise Group, Medina provides and coordinates integrated solutions for government, private and academic research organizations and corporations seeking R&D, high-tech pilot production or manufacturing facilities.

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> \_ José R. Pérez-Riera

Secretary of the Department of Economic Development and Commerce and Executive Director of the Puerto Rico Industrial Development Company.

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> \_ Juan Carlos Battle

President of the Government Development Bank.

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> \_ Dr. Miguel A. Muñoz

President of the University of Puerto Rico.

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> \_ Juan Carlos Pavía Morales

Director of the Office of Management and Budget.

> Seeding the Growth

At the turn of the century, the Government of Puerto Rico decided to bolster 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 became essential to continue our leadership in the global knowledge- or innovation-based economy.

Many international jurisdictions, as well as several states of the United States, were already investing billions of dollars in these areas in order to attract and retain the world's best talents, and continue to increase their competitiveness and grow their economies.

Within this context, our 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 such a knowledge-based economy. Thus, an independent body, supported by the government but free from partisan politics, was the preferred vehicle to define and implement this change – the seed for the Puerto Rico Science, Technology and Research Trust (the "Trust") was planted.

> Growth Begins

On August 18, 2004, Act Number 214 was approved, authorizing the creation of the Trust through a public deed as a non-for-profit trust. The Trust was created to, among other tasks:

- > 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 finance activities that strengthen science, technology and research in Puerto Rico, with the expectation to have a positive impact on the island's economic, social and educational development.
- > Serve as a liaison between the government, the academia and the industry.

- > Promote the transfer of technology and commercialization of local creations, ideas and products
- > Finance, sponsor and create strategies to draw world-class researchers, scientists and entities to the island, as well as make 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 the 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.





> MESSAGE FROM THE ACTING ADMINISTRATOR

[FY 2011-2012]

I am pleased to report that the following activities were undertaken during the FY 2011-2012. They were accomplished to advance the Trust's mission to promote science and technology research and development projects; to provide financial support for the construction of the infrastructure needed by scientists and researchers in Puerto Rico; and to provide the tools necessary to market their discoveries.

> Science District

- Science City is one of the Trust's emblematic endeavors. This mixed-use development lies on a 67.7-acre plot of land in the heart of San Juan, Puerto Rico's capital, and is the motor set to further ignite the development of the island's knowledge-based economy.
- The three major goals for the Science District development during 2011-12 were to:
1. Continue to prepare the site for the Science City Project, which included:
    - > Demolition of selected structures at the Science City Site
    - > Comprehensive evaluation of the former State Penitentiary's facilities
    - > Design the Science City's urban infrastructure
  2. Begin the construction of the Trust's headquarters and build a world-class, high-tech business accelerator on site
  3. Actively market the island's incentives for developers and investors involved in the creation of the Science District

> ANNUAL REPORT HIGHLIGHTS  
Fiscal Year 2011-2012

> Support for Technology Entrepreneurs  
and Universities

**Small Business Innovation Research  
(SBIR/STTR) Support Program**

In order to help increase the number of SBIR/STTR research grants awarded in Puerto Rico, during the past year, the Trust established two SBIR/STTR related initiatives:

1. Phase 0 grants that provide up to \$5,000 for small business firm's assistance in the preparation of SBIR Phase 1 proposals.
2. An SBIR/STTR Matching Funds program that helps applicants submit more competitive proposals since the Trust will be providing matching funds (up to \$100,000) for Phase 1 proposals submitted to federal agencies.

> Inventor Assistance Program

During FY 2012, activities undertaken in support of local inventors included close collaboration with the Puerto Rico Inventor's Association, the *FORO de Inventores*, local patent lawyers and the Puerto Rico Law School. The Trust sponsored the INNOVENTURE business plan competition conducted by the Small Business Technology & Development Center and awarded cash prizes totaling \$50,000 to the three winners. Also, Law 67, signed on April 27, 2012, clearly stipulates that Trust funds can be used to cover patents and other intellectual property costs.

> In-Kind Technology Business  
Assistance Program

The Trust provides a wide array of services for qualified startup technology entrepreneurs to help them develop, protect, and commercialize their new technology via a cadre of experienced professionals specialized in the technology commercialization process. Service providers are paid directly by the Trust. Firms can solicit assistance online at the Trust's website.

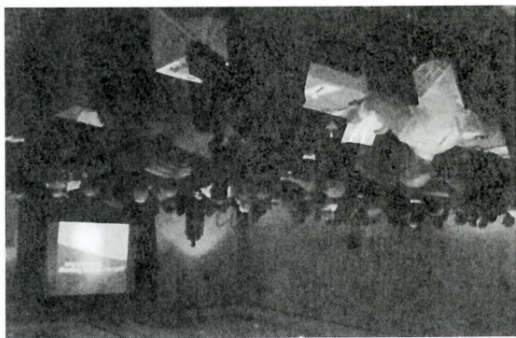
During FY 2012, 16 startups have received business and intellectual property-related counseling assistance. A patent attorney has been contracted to provide a full array of IP assistance. UPR law school students with IP studies will be hired to provide support services to local inventors.

> Scientific Investigators  
Incentives Act (Law 101)

Public Law 101, approved in 2008, permits qualified researchers to seek tax exemptions for up to \$195,000 for income generated from eligible research conducted at a local university. Law 1 (2011) amended Law 101 and permits qualified researchers to obtain tax exemption of up to \$250,000 if the research activities are conducted within the Science District.

During taxable year 2011, the Trust received 65 tax exemption applications for review and approved 61 for submission to the Treasury Secretary for final action. **These requests represent over \$28.6 million in research grants awarded to 8 local universities and over \$1 million in tax benefits for researchers.**

An important role of the Trust is to connect and promote interaction among local technology entrepreneurs, researchers, inventors, and providers of capital and technology related business assistance. During FY 2012, the Trust sponsored two day-long events that brought together hundreds of people from the island's S&T community. They were preceded by Innovation Blast events that were used to promote the activities among interested parties. Over 600 people from the S&T community participated in these events.



Co-Exhibitors at Innovation Pavilion II (Service Providers)



> **ANNUAL REPORT HIGHLIGHTS**  
Fiscal Year 2011-2012

> **IUPAC World Chemistry Congress of 2011**

The Trust awarded the *Colegio de Químicos de Puerto Rico* (CQPR) a sponsorship grant of \$50,000 to assist in their joint hosting of the 43rd IUPAC World Chemistry Congress, the 46th IUPAC General Assembly, and the 70th CQPR Annual Conference and Exhibition held on July 30 to August 7, 2011 at the Puerto Rico Convention Center.

> **Establishment of the Trust Technology Transfer Office**

During FY 2012, the Trust implemented Inteum C/S, a web-based management information system that will be used to account for and assist with: (a) technology transfer activity generated by research institutions in Puerto Rico, and (b) other incentives and programs offered by the Trust to stimulate innovation and R&D activity.

> **Iniciativa Tecnológica del Norte (INTENOR)**

During FY 2012, the Trust awarded INTENOR a \$50,000 grant to help develop a set of policies and procedures for INTENOR's Incubator Program. Grant funds were used to increase INTENOR's capabilities to promote socio-economic development, industrial, technological, and academic activities in the North-Central region of Puerto Rico.

> **Puerto Rico's Policy on Science, Technology & Innovation**

During FY 2012, the Trust prepared a draft of "Puerto Rico's Policy on Science, Technology & Innovation". The report developed 5 objectives and contained over 100 S&T policy-related recommendations. The document was prepared in close collaboration with the 14 members of the Puerto Rico State Committee of Experimental Program to Stimulate Competitive Research (EP-SCoR), representing academia, the private sector and government.

> **University Innovation/  
Innovación Colegial (UPRM) Project**

For a second year, the Trust has sponsored the University Innovation project at UPR Mayagüez, managed by Puerto Rico Technoeconomic Corridor (PRTEC). The project's primary goal is to assist UPR Mayagüez researchers to develop, protect and commercialize their technology via conferences, workshops and one-on-one counseling.

> **Guayacán Venture Mentoring Project**

Grupo Guayacán received a Trust grant to establish a pilot called Guayacán Executive Mentoring Program designed to provide a well-structured, year-long program for practicing entrepreneurs with startups in a growing stage. The program aims to match a select group of participants with experienced mentors.

> **Industry University Research Consortium (INDUNIV)**

During FY 2012, the Trust awarded INDUNIV a \$35,000 grant for the completion of Phase 1 for a project designed to help establish Puerto Rico's Science & Technology Global Network & Knowledge Management System.

> **INTECO-Puerto Rico Energy Center**

*Iniciativa Tecnológica Centro-Oriental (INTECO)* was given a \$50,000 grant to assist in the development of a Concept Paper, Work Plan, and the preparation of a proposal to the U.S. Economic Development Administration for the establishment of an Accelerator for Clean Technologies (ACTech).

> **Ciencia Puerto Rico**

During FY 2012, the Trust served as a "Lead" sponsor for the business plan competition conducted by EnterPrize Event, Inc. The competition received over 100 business proposals.

> **EnterPrize Business Plan Competition**

During FY 2012, the Trust awarded CienciaPR/ Yale a \$50,000 grant to help improve their Ciencia Puerto Rico website ([www.cienciaprr.org](http://www.cienciaprr.org)), "an expert and resource network for all who are interested in science and Puerto Rico". They did so by enhancing the content of the website, easing its use, implementing tools to improve user profiles, and developing a job bank by CienciaPR in conjunction with the Trust, among others improvements.

> **Bio International Convention**

During June 18-21, 2012, the Trust actively participated in the BIO International Convention held in Boston. This is the largest bio technology convention in the world — more than 2,000 exhibitors and 16,505 industry leaders participated.

During FY 2012-2013, in addition to ongoing programs and projects, the Trust proposes to implement the following new projects and initiatives to better serve the needs of Puerto Rico's Science & Technology community:

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> **Science District**

Science City is one of the Trust's emblematic endeavors. This mixed-use development lies on a 67.7-acre plot of land in the heart of San Juan, Puerto Rico's capital, and is the motor set to further ignite the development of the island's knowledge-based economy.

The three major goals for the Science District development for the FY 2012-2013 are to:

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> **New Technology Development and Commercialization-Related Activities**

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**Small Research Grants**

This program will offer small grants (\$5,000 to \$25,000) to local researchers to enhance their success probabilities in obtaining federal R&D grants (basic and applied research). These resources will help them be more competitive by enabling them to reach critical milestones in their research endeavors prior to their submissions of federal R&D grant proposals.

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**Facilitate Access to Scientific & Technical Journals and Databases by Local Scientists / Researchers and Technology Entrepreneur**

The Trust will contract the services of a publishing firm to provide an online comprehensive catalog of scientific and technical journals. Target users of this service are professors, professional researchers, and university students at thirty-three institutions of higher education and local technology entrepreneurs engaged in research areas that are relevant to the current economic development strategies of Puerto Rico, as defined by the Trust.

To address the priority of talent attraction and retention needed to compete in a knowledge-based economy, the Trust will develop a comprehensive PR Talent Pool program with a mission to position and establish Puerto Rico as the region of choice

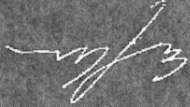
**Campaign to Retain/Attract Top Scientists and Technology Entrepreneurs to Puerto Rico**

A strategic and economic development initiative to be carried out by the Department of Economic Development and Commerce (DDEC) and the Trust to diversify Puerto Rico's industrial base and growth activities in the aerospace sector, specifically vertical rocket launch campaigns. The implementation of Spaceport in Puerto Rico will generate important R&D activity in the following areas: flight safety risk/flight analysis; launch vehicle flight path; launch vehicle recovery; payload development and facilitate the participation of local research institutions with the capacity to meet the R&D needs generated by this initiative.

**Aerospace Research**

for world-class talent. The above is being backed by its current talent pool and fueled by a growing professional and science and technology related network on and off-island. During this past year, we have established excellent, collaborative working relationships with important stakeholders in the creation of a vibrant innovation ecosystem in Puerto Rico. With their continued help, we are confident that this coming year will see the Trust provide even more significant contributions to the development of the island's knowledge-based economy. Any suggestions on how the Trust can better serve the needs of Puerto Rico's Science and Technology community are always welcomed.

Cordially,



Eric J. Cornavaca  
Acting Administrator

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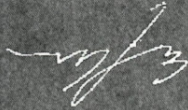
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**Aerospace Research**

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Eric J. Cornavaca  
Acting Administrator



> PROGRAMS & PROJECTS

[FY 2011-2012]

> TRUST SUPPORT FOR UNIVERSITIES AND TECHNOLOGY ENTREPRENEURS

SMALL BUSINESS INNOVATION RESEARCH (SBR/STR) SUPPORT PROGRAM

Over the years, Puerto Rico has been receiving an average of less than one SBR/STR award per year. Our goal is for local small business firms with research capabilities to receive a minimum of 3 awards per year.

In order to reach this goal, during the past year, the Trust established two SBR/STR-related initiatives aimed at increasing the number of awards given to local firms:

> Phase 0 grants provide up to \$5000 to small business firms for the preparation of SBR Phase 1 proposals. The program is operated by the Puerto Rico Small Business Technology Development Center under contract with the Trust. Six awards were made this year.

> SBR/STR Matching Funds program helps applicants submit more competitive proposals because the Trust will be providing matching funds (up to \$100,000) for Phase 1 proposals submitted to federal agencies. We submitted five letters of matching support during FY 2012.

INVENTOR ASSISTANCE PROGRAM

The Trust's goal is to nearly double the number of patents awarded in Puerto Rico from the current 28 in 2011 to 50 per year within five years. During FY 2012, activities undertaken in support of this program included:

- > Provided booth space at the Innovation Island Pavilion activity held on June 14 for the Puerto Rico Inventor's Association, the FORO de Inventores, and three local patent lawyers.
- > Contracted the services of a local patent attorney to provide In-Kind IP type assistance.
- > Provided four inventors with IP related In-Kind Business Assistance services.
- > Utilized Puerto Rico Law School's services to recruit law school students for intern positions at the Trust.
- > Collaborated with FORO de Inventores. Provided In-Kind Business Assistance services to Investor's Contest winners
- > Sponsored the INNOVENTURE business plan competition conducted by the Small Business Technology & Development Center; awarded cash prizes totaling \$50,000 to the three winners.

IN-KIND TECHNOLOGY BUSINESS ASSISTANCE PROGRAM

The Trust provides a wide array of services for qualified startup technology entrepreneurs to help them develop, protect and commercialize their new technology via a cadre of experienced professionals specialized in the technology commercialization process. Service providers are paid directly by the Trust. Firms can solicit assistance on line at the Trust's website.

During FY 2012, sixteen startups have received business and Intellectual Property-related consulting assistance. A patent attorney has been contracted to provide a full array of IP assistance. UPR law school students with IP studies will be hired to provide support services to local inventors.

Law 67, signed on April 27, 2012, clearly stipulates that Trust funds can be used to cover patents and intellectual property costs. This will help stimulate use of our in-kind Intellectual Property Assistance program.

SCIENTIFIC INVESTIGATORS INCENTIVES ACT (LAW 101)

Public Law 101, which was approved in 2008, permits qualified researchers to seek tax exemptions for up to \$195,000 for income generated from eligible research conducted at a local university. Law 1 (2011), the amended Law 101, permits qualified researchers to obtain a tax exemption of up to \$250,000 if the research activities are conducted within the Science District.

The tax exemption application process requires approval by the Trust prior to submission to the Secretary of the Treasury for final determination. The Trust recognizes that this incentive is an excellent tool for local research universities

to develop, retain and attract top scientists and is taking the necessary measures, in collaboration with universities and the PR Treasury Department, to accelerate the exemption award process. Next year, Law 101 requests will be managed electronically through the Trust's web-based information management system (INTEUM).

During the taxable year 2011, the Trust received 65 tax exemption applications for review and approved 61 for submission to the Treasury Secretary for final action. **These requests represent over \$28.6 million in research grants awarded to eight local universities and over \$1 million in tax benefits to researchers.**

TRUST TECHNOLOGY TRANSFER OFFICE ESTABLISHMENT

During FY 2012, the Trust implemented INTEUM C/S, a web-based management information system that will be used to account for and assist with:

- > technology transfer activity generated by research institutions in Puerto Rico
- > other incentives and programs offered by the Trust to stimulate innovation and R&D activity

On June 13, 2012, the first on-site training sessions was offered, with participation of key academia representatives. The Trust also began to feed the system with internally generated data, including: Law 101, SBIR/STTR Matching Funds, other Contracts and Sponsorships.

During the first quarter of FY 2013, MOUs are expected to be signed with all research-intensive universities in Puerto Rico and the INTEUM system implemented shortly thereafter.

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#### INNOVATION PAVILION I & II

An important role of the Trust is to connect and promote interaction among local technology entrepreneurs, researchers, inventors and providers of capital and technology related business assistance. During FY 2012, the Trust sponsored two day-long events that brought together hundreds of people from the island's S&T community. They were preceded by Innovation Blast events that were used to promote the activities among interested parties.

On September 7, 2011, the Trust celebrated its first Innovation Blast, which was attended by 175 people. The Innovation Pavilion was held on October 20-21 at the Puerto Rico Convention Center in conjunction with Interphex Puerto Rico. Thirty four S&T related organizations and firms had booths at the event. An estimated 275 people visited the booths.

On May 23, 2012, the Trust held an Innovation Blast II event, as a preparatory, promotional event to the Innovation Pavilion II activity. Over 200 people attended the Blast held at the Sheraton Hotel in Miramar. On June 14, the Innovation Pavilion II event was held at the Sheraton Hotel. Fifty-four organizations and technology entrepreneurs co-exhibited at the event and over 400 people visited the booths. The event also received good press coverage.

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#### IUPAC WORLD CHEMISTRY CONGRESS OF 2011

The Trust awarded the *Colegio de Químicos de Puerto Rico* (CQPR) a sponsorship grant of \$50,000 to assist in their joint hosting of the 43<sup>rd</sup> IUPAC World Chemistry Congress, the 46<sup>th</sup> IUPAC General Assembly, and the 70<sup>th</sup> CQPR Annual Conference and Exhibition held on July 30 to August 7, 2011 at the Puerto Rico Convention Center.

The Trust had a booth at the convention. Over 2800 people attended the Congress and related activities, including 980 scientists from outside Puerto Rico, as well as 957 local scientists and professionals. Also, 7 Nobel Laureates in Chemistry participated in the Congress. The support given to the *Colegio de Químicos* and international coverage of the event helped the *Colegio* establish stronger working relations with similar groups throughout the Americas.

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#### INICIATIVA TECNOLÓGICA DEL NORTE (INTENOR)

During FY 2012, the Trust awarded INTENOR a \$50,000 grant to help develop a set of policies and procedures for INTENOR's Incubator Program. Grant funds were used to increase INTENOR's capabilities to promote socio-economic development, industrial, technological and academic activities in the North-Central region of Puerto Rico.

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#### PUERTO RICO'S POLICY ON SCIENCE, TECHNOLOGY & INNOVATION

The Trust is authorized by Law 214-2004 to "define and implement the public policy for science, technology and R&D in Puerto Rico." This policy will help guide local government agencies, private sector entities, and higher education entities to coordinate with one another efforts aimed to help accelerate the technology development and commercialization process in Puerto Rico.

During FY 2012, the Trust prepared a 27-page draft of a "Puerto Rico's Policy on Science, Technology & Innovation". The report developed five objectives and contained over 100 S&T policy-related recommendations. The document was prepared in close collaboration with the 14 members who represent academia, the private sector and government and comprise the Puerto Rico State Committee of Experimental Program to Stimulate Competitive Research (EPSCoR).

GUAYACÁN VENTURE MENTORING PROJECT

Grupo Guayacán received a Trust grant to establish a pilot: Guayacán Executive Mentoring Program, designed to provide a well-structured, year-long program for practicing entrepreneurs with startups in a growing stage. The program aims to match a selected group of participants with experienced mentors.

A detailed, customized model of the program was completed with the collaboration of MIT. The program was scheduled to be launched on November 2012.

INDUSTRY UNIVERSITY RESEARCH CONSORTIUM (INDUNIV)

During FY 2012, the Trust awarded INDUNIV a \$35,000 grant for the completion of Phase 1 for a project designed to help establish Puerto Rico's Science & Technology Global Network & Knowledge Management System.

The Phase 1 part of the project, "Evaluation of existing commercial technologies for global network & scientific knowledge management applications" has been completed. A "Conceptual Design of Puerto Rico's Science & Technology Global Network & Knowledge Management System" was prepared and is currently under review prior to proceeding to Phase 2 of the project.

Upon the Trustee's approval of the Policy, the document will be widely disseminated to the island's S&T community and other economic development-related stakeholders.

The Trust will develop annual work plans and budgets in line with the policies and strategies contained in the report. Policy related documents, reports and comments will be placed in the new Trust website that is being developed.

UNIVERSITY INNOVATION / INNOVACION COLGIAL (UPRM) PROJECT

For a second consecutive year, the Trust has

sponsored the University Innovation project UPR Magañez, managed by Puerto Rico Techno-economic Corridor (PRTEC). The project's primary goal is to assist UPR-Magñez researchers develop, protect and commercialize their technology via conferences, workshops and one-on-one consulting. The two-year project's goal was to help three startups establish their operations. This was accomplished during FY 2012. One of the startup companies, Cutting Edge Semiconductor, Inc., headed by Dr. Yon Kim, won a \$50,000 first-prize award at the Guayacán Entrepreneur Business Plan Competition; and \$15,000 at the SBDC INNOVATURE Business Plan Competition. The Trust was a sponsor of both competitions.

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#### INTECO-PUERTO RICO ENERGY CENTER

*Iniciativa Tecnológica Centro-Oriental* (INTECO) was given a \$50,000 grant to assist in the development of a Concept Paper, Work Plan, and the preparation of a proposal to the U. S. Economic Development Administration for the establishment of an Accelerator for Clean Technologies (ACTech).

Funds will also be used to evaluate original clean technology projects submitted by researchers or entrepreneurs to the Puerto Rico Energy Center (PREC) or via the Trust.

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#### ENTERPRIZE BUSINESS PLAN COMPETITION

During FY 2012, the Trust served as a "Lead" sponsor for the business plan competition conducted by EnterPRize Event, Inc. The competition received over 100 business proposals. During this period, EnterPRize organized over 20 workshops and events (professional workshops 2011& 2012; Entrepreneur's Summer Boot Camp 2011 & 2012; and the Young Entrepreneurs Forum 2012) impacting 2100 aspiring entrepreneurs and professionals.

The top three winners of the competition were announced at the Puerto Rico Venture Forum held on December 2011. Eric Cornavaca, the Trust's Interim Administrator, gave welcoming remarks at the event.

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#### CIENCIA PUERTO RICO

During FY 2012, the Trust awarded CienciaPR/ Yale a \$50,000 grant to help improve the Ciencia Puerto Rico website ([www.cienciapr.org](http://www.cienciapr.org)) "an expert and resource network for all who are interested in science and Puerto Rico" by enhancing the website's content, easing its use, implementing tools to improve user profiles and developing a job bank for CienciaPR in conjunction with the Trust, among others.

By June 30, 2012, the website had over 6,000 registered users from 30 countries. 72% of the users reside in Puerto Rico and 22% in the United States mainland.

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#### BIO INTERNATIONAL CONVENTION

During June 18-21, 2012, the Trust actively participated at the BIO International Convention, held in Boston. This is the largest bio technology convention in the world —more than 2,000 exhibitors and 16,505 industry leaders participated.

The Trust shared the Puerto Rico Pavilion booth with PRIDCO. The event permitted the Trust to familiarize conference attendees with its mission, programs, and services available to this important industry for Puerto Rico. Special emphasis was given to the new Science District currently under construction. A short video describing the Science District was shown throughout the 2-day event.

At the invitation of the Trust, the activity also served to attract more than 20 Puerto Rican researchers and graduate students studying/working in the Boston area to learn about the Trust and its efforts to attract Puerto Rican scientific talent residing in the States, back to Puerto Rico. Their assistance in this effort was solicited and well received.



> PLANS FOR THE FUTURE

During the 2012-2013 fiscal year, in addition to growing and developing ongoing programs and projects, the Trust is set to implement the following new projects and initiatives to better serve the needs of Puerto Rico's science and technology community:

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> **Science City and District**

The three major goals for the Science District development during 2011-12 were to:

- 1 Continue to prepare the site for the Science City Project, which included:
  - > Demolition of selected structures at the Science City Site
  - > Comprehensive evaluation of the former State Penitentiary's facilities
  - > Design the Science City's urban infrastructure
- 2 Begin the construction of the Trust's head quarters and build a world-class, high-tech business accelerator on site.
- 3 Actively market the island's incentives for developers and investors involved in the creation of the Science District.

The following was achieved regarding each goal.

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**1** During the FY 2011-12, the Trust developed the following projects to continue the site preparation:

> **Demolition of Selected Structures**

The demolition of 53 selected structures at the Science City Project Site commenced on June, 2012. The Trust invested \$2.4 M in this project. All buildings, except for the State Penitentiary Building, were due to be demolished by October 31, 2012.

> **Evaluation of Former Insular Penitentiary**

The former Insular Penitentiary is included in the National Register of Historic Places in Washington, DC. In order to assess the potential of the building to be developed as part of the Science City project as established in the project's Master Plan, the Trust commissioned several studies in the past years, which concluded that the adaptive reuse of the property should be evaluated due to the structural conditions of the building. In order to commence the documentation of

The availability of the Science District incentives are paramount in the development of the Science District and all its components. During the past year, the Trust procured certifications from government entities recognizing exemptions granted by Law 208 of 2011. Also, incentives will be key for the occupation of the SDIC, and such benefits are being included as part of the promotion package distributed among prospective tenants.

**3** Actively market incentives available for developers and investors involved in the creation of the Science District

This facility will provide 28 office spaces for companies in the area of innovation, and shared supporting areas and services, such as meeting rooms, training rooms and office operation support. Also, the Trust will establish its main office in the same facility, occupying the third floor of the building. The Trust is moving its offices on December, 2012, and the rest of the Building will be occupied during the first trimester of 2013. The SDIC is the first development of the Science District and will help the Trust to actively commence the development of the Science City Project and enable all the benefits available for knowledge-based economic activity generated within the Science District.

**2** Begin the construction of the Trust's Headquarters and a world class, high tech business accelerator on the site

On March, 2012, the Trust issued a Request for Proposals and Qualifications (RFP-RFQ) to select a general contractor and designer team to design and build the New Headquarters and Business Accelerator. The Science District Innovation Center (SDIC). The project consists on the rehabilitation of a 25,000 sq.ft existing building at the North entrance of the Science City site.

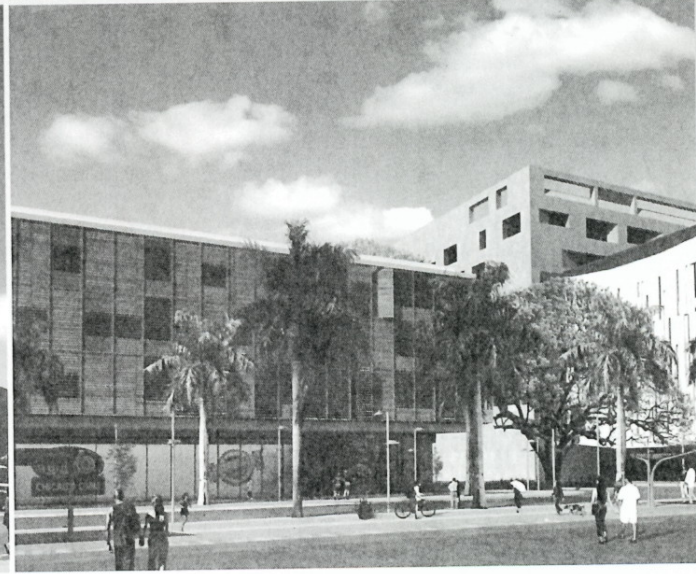
the building, the Trust commissioned and completed a Historic American Building Survey Level 2, which was deemed necessary to comply with required regulation to intervene or develop the building.

**> Science City Urban Infrastructure**

**Phase 1**  
The Science City Urban Infrastructure Phase 1 will connect the Science City site with the Medical Center and will provide the main access for the UPR Comprehensive Cancer Center (CCC). Phase 1A, which is the main access to the CCC, is included as part of the CCC's construction loan. As for Phase 1B, which is the elevated intersection to connect the CCC with the Medical Center Campus, the Puerto Rico Highway Authority (PRHA) assigned \$17.8 M of its federal funds to the project. The Trust will continue to work with the CCC and the PRHA to assure the construction of this important part of the Science City's urban infrastructure.

**Phase 2**  
On March 2012 the Trust hired Toro Architects to design the Phase 2 of the Urban Infrastructure of the Science City. Construction documents were due to be completed by November, 2012.

> NEW INITIATIVES WORK PLAN  
[FISCAL YEAR 2012-2013]



> **New Technology Development and Commercialization-Related Activities**

**SMALL RESEARCH GRANTS**

- > This new program will offer small grants (\$5,000 to \$25,000) to local researchers to enhance their success probabilities in obtaining federal R&D grants (basic and applied research). These resources will help them become more competitive by enabling them to reach critical milestones in their research endeavors prior to their submissions of federal R&D grant proposals.

- > Grant awards will be contingent upon the researcher identifying a key milestone to be achieved and describing how the funds will be used to complete the objectives of the proposal in order to make it more competitive.
- > Priority will be given to research activities that are relevant to Puerto Rico's current economic development strategies, as defined by the Trust.
- > Eligible applicants will include researchers at UPR and private universities, as well as affiliated non-profit research institutions located in Puerto Rico.

**Expected Growth:**

- > Creates a resource mechanism to help local researchers secure more competitive federal research funding.
- > 25 researchers are expected to benefit from this program during the FY 2013.

**IMPROVED ACCESS TO SCIENTIFIC AND TECHNICAL JOURNALS AND DATABASES FOR LOCAL SCIENTISTS/RESEARCHERS AND TECHNOLOGY ENTREPRENEURS**

- > The Trust will contract the services of a publishing firm to provide our professional community with a comprehensive online journals catalog. Collections are set to include the following subjects: biomedical and life sciences; medicine; chemistry and materials science; earth and environmental sciences; mathematics and statistics; physics and astronomy; computer science; engineering; and business and economics.
- > Targeted users include professors, professional researchers, and university students at 3 higher education institutions and local technology entrepreneurs engaged in research areas that are relevant to Puerto Rico's current economic development strategies, as defined by the Trust.

**Expected Growth:**

- > Strengthen local higher education and independent research programs and their capacity to innovate, by facilitating their access to scientific and technical journals, on par with peer institutions in the United States, Latin America and Europe.

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#### AEROSPACE RESEARCH

- > A strategic and economic development initiative is set to be carried out by the Department of Economic Development and Commerce (DDEC) and the Trust in order to diversify Puerto Rico's industrial base and growth activities in the aerospace sector, specifically, vertical rocket launch campaigns.
- > The implementation of a Spaceport in Puerto Rico will generate important R&D activity in the following areas: flight safety risk/flight analysis, launch vehicle flight path, launch vehicle recovery, payload development and payload deployment.

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#### CAMPAIGN TO RETAIN/ATTRACT TOP SCIENTISTS AND TECHNOLOGY ENTREPRENEURS TO PUERTO RICO

- > To address talent attraction and retention, a priority for the island in order to compete in a global knowledge-based economy, the Trust will develop the PR Talent Pool program, whose mission will be to position and establish Puerto Rico as the region of choice for world-class talent. This program is currently backed by our talent pool and fueled by a growing professional and science and technology related professional's network.



#### Expected Growth:

The PR Talent Pool program's FY 2012-2013 work plan is listed below:

- > Develop PR Talent Pool program's short, medium and long-term goals and performance metrics.
- > Develop a multimedia communication strategy for PR Researchers' Fiscal Incentives for Puerto Rico-Based Scientists under Law 101 "Scientific Investigators' Tax Incentives Act" and under Law 208, which grants a higher tax incentive for qualified researchers working on qualified research at the PR Science District facilities.
- > Develop a PR Technology Entrepreneurs' network to facilitate new entrepreneur communication, learning and support.
- > Promote the advantages and economic benefits offered by establishing research operations within the Science District.



#### Expected Growth:

- > Foster and facilitate the participation of local research institutions with the capacity to meet the R&D needs as generated by this initiative.



> FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Puerto Rico Science, Technology and Research Trust  
San Juan, Puerto Rico

We have audited the accompanying balance sheet of Puerto Rico Science, Technology and Research Trust (a non-for-profit Puerto Rico organization) as of June 30, 2012, 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 paragraphs, 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.


As explained in Note C, 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 was 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 A, the Trust should receive twenty percent (20%) of the money deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO). The amount corresponding to the year ended June 30, 2012 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, 2012.

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 (20%) of the money to be received from the Special Fund, the financial statements referred to above present fairly, in all material respects, the financial position of Puerto Rico Science, Technology and Research Trust as of June 30, 2012, 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.

November 13, 2012

Stamp number 2667749  
has been affixed to  
the original report

by  *Aquino de Castro, Alfonso & Co., LLP*  
Lic. # 3171

PUERTO RICO SCIENCE, TECHNOLOGY & RESEARCH TRUST  
Balance Sheet / June 30, 2012

<b>&gt; ASSETS</b>	
Cash	\$ 73,974,361
Accrued interest receivable	7,231
Other assets	16,028
Equipment and leasehold improvements, net	88,604
Equipment under capital lease, net of accumulated amortization of \$7,949	3,827
Due from government entity	4,500,000
Restricted cash	11,290,000
Land and property for research, development and infrastructure project related to science and technology	18,000,000
Land development costs	2,086,922
	<b>\$ 109,966,973</b>

**> LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Program service payable	\$ 500,000
Accounts payable	541,448
Obligation under capital lease	4,808
	1,046,256

<b>NET ASSETS</b>	
Unrestricted	75,630,717
Temporarily restricted	15,290,000
Permanently restricted	18,000,000
	108,920,717
	<b>\$ 109,966,973</b>

See accompanying notes to financial statements.

PUERTO RICO SCIENCE, TECHNOLOGY & RESEARCH TRUST  
Statement of Activities and Changes in Net Assets / Year Ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>&gt; CHANGES IN NET ASSETS</b>				
<b>REVENUES AND SUPPORT</b>				
Grants	\$ 19,115,298	\$ -	\$ -	\$ 19,115,298
Donations	500,000	-	-	500,000
Interest income	74,186	-	-	74,186
Total unrestricted revenues and support	19,689,484	-	-	19,689,484
<b>EXPENSES</b>				
Program expenses	764,695	300,000	-	1,064,695
Support services - management and general	2,859,600	-	-	2,859,600
	3,624,295	300,000	-	3,924,295
<b>INCREASE (DECREASE) IN NET ASSETS</b>	16,065,189	(300,000)	-	15,765,189
<b>NET ASSETS, beginning of year</b>	59,565,528	15,590,000	18,000,000	93,155,528
<b>NET ASSETS, end of year</b>	\$ 75,630,717	\$ 15,290,000	\$ 18,000,000	\$ 108,920,717

See accompanying notes to financial statements.

PUERTO RICO SCIENCE, TECHNOLOGY & RESEARCH TRUST  
Statement of Cash Flows / Year Ended June 30, 2012

<b>&gt; CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>\$ 15,765,189</b>
Increase in net assets		
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	42,515	
Contribution temporarily restricted for the Centenary Fund	(7,700,000)	
Changes in assets and liabilities:		
Decrease in assets:		
Contribution receivable	5,000,000	
Accrued interest receivable	122	
Other assets	3,086	
Decrease in liabilities:		
Accounts payable	(21,775)	
	(2,676,052)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,089,137</b>	
<b>&gt; CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,204)	
Addition of land development costs	(384,288)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(387,492)</b>	
<b>&gt; CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of obligation under capital lease	(2,205)	
Collection of amount due from government entity	8,000,000	
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>7,997,795</b>	
<b>NET INCREASE IN CASH</b>	<b>20,699,440</b>	
<b>CASH AT BEGINNING OF YEAR</b>	<b>53,274,921</b>	
<b>CASH AT END OF YEAR</b>	<b>\$ 73,974,361</b>	

See accompanying notes to financial statements.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
	\$ 19,115,298	\$ -	\$ -	\$ 19,115,298
	500,000	-	-	500,000
	74,186	-	-	74,186
Assets	19,689,484	-	-	19,689,484
	764,695	300,000	-	1,064,695
Liabilities	2,859,600	-	-	2,859,600
	3,624,295	300,000	-	3,924,295
	16,065,189	(300,000)	-	15,765,189
	59,565,528	15,590,000	18,000,000	93,155,528
	\$ 75,630,717	\$ 15,290,000	\$ 18,000,000	\$ 108,920,717

statements.

> CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 15,765,189
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation and amortization	42,515
Contribution temporarily restricted for the Centenary Fund	(7,700,000)
Changes in assets and liabilities:	
Decrease in assets:	
Contribution receivable	5,000,000
Accrued interest receivable	122
Other assets	3,086
Decrease in liabilities:	
Accounts payable	(21,775)
	(2,676,052)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,089,137

> CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(3,204)
Addition of land development costs	(384,288)
NET CASH USED IN INVESTING ACTIVITIES	(387,492)

> CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments of obligation under capital lease	(2,205)
Collection of amount due from government entity	8,000,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,997,795
NET INCREASE IN CASH	20,699,440

> CASH AT BEGINNING OF YEAR

53,274,921

CASH AT END OF YEAR

\$ 73,974,361

See accompanying notes to financial statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

Puerto Rico Science, Technology and Research Trust (hereinafter referred to as "the Trust") is a non-for-profit organization, created by Act No.214 of the Legislature of the Commonwealth of Puerto Rico on August 18, 2004 (Act No. 214). The purpose of this Trust is to foster and fund research, development and infrastructure projects 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. During October 20, 2011, Act No. 208 was enacted to amend Act No. 214. These projects are to be financed as follows: (i) twenty percent of the monies deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO), (ii) the monies of Scientific Investigation Fund for the Centenary of the University of Puerto Rico (Centenary Fund), (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, four of whom shall be members *ex officio* representing the government agencies: the Secretary of the Economic Development and Commerce Department, the President of the Government Development Bank, the Executive Director of the Puerto Rico Industrial Development Company and the Director of the Office of Management and Budget, four member *ex officio* from the academy industry, including, the President of the University of Puerto Rico, and three particular citizens who six Trustees Individuals appointed by the Board of Trustees as required by the Act, will act as the Trustees of the Trust.

**Summary of significant accounting policies:**

**Basis of accounting**

The Trust prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for non-for-profit organizations.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**

All not-for-profit organizations are required to present a balance sheet and a statement of cash flows. In addition, net assets are classified in three categories: unrestricted, temporarily restricted and permanently restricted.

- > Unrestricted net assets - are resources available to support the operations of the organization and are unrestricted as to their use and expendable at the discretion of the organization.
- > Temporarily restricted net assets - are resources that are restricted for a particular purpose or in a particular future period.
- > Permanently restricted net assets - are resources whose use is restricted in perpetuity by being used in accordance with the passage of time.

The following is a description of the temporarily restricted and permanently restricted net assets as of June 30, 2012:

- > Temporarily restricted net assets consist of monies for the Centenary of the University of Puerto Rico. This fund is used to support the structure, activities and environment of investigative activities at the University of Puerto Rico and to facilitate the commercialization of the innovations. Among the activities to be supported are the recruitment and training of students, the promotion of technology transfer.
- > Permanently restricted net assets consist of a land, donated to the Trust with the restriction of using it according to the implementation of a Master Plan.

**Accounts receivable**

The Trust provides an allowance for doubtful accounts equal to the amount of the receivables. The estimate is based on the review of the current receivables and grants. It is reasonably possible that the estimate of the receivables will change. As of June 30, 2012, no account has been determined to be uncollectible.

SIGNIFICANT ACCOUNTING POLICIES

Research Trust (hereinafter referred to as "the Trust") is a non-profit organization established by Act No. 208 of the Legislature of the Commonwealth of Puerto Rico on June 30, 2012. The purpose of this Trust is to foster and fund research, development and technology that will promote the economic, social and wealth and to operate exclusively for charitable, educational and scientific purposes. Act No. 208 was enacted to amend Act No. 214. These projects are financed by the monies deposited in the Special Fund for Economic Development Company (PRIDCO), (ii) the monies of Science and Technology of the University of Puerto Rico (Centenary Fund), (iii) a special fund for improvements, (iv) a five million dollars from the balance of the budget with Section 7652(a)(3) of the United States Internal Revenue Code, and other government funds, and legislative appropriations.

The Trust is composed of 11 trustees, four of whom shall be members from the following agencies: the Secretary of the Economic Development and the Government Development Bank, the Executive Director of the Trust Company and the Director of the Office of Management and Budget of the University of Puerto Rico, including, the President of the University of Puerto Rico and six Trustees Individuals appointed by the Board of Trustees of the Trust.

Trustees:

Operations are conducted in accordance with generally accepted accounting principles in the United States of America for non-profit organiza-

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Basis of presentation**

All not-for-profit organizations are required to present a balance sheet, a statement of activities, and a statement of cash flows. In addition, net assets are classified in one or more of the following categories: unrestricted, temporarily restricted and permanently restricted.

- > Unrestricted net assets - are resources available to support operations. These resources are unrestricted as to their use and expendable at the discretion of the Board of Trustees.
- > Temporarily restricted net assets - are resources that are restricted by a donor for use for a particular purpose or in a particular future period.
- > Permanently restricted net assets - are resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time.

The following is a description of the temporarily restricted and permanently restricted net assets as of June 30, 2012:

- > Temporarily restricted net assets consist of monies for the Scientific Investigation Fund for The Centenary of the University of Puerto Rico. This fund was created to improve the infrastructure, activities and environment of investigative activities of the University of Puerto Rico and to facilitate the commercialization of the innovations that are developed there. Among the activities to be supported are the recruitment and retention of researchers and the promotion of technology transfer.
- > Permanently restricted net assets consist of a land, described on Note C, which was contributed with the restriction of using it according to the purpose of Act No. 214 through the implementation of a Master Plan.

**Accounts receivable**

The Trust provides an allowance for doubtful accounts equal to the amount of estimated uncollectible amounts. 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 will change. As of June 30, 2012, no account has been determined by the Trust as uncollectible.

**Contributions and support revenue**

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. During the year ended June 30, 2012, the Trust did not receive contributed services.

**Property and equipment**

Property and equipment are stated at cost. Equipment under capital lease is stated at the net present value of the minimum lease payments at the inception of the lease. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the assets involved using the straight-line method. Leasehold improvements are amortized over the estimated useful life of the asset or the respective lease term used in determining lease classification, whichever is shorter.

**Property and equipment - continued**

The range of estimated useful lives is as follows:

- > Leasehold improvements - 5 years
- > Furniture, fixtures, and equipment - 5 years
- > Computer equipment - 3 years
- > Equipment under capital lease - lease term

The Company continually evaluates property and equipment, including leasehold improvements, to determine whether events or changes in circumstances have occurred that may warrant revision of the estimated useful life.

**Land development costs**

Represent costs for a land site consultation approval, certification of environmental compliance, architectural design, and other costs incurred in connection with land received by the Trust for the construction of its facilities.

**Income taxes**

The Trust is exempt from Puerto Rico income taxes under the provisions of Act No. 21-14. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Financial Accounting Standards Board issued a new guidance on accounting for uncertainty in income taxes. The Trust adopted this guidance for the year ended June 30, 2012. Management evaluated the Trust's tax positions and concluded that the Trust had taken no uncertain tax positions that require adjustments to the balance sheet.

**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.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**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 statement 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 has unconditional promises to be paid by PRIDCO related to the special appropriation of \$5,000,000 from the Improvements Fund, which was collected at June 30, 2012.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Advertising and promotion**

The Trust charges to operations advertising and promotion costs as they are incurred. Advertising and promotion costs were approximately \$43,000.

NOTE B - DUE FROM GOVERNMENT ENTITY

Due from government entity consists of the following:

As established in Act No. 232, the Trust is entitled to receive \$40,000,000 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 of Puerto Rico. \$ 4,500,000

PUERTO RICO SCIENCE, TECHNOLOGY & RESEARCH TRUST  
Notes to Financial Statements - Continued / June 30, 2012

NOTE C - LAND AND REAL PROPERTY HELD FOR DEVELOPMENT

On October 22, 2007, the Trust received 67.88 acres of prime real estate in the metropolitan area of San Juan, which includes the former Rio 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:

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

Based on the magnitude of these extraordinary assumptions, management has 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 develop the 67.88 acres of Oso Blanco State Penitentiary site into a research park, which combines residential, retail, educational, and civic facilities with laboratory and research and development facilities with the purpose of facilitating 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 are capitalized as incurred.

NOTE D - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

Furniture and fixtures	\$ 89,356
Computer equipment	9,726
Leasehold improvements	99,142
Equipment under capital lease	210,000
Less accumulated depreciation and amortization	(117,569)
	<u>\$ 92,431</u>

**NOTE E - PROGRAM SERVICE PAYABLE**

Program service payable consists of a reimbursement payable to PRIDCO for the funding of the Bioprocess Development Training and Complex Corporation, on behalf of the Trust. Those disbursements will be made from the monies of the Centenary Fund, as follows:

Year ending	
June 30,	
2013	\$ 500,000

**NOTE F - OBLIGATIONS 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. Minimum lease payments for years ending subsequent to June 30, 2012, are as follows:

Year ending	
June 30,	
2013	\$ 3,252
2014	1,897
Minimum lease payments	5,149
Less amount representing interest	341
Present value of minimum lease payments	\$ 4,808

**NOTE G - SUPPLEMENTAL INFORMATION OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Program service payable recorded against due from government entity	\$ 500,000
Addition of land development costs through accounts payable	\$ 199,561

**NOTE H - CONCENTRATION OF CREDIT RISK**

As of June 30, 2012, all of the Trust's bank balance, aggregating approximately \$85,900,000, 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.

**NOTE I - CONTINGENCY**

The Trust is a defendant in various lawsuits filed by former executive director for alleged violation of his rights to free speech, unjustified termination of his employment and defamatory and libelous against his person. Outside counsel for the Trust has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. Accordingly, no provision for any liability that may result, if any, has been made in the financial statements.

**NOTE J - SUBSEQUENT EVENTS**

The Trust has evaluated subsequent events through November 13, 2012, the same date the financial statements were available to be issued.

On August 22, 2012, the Trust signed a grant agreement between the University of Puerto Rico and the University of Puerto Rico Molecular Science Building, Inc. for the support for the development and construction of Phase I of the small animal research facility as part of the Molecular Science Building Funds will be provided from the Centenary Fund of the Trust. On August 22, 2012, the Trust disbursed \$4,300,000 to the project.

> CONTRACTS

The following contracts were awarded by the Trust during Fiscal Year 2011-12:

CONTRACT NUMBER >	AWARDED TO >	DATE >		AMOUNT >	PROVIDED SERVICES >
		FROM	TO		
2012-000001A	Pierrantoni, Méndez & Álvarez	5/4/2012	6/30/2012	\$65,000.00	Professional Service
2012-000002	Piód & Blanco	7/22/2011	6/30/2012	\$100,000.00	Professional Services
2012-000002A	Piód & Blanco	5/4/2012	6/30/2012	\$25,000.00	Professional Services
2012-000003	José Luis Méndez & Co.	7/22/2011	7/31/2012	\$30,000.00	Accounting Services
2012-000004	José R. Gaztambide	8/26/2011	10/31/2011	\$60,000.00	Professional Services
2012-000005	Aquino de Córdova & Alfaro	9/29/2011	6/30/2012	\$17,900.00	Professional Services
2012-000005A	Aquino de Córdova & Alfaro	12/28/2011	6/30/2012	\$20,000.00	Accounting Services
2012-000006	Expo-D	10/18/2011	10/24/2011	\$25,000.00	Professional Services
2012-000007	LCC Management	10/18/2011	10/24/2011	\$15,000.00	Professional Services
2012-000008	Toro Ferrer Arquitectos	12/8/2011	6/30/2012	\$50,000.00	Professional Services
2012-000008A	Toro Ferrer Arquitectos	6/30/2012	12/31/2012	\$50,000.00	Professional Services
2012-000009	Interlink Construction	11/16/2011	6/30/2012	\$142,000.00	Professional Services
2012-000009A	Interlink Construction	2/1/2012	6/30/2012	\$0.00	Professional Services
2012-000009B	Interlink Construction	6/30/2012	12/31/2012	\$86,900.00	Professional Services
2012-000010	CMA Architects & Engineers LLP	11/16/2011	6/30/2012	\$70,000.00	Professional Services
2012-000010A	CMA Architects & Engineers LLP	6/30/2012	12/31/2012	\$70,000.00	Professional Services
2012-000011	José R. Gaztambide	11/21/2011	12/31/2011	\$17,500.00	Professional Services
2012-000012	Akk Ventures	11/30/2011	6/30/2012	\$150,000.00	Professional / Technical Services
2012-000012A	Akk Ventures	6/29/2012	9/30/2012	\$150,000.00	Professional / Technical Services
2012-000013	Gilberto Márquez	2/27/2012	6/30/2012	\$40,000.00	Professional Services
2012-000014	MP Engineers of Puerto Rico	3/13/2012	12/31/2012	\$130,800.00	Professional Services
2012-000015	Bioprocess Development and Training Complex Archud	3/5/2012	6/30/2012	\$75,000.00	Professional Services
2012-000016	AES International	4/2/2012	6/30/2012	\$55,500.00	Professional Services
2012-000017	AES International	4/24/2012	6/30/2012	\$25,000.00	Professional / Technical Services
2012-000017A	AES International	6/7/2012	12/31/2012	\$58,500.00	Professional / Technical Services
2012-000018	Toro Ferrer Arquitectos	4/30/2012	12/31/2012	\$870,000.00	Professional Services
2012-000018A	Toro Ferrer Arquitectos	6/25/2012	12/31/2012	\$50,000.00	Professional / Technical Services
2012-000019	LCC Management	5/1/2012	6/30/2012	\$70,500.00	Professional Services
2012-000020	Interum Company	5/24/2012	7/24/2013	\$29,400.00	Professional Services
2012-000021	Héctor Reyes Rivera	6/4/2012	6/30/2013	\$15,000.00	Professional Services
2012-000022	Ileana Vázquez Borges	6/15/2012	12/31/2012	\$15,000.00	Professional Services
2012-000023	Interlink Construction	6/6/2012	12/31/2012	\$2,462,000.00	Construction Services
2012-000024	Milton Lluich Carriona	6/6/2012	2/28/2013	\$99,000.00	Professional / Technical Services
2012-000025	MP Engineers of Puerto Rico	6/7/2012	6/30/2013	\$24,000.00	Professional / Technical Services
2012-000026	Interlink Construction	6/26/2012	10/5/2012	\$2,320,000.00	Construction Services
2012-000027	St. James Security Services	6/29/2012	6/30/2013	\$252,000.00	Professional / Technical Services

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