Our results for fiscal year 2014 are the foundation to aggressively move forward Puerto Rico’s Science, Technology and Research agenda

Lucy Crespo
Chief Executive Officer
## Contents

1. FY2014-15 Accomplishments .......................................................... 2
2. Strategic Business Plan .................................................................... 3
3. Science and Technology RFP Grant Program ................................. 3
4. Puerto Rico Consortium for Clinical Research (PRCCI) .................. 3
5. Biopharmaceutical Contract Manufacturing Organization (CMO) ...... 4
6. Technology Transfer and Commercialization Office (TTO) .......... 4
7. Science City ................................................................................. 5
8. Entrepreneurship .......................................................................... 5
9. Future ............................................................................................ 6
10. Events and Media Coverage .......................................................... 8
11. Appendix A: Financial Statements ................................................. 13
12. Appendix B: Strategic Plan and Programs ..................................... 14
13. Appendix C: Press Releases .......................................................... 15
FY2014-15 Accomplishments

The Puerto Rico Science, Technology and Research Trust (PRSTRT or Trust hereafter) completed its first Strategic Plan for the years 2015 through 2022. Through this strategic planning process, and with the participation of key collaborators from the public and private sector, the Trust defined its strategic themes, objectives and key performance indicators to drive the programs and initiatives that the PRSTRT will implement in the coming years with the aim of accelerating the transformation of Puerto Rico’s knowledge-based economy.

During FY2014-15 PRSTRT also:

- Implemented a competitive Science and Technology RFP Grant Process;
- Developed the Clinical Trial Strategy for Puerto Rico;
- Developed a Biopharmaceutical CMO strategy;
- Developed and implemented plan for the Technology Transfer and Commercialization Office;
- Conducted market research and analysis to identify potential anchor tenants for Science City.
Our results for fiscal year 2014 are the foundation to aggressively move forward Puerto Rico’s Science, Technology and Research agenda

Strategic Business Plan
Working with the Balanced Scorecard Institute, a globally recognized leader in the strategic planning arena serving corporate and governments’ customers, PRSTRT completed its strategic plan. Some of the key strategic plan elements are shared below.

PRSTRT’s mission is to invest, facilitate and build capacity to continually advance Puerto Rico’s economy, and its citizens’ well-being, through innovation-driven enterprises, science and technology and its industrial base.

PRSTRT’s vision is that by 2022, the Trust has transformed Puerto Rico into a globally recognized innovation hub that develops, attracts, and retains scientists, technology entrepreneurs and enterprises to unlock world class creativity and competitiveness.

Our ultimate strategic objective is to improve the innovation capacity of Puerto Rico. To achieve this objective, we have initiatives to:

1. Increase research and development (R&D) funds availability
2. Increase diversification of fund sources
3. Improve technology transfer capability
4. Improve business development capabilities
5. Increase accessibility of services and programs
6. Improve communications
7. Improve use of virtual tools
8. Improve use of physical infrastructure
9. Strengthen internal culture and expand team capabilities.

As part of the plan, we identified key performance indicators to monitor progress as the initiatives are implemented.

Science and Technology RFP Grant Program
The first twelve (12) awardees for this program were presented as of April 2015. Funds were awarded to grantees from the private sector and public and private universities, with research projects in diverse technology fields such as aerospace, medical devices, pharmaceutical and electronic sectors. A balance was achieved between fostering both, basic sciences and promote the commercialization of knowledge. A global network of evaluators was put in place to assess the technical aspects and merits of the proposals. As expressed by many of the awardees, the benefits they are receiving with the grant funds include: (1) facilitating the creation and registration of intellectual property resulting from research activities, (2) hiring of post-doctoral students that otherwise would have left the Island, and (3) purchasing of local services and goods. The PRSTRT implemented WizeHive, a virtual platform to enable easy access and manage several grants sessions simultaneously.

Puerto Rico Consortium for Clinical Research (PRCCI)
The Trust facilitated a very inclusive effort with the active participation of the Puerto Rico’s schools of medicine and pharmacy, clinical trial units, pharmaceutical companies, and professional associations (PIA, INDUNIV, and
Physicians’ College) to develop a Clinical Trial Strategy for Puerto Rico. This Clinical Trial Strategy, which is a critical element to accelerate Puerto Rico’s knowledge economy, is the result of a shared goal, among those stakeholders, of increasing Puerto Rico’s clinical research activity. During the first five years the strategy is aimed at positioning Puerto Rico as a preferred clinical research hub, with the long term goal of becoming a recognized global clinical research leader. To achieve this objective, Puerto Rico will offer an attractive value proposition of presenting Puerto Rico’s Clinical Trials capabilities and resources as one entity to be known as the Puerto Rico Consortium for Clinical Investigation (PRCCI). PRCCI will enable the centralization of processes and systems, R&D partnerships and better targeting of clinical research sponsors. The successful implementation of this strategy will provide:

- Access to novel medical treatments and devices to the citizens of Puerto Rico.
- An increase of the economic activity over the next 5 years.
- A strong research culture with far-reaching benefits resulting from grant funding, a technology transfer office and diversified funding.
- Increased industry R&D investment, achieved through incentives for smaller pharma and biotech companies.

The Clinical Trial Strategy is fundamental to enable and facilitate several other life sciences initiatives such as the Biopharmaceutical CMO strategy which is described in the next topic.

Biopharmaceutical Contract Manufacturing Organization (CMO)
With a biopharmaceutical market growing rapidly (CAGR of 8% through 2020), and based on a strong clinical pipeline of more than 1500 molecules in 2014 and clinical success rates being twice as high as small molecules, Puerto Rico can clearly capture this growth opportunity by building on local strengths in talent availability, historically grown pharma environment, and tax benefits.

The Puerto Rico Science Technology Research Trust is pursuing identification of key partners in the Biopharmaceutical CMO area to take advantages of these market opportunities. Maintaining and increasing the Biopharmaceutical CMO activities in Puerto Rico is of great importance to maintain the sector contribution to Puerto Rico’s GDP and exports figures.

Combined with a high performance Clinical Trial hub, Puerto Rico significantly increases its value to attract many Biopharmaceutical CMOs to the Island. With the expanded capabilities that we expect to have after the implementation of both, the Clinical Trials and the Biopharmaceutical CMO strategies, our researchers will benefit from better, more abundant and readily accessible resources to enable the technology transfer activities. As a country, Puerto Rico will be in a better position to move our researchers Intellectual Properties and investigations from ideas to market.

Technology Transfer and Commercialization Office (TTO)
Puerto Rico possesses the building blocks of a globally competitive innovation systems in terms of presence of industrial capacity, research institutions, infrastructure and organizations that support commercialization. In spite of this, Puerto Rico has been unable to create a cohesive ecosystem to foster the transfer of useful applications of its academic R&D output into commercially viable enterprises. To address this issues, and with the objective of increasing innovation and business development capacity, PRSTRT is in the process of implementing a
Technology Transfer and Commercialization Office (TTO). This office will serve public and private universities as well as the private for-profit sector. From IP disclosure to licensing and monitoring, the office will provide a full range of services to help researchers and inventors transform their intellectual properties to commercially viable products and services.

The Trust is actively communicating through different forums the importance of the creation and management of intellectual property. We are pleased that this year the Puerto Rico Manufacturing Association, at their annual meeting, approved a resolution inviting all multinational companies that submit patents developed in Puerto Rico to submit them with PR as the state or country of origin.

Science City
The vision for Science City is to become a globally recognized innovation hub connecting and integrating our science and technology ecosystem. As a multidisciplinary international center of collaboration, it will inspire new ideas, inventions and enterprises, resulting from its vibrant and rich environment to innovate, work, and live. During 2014-2015 PRSTRT took several actions to transform this vision into a reality.

The Puerto Rico Environmental Laboratory was the first announcement completed for Science City for FY2014-15. This state of the art laboratory facility will house the Puerto Rico Environmental Quality Board (EQB) laboratory. In partnership with EQB, the Trust will provide access to environmental-remediation researchers and scientists to this 16k ft² facility to perform research activity such as environmental parameters analysis, new materials and or products qualification and or validation. This ecofriendly remodeled building will also use energy efficient technology.

The Puerto Rico Science, Technology and Research Trust signed a contract with AFI to manage the construction of Laboratory Road, one of the two projects being undertaken to develop Science City’s road infrastructure. We expect to complete this project by late summer 2016.

We updated the Science City marketing plan and generated a list of potential anchor tenants for the site, based on Puerto Rico’s R&D capabilities and competitive factors such availability of scientists in the sector and labor cost assessment for the R&D personnel. Main anchor tenant targets include: (1) Medical Device sector, (2) Information Technology identified as the most competitive sector, and (3) Biopharmaceutical and biotechnology companies, including a small number of CMOs.

The Trust is putting together a Request for Expression of Interest (REI) to qualify potential site master developers to participate in the Science City Request for Proposal process. We are actively in conversations with several companies to become anchor tenant for the site.

The demolition for the Oso Blanco structure, and the preservation of the identified pieces for historical conservation were completed. The preserved pieces will be utilized later in the Oso Blanco exhibition that will be done as part of the development of Science City.

Entrepreneurship
One of the strategic objectives that we have at the PRSTRT is to develop Puerto Rico’s business capacity. One of the key factors to achieve that objective is to expand and enhance Puerto Rico’s entrepreneurship culture. During this year, we sponsored several initiatives to move forward in the area:

In collaboration with Grupo Guayacán and Georgia Institute of Technology we offered the second cohort of the Innovation CORP Program (ICORP). The purpose of ICORP, a program developed by the National Science Foundation
Letter to Stakeholders

(NSF), is to foster entrepreneurship that will lead to the commercialization of technology that has been supported previously by NSF-funded research. During the course, the participants need to validate the commercial opportunity of their projects. PRSTRT is using ICORP as a key building block in the commercialization process. Some of grantees from our first RFP process participated in ICORP, and then they also participated in a structured workshop to prepare NSF Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) applications.

We also sponsored several StartUp Weekend activities around Puerto Rico with Centro para Emprendedores. The objective of this specific program is that in 54 hours the participants would develop, validate and have a minimum viable product, accelerating the concept from ideas to products.

The most important achievement in this area for 2015 was the joint announcement with the Puerto Rico Economic Development Department (DDEC) and Puerto Rico Industrial Development Company (PRIDCO) of a new global entrepreneurship initiative to provide entrepreneurs with the opportunity to receive financial, business and legal assistance to develop their business in Puerto Rico. Sebastian Vidal, former StartUp Chile executive director, is designing and developing the new program for Puerto Rico. The expectation is that the program will be launched by the end of this calendar year, and will have the first round of participants early in 2016.

With this initiative, we expect to transform the entrepreneurial culture, achieve recognition as a global entrepreneurship player, and contribute to the economic development of Puerto Rico through innovation driven enterprises.

Future

Puerto Rico continues to face significant challenges in the foreseeable future, including the improvement of its fiscal situation. Despite this fact, PRSTRT is poised and committed to move forward the Science, Technology and Research agenda for Puerto Rico.

During 2016, the PRSTRT expect to implement:

- A fully functional Puerto Rico Consortium for Clinical Investigation (PRCCI) organization, and the first clinical trials sponsored by this office.
- Agreements entered into between private and public universities and the PRSTRT Technology Transfer Office (TTO), and to deploy the information technology platform across all the potential users. The TTO will also start valuation and licensing processes for selected available patents.
- Communicate the new awardees for the Small Grant and the second RFP Grant Programs.
- To globally launch the Puerto Rico Entrepreneurship Initiative and to have the first 30-40 startup companies in Puerto Rico.
- To complete, within Science City premises, the Puerto Rico Environment Laboratory and Laboratory Road. The construction of the Science City Boulevard will be in progress during 2016.
- For Science City we also expect to select the master developer for the site and identify the anchor tenant.
- Establish the Center for Tropical Biodiversity and Bio-prospecting to contribute to the advancement of basic and applied research associated with
Letter to Stakeholders

- Deploy outreach programs to improve the general public, and in particular our younger generation, understanding of Science and Technology’s role and importance in our daily lives, and its relevant contribution to our economy.

- Develop programs where opinion leaders that comprehend future and emerging trends identify areas to research and amplify the Trust’s role in the public discussion of emerging technology topics.
Events and Media Coverage

CIENTÍFICOS QUE APUESTAN

AL EMPRENDIMIENTO
Rinde buen fruto la apuesta boricua por las ciencias

Se destacan investigaciones en la neurociencia, el estudio de enfermedades contagiosas, la nanotecnología y la ingeniería.
Awardees

- Blood endothelium of the related CDF protein – from bench to marketable drug, Pi. Adéllis Terrena, University of Puerto Rico School of Medicine (Biotechnology and Life Sciences).
- MEMERISE Brains Device, Pi. Joel Mideles, Talik Medical Devices (Medical Devices).
- A Scientifically Audited, Scalable, and Scalable Robotic System for Prosthetics, Pi. Roberto Ramirez, University of Puerto Rico, Mayagüez (Biotechnology and Life Sciences).
- Photosensitized generation of nitric oxide, Pi. Antonio Agüé, Academic University of Puerto Rico, Humacao (Biotechnology and Life Sciences).
- Hybrid Medical/Tactical System: Soldier Ambulatoio Airway for Beyond Line of Sight Communications for U.S. Applications, Pi. Rubiel Velez, University of Puerto Rico, Mayagüez (Biotechnology and Life Sciences).
- Design, Development, Fabrication, and Test of an Integrated Multi-commodity Aircraft Module with Vertical Takeoff and Landing Capabilities for Commercial/Civil Markets, Pi. Juan Ortiz, Construction Project (Biotechnology and Life Sciences).
- Development of Acoustical/Thermal Infusion for the Detection of Microorganisms and Laser Cells in the Field of Use, Pi. Carlos Cabrera, University of Puerto Rico, Mayagüez (Biotechnology and Life Sciences).
- Blood Bank Polymer Probes for Microarrays for Advanced Mobile Healthcare, Pi. Deneal Slimmer, Academic University of Puerto Rico, Humacao (Biotechnology and Life Sciences).
- Inductive Regulation of the Adhesion 8 protein-coupled receptor (CD47), Pi. John S. Gargiulo, University of Puerto Rico, Mayagüez (Biotechnology and Life Sciences).
- Development of P38 MAP kinase and antiangiogenic cancer therapeutics, Pi. Romano Díaz-Torres, University of Puerto Rico Medical Sciences Campus (Biotechnology and Life Sciences).

Hack PR

September 19-20, 2015
University of Puerto Rico - Mayagüez
2 de Julio de 2015 San Juan, Puerto Rico - La Junta de Calidad Ambiental (JCA) y el Fideicomiso de Ciencia, Tecnología e Investigación de Puerto Rico firmaron hoy un acuerdo de colaboración, mediante el cual el Laboratorio de Investigaciones Ambientales de Puerto Rico se mudará a unas nuevas instalaciones en la Ciudad de las Ciencias en los predios del Fideicomiso en Río Piedras. La iniciativa cumple con la misión del Fideicomiso de adelantar la agenda científica del país, además de robustecer el quehacer de la JCA.
Puerto Rico Science Trust awards scholarships for Codetrotters Academy ‘hacking’ school
Appendix A: Financial Statements
PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

Financial Statements
June 30, 2015 and 2014
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Puerto Rico Science, Technology and Research Trust, a Puerto Rico not-for-profit corporation, which comprise the balance sheet as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Puerto Rico Science, Technology and Research Trust's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects with the audited financial statements from which it has been derived.

San Juan, Puerto Rico
October 29, 2015.

Stamp No. E189265 was affixed to the original of this report.
# BALANCE SHEETS
As of June 30, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$31,340,447</td>
<td>$33,880,992</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>2,649</td>
<td>2,914</td>
</tr>
<tr>
<td>Due from government entity</td>
<td>12,577,604</td>
<td>15,379,668</td>
</tr>
<tr>
<td>Unrestricted investments</td>
<td>73,764,352</td>
<td>57,984,819</td>
</tr>
<tr>
<td>Restricted investment</td>
<td>5,928,758</td>
<td>6,521,425</td>
</tr>
<tr>
<td>Other assets</td>
<td>48,247</td>
<td>379,247</td>
</tr>
<tr>
<td>Convertible promissory note receivable</td>
<td>889,695</td>
<td>889,695</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>6,533</td>
<td>8,807</td>
</tr>
<tr>
<td>Equipment under capital leases, net of accumulated depreciation of $12,224 and $7,166 in 2015 and 2014, respectively</td>
<td>13,068</td>
<td>18,126</td>
</tr>
<tr>
<td>Building, net</td>
<td>2,526,718</td>
<td>2,525,851</td>
</tr>
<tr>
<td>Restricted land and property for research, development and infrastructure project related to science and technology</td>
<td>18,000,000</td>
<td>18,000,000</td>
</tr>
<tr>
<td>Land development costs</td>
<td>11,329,395</td>
<td>9,095,822</td>
</tr>
<tr>
<td>Construction in progress - Science City</td>
<td>53,250</td>
<td>-</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program service payable</td>
<td>$991,250</td>
<td>$1,126,090</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,784,626</td>
<td>3,048,406</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>19,908</td>
<td>6,221</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>5,238</td>
<td>4,238</td>
</tr>
<tr>
<td>Obligations under capital leases</td>
<td>14,541</td>
<td>19,296</td>
</tr>
<tr>
<td><strong>NET ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>128,780,395</td>
<td>116,664,690</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>5,884,758</td>
<td>5,818,425</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>18,000,000</td>
<td>18,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$152,665,163</td>
<td>$140,483,115</td>
</tr>
<tr>
<td><strong>Net Assets Total</strong></td>
<td>$156,480,716</td>
<td>$144,687,366</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these balance sheets.


PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2015
With summarized financial information for the year ended June 30, 2014

<table>
<thead>
<tr>
<th>CHANGES IN NET ASSETS</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES AND SUPPORT:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$ 17,577,604</td>
<td>-</td>
<td>-</td>
<td>$ 17,577,604</td>
<td>$ 36,138,597</td>
</tr>
<tr>
<td>Rental income</td>
<td>46,383</td>
<td>-</td>
<td>-</td>
<td>46,383</td>
<td>25,623</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,648,745</td>
<td>66,333</td>
<td>-</td>
<td>2,015,078</td>
<td>613,253</td>
</tr>
<tr>
<td>Program service fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,060</td>
</tr>
<tr>
<td>Other income</td>
<td>3,444</td>
<td>-</td>
<td>-</td>
<td>3,444</td>
<td>5,551</td>
</tr>
<tr>
<td></td>
<td>19,576,176</td>
<td>66,333</td>
<td>-</td>
<td>19,642,509</td>
<td>35,787,084</td>
</tr>
<tr>
<td>OPERATING EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program and services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and data</td>
<td>1,169,600</td>
<td>-</td>
<td>-</td>
<td>1,169,600</td>
<td>4,896,426</td>
</tr>
<tr>
<td>Tech transfer and commercialization</td>
<td>3,249,286</td>
<td>-</td>
<td>-</td>
<td>3,249,286</td>
<td>1,082,521</td>
</tr>
<tr>
<td>Science City development</td>
<td>1,281,467</td>
<td>-</td>
<td>-</td>
<td>1,281,467</td>
<td>2,693,941</td>
</tr>
<tr>
<td></td>
<td>5,700,353</td>
<td>-</td>
<td>-</td>
<td>5,700,353</td>
<td>8,875,888</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>2,025,118</td>
<td>-</td>
<td>-</td>
<td>2,025,118</td>
<td>1,759,391</td>
</tr>
<tr>
<td></td>
<td>7,725,471</td>
<td>-</td>
<td>-</td>
<td>7,725,471</td>
<td>10,636,279</td>
</tr>
</tbody>
</table>

| CHANGES IN NET ASSETS FROM OPERATIONS | 11,850,705 | 66,333 | - | 11,917,038 | 26,151,805 |

| NON-OPERATING INCOME (EXPENSE): |        |        |        |          |          |
| Insurance reimbursements (payments) legal settlements | 265,000 | - | - | 265,000 | (457,000) |

| CHANGES IN NET ASSETS | 12,115,705 | 66,333 | - | 12,182,038 | 25,634,805 |

| NET ASSETS, beginning of year | 116,654,690 | 5,818,425 | 18,000,000 | 140,483,115 | 114,788,310 |

| NET ASSETS, end of year | $ 128,730,395 | $ 5,884,758 | $ 18,000,000 | $ 152,665,153 | $ 140,483,115 |

The accompanying notes are an integral part of this statement.
# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

## STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$12,182,038</td>
<td>$25,694,805</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>82,731</td>
<td>84,203</td>
</tr>
<tr>
<td>Changes in assets and liabilities-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>265</td>
<td>3,526</td>
</tr>
<tr>
<td>Due from government entity</td>
<td>2,802,064</td>
<td>(1,640,710)</td>
</tr>
<tr>
<td>Other assets</td>
<td>331,000</td>
<td>(378,697)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program service payable</td>
<td>(134,840)</td>
<td>(563,384)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(263,780)</td>
<td>2,345,494</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>13,687</td>
<td>(800)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,000</td>
<td>3,038</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>15,014,165</strong></td>
<td><strong>25,547,474</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of investments</td>
<td>(53,795,867)</td>
<td>(61,110,000)</td>
</tr>
<tr>
<td>Reinvestment of interest earned</td>
<td>(1,984,023)</td>
<td>(571,244)</td>
</tr>
<tr>
<td>Proceeds from investments</td>
<td>40,593,024</td>
<td>4,065,000</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>-</td>
<td>(5,575)</td>
</tr>
<tr>
<td>Additions to construction in progress - building</td>
<td>(76,266)</td>
<td>-</td>
</tr>
<tr>
<td>Additions to land development costs</td>
<td>(2,233,573)</td>
<td>(2,618,531)</td>
</tr>
<tr>
<td>Additions to construction in progress - Science City</td>
<td>(53,250)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(17,549,955)</strong></td>
<td><strong>(60,240,350)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH USED IN FINANCING ACTIVITIES:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal payment of obligations under capital leases</td>
<td>(4,755)</td>
<td>(5,986)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET DECREASE IN CASH</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,540,545)</td>
<td>(34,698,862)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH, beginning of year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>33,880,992</td>
<td>68,579,854</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH, end of year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$31,340,447</td>
<td>$33,880,992</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
## PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

**Statement of Functional Expenses**
For the year ended June 30, 2016
With summarized financial information for the year ended June 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Research and data</th>
<th>Technology transfer and commercialization</th>
<th>Science City development</th>
<th>General and administrative</th>
<th>Total expenses 2016</th>
<th>Total expenses 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity building and sponsorships</td>
<td>$3,700</td>
<td>$164,000</td>
<td>$</td>
<td>$</td>
<td>$167,700</td>
<td>$549,371</td>
</tr>
<tr>
<td>Incubators support</td>
<td>250,000</td>
<td></td>
<td></td>
<td></td>
<td>250,000</td>
<td>323,463</td>
</tr>
<tr>
<td>Centenary fund grants</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td>$4,403,000</td>
<td>$</td>
</tr>
<tr>
<td>Matching grants</td>
<td>-</td>
<td>$1,097,238</td>
<td></td>
<td>$</td>
<td>$1,097,238</td>
<td>363,000</td>
</tr>
<tr>
<td>In-kind services</td>
<td>-</td>
<td>$4,000</td>
<td></td>
<td>$</td>
<td>$4,000</td>
<td>13,659</td>
</tr>
<tr>
<td>Research and commercialization grants</td>
<td>-</td>
<td>$1,600,000</td>
<td></td>
<td>$</td>
<td>$1,600,000</td>
<td>$</td>
</tr>
<tr>
<td>Other program initiative</td>
<td>802,534</td>
<td></td>
<td></td>
<td></td>
<td>802,534</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>1,066,234</td>
<td>3,065,238</td>
<td></td>
<td></td>
<td>4,121,472</td>
<td>5,652,493</td>
</tr>
<tr>
<td>Personnel costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>4,335</td>
<td></td>
<td></td>
<td></td>
<td>285,037</td>
<td>290,372</td>
</tr>
<tr>
<td>Benefits and payroll taxes</td>
<td>605</td>
<td></td>
<td></td>
<td></td>
<td>96,754</td>
<td>97,359</td>
</tr>
<tr>
<td></td>
<td>4,940</td>
<td></td>
<td></td>
<td></td>
<td>382,791</td>
<td>387,731</td>
</tr>
<tr>
<td>Professional services</td>
<td>88,120</td>
<td>112,722</td>
<td>1,271,178</td>
<td></td>
<td>609,882</td>
<td>2,081,802</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>82,731</td>
<td>82,731</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>268,600</td>
<td>268,600</td>
</tr>
<tr>
<td>Security</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>181,322</td>
<td>181,322</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>88,561</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>166,760</td>
<td>166,760</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>689,413</td>
<td>689,413</td>
</tr>
<tr>
<td>Travel</td>
<td>8,163</td>
<td></td>
<td>2,296</td>
<td></td>
<td>32,215</td>
<td>42,675</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>12,143</td>
<td>71,326</td>
<td>7,963</td>
<td></td>
<td>310,816</td>
<td>402,278</td>
</tr>
<tr>
<td>Total program and support expenses</td>
<td>$1,196,600</td>
<td>$3,249,286</td>
<td>$1,261,467</td>
<td>$</td>
<td>$2,025,118</td>
<td>$7,725,471</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
1) Organization and summary of significant accounting policies:

A) Organization – Puerto Rico Science, Technology and Research Trust (the Trust) is a not-for-profit organization, created by Act No. 214, of the Legislature of the Commonwealth of Puerto Rico (the Commonwealth) on August 18, 2004 (Act No. 214). On October 20, 2011, Act No. 208 was enacted to amend Act No. 214. The purpose of the 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. These projects are to be financed as follows: (i) the greater of $5,630,000 or 28% out of the monies deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO), for the fiscal years ended June 30, 2015 and 2014, (ii) the monies of Scientific Investigation Fund for the Centenary of the University of Puerto Rico (Centenary Fund), (iii) a special appropriation of $5,000,000 from the Improvements Fund, (iv) $5,000,000 from the balance of collections of federal excise taxes in accordance with Section 7652(a)(3) of the United States Internal Revenue Code 1986, as amended, (v) private donations, other government funds, and legislative appropriations, and (vi) effective fiscal year 2015-16, an annual assessment from the University of Puerto Rico and the Puerto Rico’s Department of Economic Development and Commerce determined based on certain administrative personnel costs incurred by the Trust.

The Act provides that the Board of Trustees, composed of 11 trustees, five of whom shall be members ex officio, representing the government agencies: 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 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 Trust prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for not-for-profit organizations. The significant accounting policies used by the Trust are as follows:

Basis of presentation – 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 – 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 – 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 – 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, 2015 and 2014:

- 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 in Note 7 that was contributed with the restriction of using it for the purpose described in Act No. 214 through the implementation of a Master Plan.

Accounting 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments – The Trust invests its cash reserves (restricted and unrestricted) in certificates of deposits (CDs) held at the Puerto Rico Government Development Bank. These CDs are open-ended instruments, yielding annual interest rates from 1% and 6.75%, depending on their maturity dates.

Allowance for doubtful accounts – 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, 2015 and 2014, 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 years ended June 30, 2015 and 2014, the Trust received contributed services for approximately $4,000 and $13,700, respectively.
Property and equipment and equipment under capital leases – Property and equipment are stated at cost, or if donated, at the fair value at date of receipt. Equipment under capital leases is stated at the net present value of the minimum lease payments. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Equipment under capital leases</td>
<td>Lease term</td>
</tr>
</tbody>
</table>

The Trust 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.

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.

Accounting for the impairment or disposal of long-lived assets – The Trust's long-lived assets held and used in operations (capital assets) are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Assets are considered to be impaired if the carrying amount of the asset exceeds the sum of the undiscounted cash flow expected to result from the use and eventual disposition of the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value. Assets to be disposed of, other than by sale, continue to be classified as held and used (capital assets) until they are disposed of. Assets to be disposed of by sale are classified as held for sale in the period in which certain criteria are met and reported at the lower of the carrying amount or fair value. At the time such criteria are no longer met, such assets are reclassified as assets held and used in operations.

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.

Fair value measurements – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market or observable inputs are the preferred source of value, followed by assumptions based on hypothetical transactions in the absence of market input.
The valuation techniques are based upon observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the entity's market assumptions. These two types of inputs create the following fair value hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- **Level 3** – Significant inputs to the valuation model are unobservable.

The Trust maintains policies and procedures to value financial instruments using the best and most relevant data available.

**Income taxes** – The Trust is exempt from Puerto Rico income taxes under the provisions of Act No. 214. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Trust follows the guidance for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management evaluated the Trust's tax positions and concluded that the Trust had taken no uncertain tax positions that require adjustments or disclosure in the financial statements.

**Functional allocation of expenses and operational expenditures** – The costs of providing the Trust's programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Certain costs have been allocated among the following programs and support activities:

- **Research and data-** includes expenses aimed to improve, analyze and/or strengthen the local research and development (R&D) infrastructure and the breadth of science and technology activity in Puerto Rico. These expenses, however, do not have a direct effect upon technology commercialization efforts. Examples of expenses within this function include: grants to support laboratory infrastructure, grants to attract or retain distinguished researchers, studies to determine R&D, Innovation, Knowledge Economy activity in the Island; and, salaries and professional services to support this area.

- **Technology transfer and commercialization-** includes expenses incurred in initiatives to support technology transfer and commercialization and direct investments in technology development projects which have a clear commercialization aim. Examples of expenses within this function include: intellectual property assistance, grants to further the development of technologies with a clear commercialization aim and plan; investment in technology commercialization accelerators and startup incubators, salaries and professional services to support this area.

- **Science City development-** includes non-capitalizable expenditures necessary for the on-going development and construction of sites at the Science City. These expenditures include salary and professional services to support this area, planning and assessment projects, security services to enable construction work, etc.

- **General and administrative-** includes all administrative expenses incurred to support all functional areas as described above which are not directly allocable to any of them. Example of these expenses include: administrative staff salaries, accounting fees, depreciation, utilities, etc.
• Fundraising—includes expenses incurred in soliciting contributions, gifts, grants, etc. Example of these expenses, include: publicizing and conducting fundraising campaigns, soliciting grants from foundations and government agencies, costs of participating in federated fundraising campaigns, preparing and distributing fundraising manuals, instructions and other materials. The Trust did not engaged in fundraising activities during the years ended June 30, 2015 and 2014.

Advertising and promotion — The Trust charges to operations advertising and promotion costs as they are incurred. During the years ended June 30, 2015 and 2014, the Trust incurred advertising and promotion expenses of approximately $199,000 and $29,700, respectively.

2) Concentration of credit risk:

Financial instruments, which potentially subject the Trust to concentration of credit risk, consist of cash deposits. As of June 30, 2015 and 2014, all of the Trust’s bank deposits, aggregating approximately $32,012,000 and $35,800,000, respectively, all of which are maintained with the Government Development Bank of Puerto Rico, are uninsured and uncollateralized.

3) Investments

Investments as of June 30, 2015 and 2014, consist of certificate of deposits (CDs) held at the Puerto Rico Government Development Bank, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
</tr>
<tr>
<td>CD, 1% rate yield, maturing in November 2015</td>
<td>$ -</td>
<td>$ 5,928,758</td>
</tr>
<tr>
<td>CD, 2% rate yield, maturing in November 2016</td>
<td>$ 25,265,337</td>
<td>-</td>
</tr>
<tr>
<td>CD 6.75% rate yield, maturing in March 2020</td>
<td>$ 48,499,015</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 73,764,352</td>
<td>$ 5,928,758</td>
</tr>
</tbody>
</table>

Restricted investments relate to undisbursed monies held by the Trust for the Scientific Investigation Fund for the Centenary of the University of Puerto Rico. During the years ended June 30, 2015 and 2014, interest earned from CDs were reinvested as part of the CD principal.

The Trust has categorized its investments into the three-level hierarchy, as defined in Note 1, based on the inputs to the perspective valuation techniques. These investments were categorized in Level 1.
4) Convertible promissory note receivable:

The Trust holds a convertible promissory note receivable with CDI Laboratories, Inc., for the amount of $889,695. This promissory note entailed an agreed upon conversion of prior support in the form of grants provided to the Company into this debt financing instrument.

This note is to finance Phase II of the Generation and Commercialization of Monoclonal Anti-bodies against the Human Proteome, taking place during 2010, 2011 and 2012. The note bears interest on the unpaid principal balance at a rate of three percent (3%) per annum, computed on the basis of actual date elapsed in a year from the date of the note to the repayment date. The principal amount of the note, plus any uncollected interest, is payable on demand at any time after the maturity date on January 31, 2017. No payments are due for the first three (3) years and thereafter, and all payments are amortized on a monthly basis during the remaining two (2) years until the maturity date.

The entire principal balance and accrued interest on this note may be converted into a secure loan, convertible promissory note, convertible note purchase agreement, equity agreement, common shares, reimbursement agreement or similar arrangement. The conversion into common shares of the company is to be calculated by dividing the entire outstanding balance by the fair market value of the common stock as of the maturity date.

5) Property and equipment, net:

As of June 30, 2015 and 2014, property and equipment consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>$100,727</td>
<td>$94,194</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>21,502</td>
<td>21,502</td>
</tr>
<tr>
<td></td>
<td>$122,229</td>
<td>$115,696</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended June 30, 2015 and 2014 amounted approximately $82,700 and $84,200, respectively, and it is presented as general and administrative expenses in the accompanying statement of activities and changes in net assets.
6) Building, net:

As of June 30, 2015 and 2014, the building consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Center Building- a three-story building which houses the Trust's</td>
<td>$2,638,949</td>
<td>$2,638,949</td>
</tr>
<tr>
<td>headquarters and provides space for both, the incubation of local hi-tech</td>
<td></td>
<td></td>
</tr>
<tr>
<td>startups and strategic service providers, creating a synergistic effect to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accelerate the commercialization of technologies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(113,098)</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>76,266</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$2,526,718</td>
<td>$2,525,851</td>
</tr>
</tbody>
</table>

7) Restricted land and property for research, development and infrastructure  
project related to science and technology:

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 Río Piedras 
Correctional Facilities (Oso Blanco State Penitentiary).

The Trust valued the land and property at $18,000,000, based on a market 
appraisal opinion report, dated October 20, 2008.

As established by Act No. 208, which amended Act No. 214, 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.

8) Program service payable:

Program service payable consists of accrued obligations related to program 
support grants awarded during the period through both, unrestricted and 
restricted funds.

The balance of program service regarding program support grants as of June 30, 2015 and 2014, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
</table>
| Program support grants payable – 
  unrestricted                             | $947,250 | $423,090 |
| Program support grants payable – 
  restricted                                | 44,000   | 703,000  |
| **Total**                                | **$991,250** | **$1,126,090** |
9) Obligations under capital leases:

The Trust leases certain assets under capital lease agreements expiring at various dates, the latest of which expires in 2018.

Future minimum lease payments for years ending subsequent to June 30, 2015 are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$6,600</td>
</tr>
<tr>
<td>2017</td>
<td>8,600</td>
</tr>
<tr>
<td>2018</td>
<td>3,300</td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>16,500</td>
</tr>
<tr>
<td>Less: Amount representing interest</td>
<td>1,959</td>
</tr>
<tr>
<td>Present value of minimum payments</td>
<td>$14,541</td>
</tr>
</tbody>
</table>

10) Rental income:

The Trust leases building spaces under operating lease agreements. The lease agreements are for periods of one year with a renewal option for an additional year. The aggregate minimum future rental income under these lease agreements for the year ending June 30, 2016 amounts to $40,800.

11) Supplemental disclosures for the statements of cash flows:

A) Non-cash from investing and financing transactions – During the years ended June 30, 2015 and 2014, non-cash investing and financing transactions consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer of restricted cash to investments</td>
<td>$ -</td>
<td>$6,890,000</td>
</tr>
<tr>
<td>Reclassification of equipment under capital leases to property and equipment</td>
<td>$ -</td>
<td>$11,776</td>
</tr>
</tbody>
</table>

B) Other cash flows information – During the years ended June 30, 2015 and 2014, the Trust paid approximately $1,800 and $3,000, respectively, in interest.

12) Subsequent events:

On October 23, 2015, the Board of Trustees approved the conversion of the promissory note receivable into shares of common stock of CDI Laboratories, Inc., as described in Note 4.

Subsequent events were evaluated through October 29, 2015, the date the basic financial statements were available to be issued.
Appendix B: Strategic Plan and Programs
WHAT IS THE TRUST?

- A private nonprofit organization created in 2004 to encourage and promote:
  - Innovation
  - Transfer and commercialization of technology and research
  - Creation of jobs in the technology sector

- We are also responsible for Puerto Rico’s public policy for science, technology, research and development
STRUCTURE

Council of Trustees
- Internal Auditor

Chief Executive Officer
- Lucy Crespo

Chief Operating Officer
- Iván Ríos Mena

Program Managers
- Gilberto Márquez
- Dr. Greetchen Díaz
- Sebastián Vidal
- Dr. Kosmas Kretsos
- Dr. David Gulley

Administrative Staff

Services Providers

Collaborators Network

STRATEGIC PLAN
MISSION

We invest, facilitate and build capacity to continually advance Puerto Rico's economy and its citizens' well-being through innovation-driven enterprises, science and technology and its industrial base.

VISION

By 2022, the Trust transformed Puerto Rico into a globally recognized innovation hub that develops, attracts, and retains scientists, technology entrepreneurs, and enterprises to unlock world class creativity and competitiveness.
VALUES

INTEGRITY

ACCOMPLISHMENTS AND RESULTS

COLLABORATION

LEADERSHIP/ADAPTABILITY

ACCOUNTABILITY/COMMITMENT

OPTIMISM/RESPECT

CUSTOMER-CENTRIC

ENTREPRENEURSHIP SPIRIT

DESIRE TO INNOVATE

BE A FACILITATOR

Puerto Rico Science, Technology and Research Trust Strategy Map

Customers/Stakeholders

Financial Stewardship

Internal Process

Organizational Capacity

Increase Customer & Stakeholder Satisfaction

Increase Innovation Capacity of Puerto Rico

Increase R&D Fund Availability

Increase Diversification of Fund Sources

Improve Utilization of Funds

Improve Technology Transfer

Improve Business Development Capacity

Improve Governance

Improve Staff Capacity & Capabilities

Improve Virtual Tools

Improve Use of Physical Infrastructure

Increase Quality of Services & Programs

Increase Accessibility of Programs

Improve Strategic Partnerships

Improve Outreach

Improve External Communication

Improve Internal Communication

Strengthen Internal Culture

Improve Virtual Tools

Improve Use of Physical Infrastructure

Improve Internal Communication
### STRATEGIC PERFORMANCE MEASURES

#### OBJECTIVES

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Performance Measures</th>
</tr>
</thead>
</table>
| Customers/Stakeholders | Increase Innovation Capacity of Puerto Rico  
  - Number of New Innovation-Driven Enterprises  
  - % Increase in GDP Contribution from Innovation-Driven Enterprises |
|             | Increase Customer and Stakeholder Satisfaction  
  - % Increase in Customer/Stakeholder Satisfaction Index |
| Financial Stewardship | Increase Research and Development Fund Availability  
  - % Increase in R&D Budget from non-Puerto Rico  
  - % Increase in R&D Funding for Puerto Rico  
  - % Increase in PR Private Sector spending on R&D |
|             | Increase Diversification of Fund Sources  
  - Ratio of dependency on governmental funding  
  - Ratio of earned income to governmental funds  
  - Ratio of private sources of funds to governmental funds |
| Internal Process | Improve Utilization of Funds  
  - % Increase in funds for Puerto Rico  
  - % Increase in Puerto Rico spending from Private Sector |
| Internal Process | Improve Technology Transfer  
  - # Invention disclosures  
  - # Patents, copyrights, intellectual property-related |
| Internal Process | Improve Quality and Services of Programs  
  - # of faculty, researchers, etc. |
| Internal Process | Improve Accessibility of Programs  
  - % Increased Geographic Coverage  
  - % Increased Gender Coverage |
| Internal Process | Improve Strategic Partnerships  
  - Number of new partnerships established  
  - % Increase in Return on Relationship Index from partnerships |
| Internal Process | Improve Outreach  
  - Number of Education Institutions Coverage  
  - Number of Successful Lobbying Engagements |
| Internal Process | Improve Business Development Capacity  
  - Science City occupancy rate  
  - % Increase in number of new S&T businesses developed |
| Internal Process | Improve External Communication  
  - # of media channels  
  - % Increase in Customer/Stakeholder Communication Satisfaction Index |
| Internal Process | Improve Internal Communication  
  - % Increase Communication Trustee Satisfaction Score  
  - % Increase Communication Employee Effectiveness Score |
| Organizational Capacity | Improve Use of Physical Infrastructure  
  - # of new tenants in Science City  
  - # of researchers attracted & retained as a result of Science City incentives/benefits |
| Organizational Capacity | Improve Virtual Tools  
  - # of data sets available  
  - # of trust program tools available |
| Organizational Capacity | Strengthen Internal Culture  
  - % Increase of successful Trust initiatives  
  - % Increase in Internal Culture Satisfaction Index |
| Organizational Capacity | Improve Staff Capacity and Capabilities  
  - % Increase in number of staff with certifications, for example, PMI certification |
| Organizational Capacity | Improve Governance  
  - % of projects and initiatives completed on time and on budget  
  - # of days to decision-making and funding decisions |

#### STRATEGIC INITIATIVES - PRIORITIES

1. Establish Clinical Trials Office
2. Implement Innovation-Driven Enterprises Program (Startup Puerto Rico)
3. Develop and implement Technology Transfer and Commercialization Program
4. Expansion of Grants Program
5. Implement Science City Strategy
**STRATEGIC INITIATIVES - OTHERS**

- Implement Partnership Outreach Program
- Implement Communications Strategy
- Design S&T Award and Recognition Program
- Design and Implement Trust Networking Series
- Identify Processes, Tools & Opportunities to increase effectiveness with Trustees
- Develop IT Infrastructure Strategy for Trust to Identify IT Tools, Processes and Systems
- Develop & Implement Technology Transfer Commercialization Program
- Develop & Implement Formal Customer Training program
- Design a Series of Conferences
- Establish a Fund Raising Program
- Implement Innovation Driven Enterprises Program
- Develop & Deploy Skill Development Curriculum for Trust Employees
- Implement Tools and Processes to Measure and Improve Customer Satisfaction Index
- Implement Trust Process Improvement Program
- Setup a Puerto Rico Science and Technology Think Tank
- Establish a Clinical Trials Office
- Develop a Bio Pharma/CMO Strategy
- Develop & Implement Bio-prospective Strategy
- Develop and Implement Tropical Diseases Strategy
- Implement the Grants Expansion Plan
- Implement Science City Strategy

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**PILLARS**

- Science and Research
- Human Capital
- Commercialization and Entrepreneurship
- Infrastructure
SCIENCE AND RESEARCH

1. Science and Technology Grants RFP
   • Advance local science and tech. projects, and foster solutions to local issues
   • Biotech/Life Science, Aerospace, Info./Comm., Med. Devices, Clean Tech, Clean Energy,
     Agriculture, Environmental Science
   • Up to $150,000 grant

2. Small Research Grants Program
   • Help make R&D proposals more competitive for submission to private and federal agencies
   • Up to $70,000 grant

3. Law 101
   • Foster highly competitive research (Ex. R01, R21, etc.)
   • Tax benefits up to $181,500 salary (2014)

HUMAN CAPITAL

1. Researchers Startup Funds Program
   • Help universities to attract outstanding scientists
   • Up to $900,000/5 years

2. Codetrotters Academy & IOS Foundation

3. Young Entrepreneurship Education System

4. Ciencia Puerto Rico
COMMERCIALIZATION AND ENTREPRENEURSHIP

1. SBIR/STTR Matching Funds Program
   - Foster increased commercialization of research
   - 1-to-1 matching funds for Phase 1 SBIR/STTR proposals
2. Entrepreneurship Initiatives
3. Startup Puerto Rico
4. Office of Science and Technology Commercialization

INFRASTRUCTURE

1. Innovation Center Dry Labs (PRSTT Headquarters)
2. Bioprocess Development and Training Complex (BDTC)
3. Molecular Science Building
4. Comprehensive Cancer Center (CCC)
5. Puerto Rico Energy Center (PREC) – Innovation Accelerator
6. Science City
Appendix C: Press Releases
Renowned businesswoman set to lead the
Puerto Rico Science, Technology & Research Trust

*Luz A. “Lucy” Crespo is the new Chief Executive Officer of the organization*

San Juan, Puerto Rico – Alberto Bacó, president of the Council of the Puerto Rico Science, Technology & Research Trust, announced today the appointment of Luz A. “Lucy” Crespo as the organization’s new chief executive officer. The appointment represents a key step forward in the development of a Puerto Rico’s public policy focused on research in science, technology and innovation, as a means to driving the Island’s socio-economic growth.

“Our priority is to strengthen Puerto Rico’s economic growth, and the Trust plays a fundamental role in its development. With this appointment we reinforce our focus on creating initiatives that drive the reinforcement of a knowledge and innovation-based economy, concentrating mainly on the country’s human capital and intellectual property. With her global experience and background, Lucy is the consummate professional to move the Trust’s work agenda forward,” said Bacó.

For her part, Lucy Crespo thanked to the Council for trusting her on this endeavor and commented that “The Trust is a key ingredient in Puerto Rico’s continuing transition toward a knowledge economy. Our objective is to continue to reinforce the science and technology industry in Puerto Rico, as well as intellectual property backed by research in innovation. We also seek synchronization between the government, academia, and the private sector. By driving innovation, the commercialization of technology and high-tech job creation, the Trust becomes an agent of change and promotes Puerto Rico’s competitiveness on a global scale.”

Crespo said that her work agenda focuses on making the Trust an important crucible of scientific research and development in the Americas, fueling the search, commercialization, and manufacture of innovative technologies, with the goal of strengthening Puerto Rico’s role in the global knowledge economy. As such, the Trust’s work agenda adheres to four operational pillars: science and research, talent management, entrepreneurship, and world-class infrastructure.
The announcement was made during a meeting of the Council of Trustees, in which several of the initiatives in development that make up the Trust’s vision for the future were also mentioned. These include a second Request for Proposals for science and technology research grants, the creation of the Technology Transfer Office, support of activities aimed at fueling startups and entrepreneurship, the creation of a steering committee to lead bioprospecting activities, launching the second phase of the Science Boulevard to connect the Comprehensive Cancer Center and the Science Center, the Trust’s emblematic project; and strengthening alliances with a wide range of private sector industries that work together with the public sector and academia.

Crespo brings to the table more than three decades of proven experience. For over 30 years she holds several positions in Hewlett-Packard Puerto Rico Manufacturing Operation in Aguadilla being the latest as general manager of the Business Enterprise division. On her list of professional achievements are the development, implementation and management of activities such as new product launches, research and development, manufacture, business development, re-engineering processes, and others. She lent operational support to endeavors in Europe and Mexico, and was also in charge of UNIX operations on Latin America.

Crespo was the first woman to become president of the Puerto Rico Manufacturer’s Association and has been recognized and awarded in the industry’s highest forums, including, among others, the Sales & Marketing Executives Association, the Chamber of Commerce, the American Society for Quality Control, and the “Colegiala Ilustre” of the University of Puerto Rico, Mayagüez campus, her alma mater. She was also a member of the Manufacturing Advisory Board under the administration of Governor Luis Fortuño.

###
First grants awarded in Puerto Rico to researchers for the development of 12 scientific projects

The Puerto Rico Science, Technology & Research Trust
Strengthens knowledge economy agenda

San Juan, Puerto Rico – The development of new drugs against malaria, the creation of hybrid technologies to further communications and aviation, as well as advances in biotechnology to purify water, are several of the initiatives that will be made possible thanks to the awarding of grants for 12 scientific projects, given by the Puerto Rico Science, Technology & Research Trust.

According to the Trust’s chief executive officer, Lucy Crespo, the first research funding program in Puerto Rico will grant $150,000 to each of the projects that were chosen from a total of 43 proposals stemming from academia, nonprofits, and the private sector. Of the 12 projects that were chosen, nine were from academia (three from the University of Puerto Rico and one from the Metropolitan University) and three from for-profit entities (Tailwind Medical Devices, Pathways PR, and ComQuest Ventures).

“This is a historic moment for Puerto Rico. With these projects we are sharing with the international scientific community that as a country we have an excellent capacity for research and that we are taking the right steps to become an international hub for innovation, commercialization, and scientific and technological development. This is the first time that a program of this kind is implemented on the Island, one aimed at providing funds to further the Puerto Rico’s agenda for scientific, research, and technological development. This initiative will allow Puerto Rico to aggressively move toward a knowledge economy,” said Crespo during the grant award ceremony at the Trust’s headquarters.

The executive explained that in the first Request for Proposals for the grants, the Trust received 234 letters of intent, of which 43 went on to the second round. Crespo added that the process “sought to guarantee the financing of the more promising research and development projects.”

In alignment with recognized national grant models such as National Science Foundation (NSF) and National Health Institute (NIH), and in order to assess the scientific merit of the grant applications in a fair and independent manner, each proposal was thoroughly evaluated by worldwide experts with strong academic, scientific, and technological expertise. After individual review by the experts, the panel convened to discuss their various opinions on each proposal before choosing those that would be recommended for funding.

Of the projects that will receive $150,000 for a one-year period, seven (7) are in the area of biotechnology and life sciences, three (3) are from the realm of aerospace, one (1) deals with medical devices, and one (1) is related to information technology.
In addition to the awarding of these funds, the grants program also offers support to the *Small Research Grants Program*, created to provide up to $70,000 in funding to help improve and position research and development proposals that are to be submitted to private or federal agencies. Another segment that is benefitted is the *Researcher’s Startup Fund Program*, which is a mechanism to help universities in Puerto Rico to attract and recruit renowned scientists that are well regarded in their respective area of research and are interested in working on the Island. Likewise, *SBIR/STTR Matching Funds* is another segment of the grants program that provides economic support by matching funds that are received by the researchers.

###
IMPRESIÓN 3D Y SU IMPACTO EN LA MEDICINA, ODONTOLOGÍA Y MANUFACTURA LOCAL

_Fideicomiso para Ciencias, Tecnología e Investigación_ presenta el “1st Annual 3D Printing Caribbean Conference”

_San Juan, Puerto Rico_ – Los avances de la tecnología más innovadora de impresiones tridimensionales (3D) y su impacto en los servicios dentales y médicos, se presentarán en el _1st Annual 3D Printing Caribbean Conference_, evento organizado por Rich Port 3D Solutions y que el Fideicomiso para Ciencia, Tecnología e Investigación de Puerto Rico (FCTIPR), auspiciará en la segunda semana de noviembre.

Según Lucy Crespo, Principal Oficial Ejecutiva del FCTIPR, “los avances en la salud dependen grandemente del acceso a las nuevas tecnologías. Ya el sector de la salud, junto a muchos otros, ha sentido el impacto de la tecnología 3D. En el futuro se vislumbra un impacto mucho más notable y por eso este congreso es una oportunidad de ver de primera mano las tecnologías disponibles”.

Destacados profesionales en diversas áreas, discutirán las avanzadas tecnologías que los médicos y dentistas pueden utilizar en sus evaluaciones a fin de ser más precisos en sus diagnósticos y tratamientos. Se realizarán diferentes charlas sobre los diversos “scanners” orales, moldes, equipo de impresión 3D y sus respectivas aplicaciones.

La Dra. Jenny Carrero en representación de Rich Port 3D Solutions explicó que, “la misión de la primera Conferencia Anual de impresión tridimensional (3D) en el Caribe tiene como propósito principal el poder proporcionar una vía para que los profesionales del Caribe pueden aprender acerca de las posibilidades de la impresión tridimensional (3D) para su industria. También servir de plataforma para los profesionales del Caribe que actualmente trabajan en proyectos de impresión tridimensional (3D) para mostrar su trabajo y finalmente ser un catalizador para más proyectos y colaboraciones centradas en la impresión tridimensional (3D) para Puerto Rico y el Caribe”.

El énfasis será la posibilidad y oportunidad que esta tecnología le brinda a Puerto Rico, en adición la doctora Carrero de Rich Port 3D Solutions, discutirá el primer estudio sobre cirugía ginecológica en Puerto Rico.

Por su parte, Vicente Gascó, de Tredé, y Carlos Vélez, de 3D Creations, presentarán cómo usar la impresión 3D para ayudar a pacientes con problemas de movilidad, y la construcción de prótesis. También explicarán el proceso de ir del “scanning” al desarrollo de modelos médicos.
El evento también contará con charlas sobre el uso de la impresión 3D en el mundo tecnológico industrial. El Dr. Carlos Silva, de la Universidad del Turabo, presentará casos reales del uso de esta tecnología. Por su parte, Antonio Negrón y Luis Berriós, de Florida Turbine PR, presentarán el futuro y los retos de la manufactura en la industria de las turbinas de gas.

Lucy Crespo, en representación de FCTIPR, hablará sobre el futuro de la manufactura en Puerto Rico y el impacto que la tecnología de impresión 3D puede tener en la misma. Como parte de la conferencia se exhibirán modelos dentales y prototipos industriales, y habrá expertos que podrán explicar todo lo relacionado a esta tecnología, se informó.

El evento, que se celebrará desde el miércoles 11, al viernes 13 de noviembre, en la sede del FCTIPR, localizado en los antiguos terrenos de la penitenciaría estatal de Río Piedras, forma parte de una alianza con Rich Port 3D Solutions y K&L Marketing Services. Para más información del evento, que será abierto al público, pueden visitar http://richport3devents.com.

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English Version

PR Science, Technology and Research Trust presents
"1st Annual Caribbean Conference 3D Printing"
Conferences and exhibitions detail impact of 3D printing on health

San Juan, Puerto Rico – The advances of the latest 3D technology, three-dimensional impressions and their impact on dental and medical services, will be presented at the 1st Annual Caribbean 3D Printing Conference, an event hosted by the Puerto Rico Science, Technology and Research Trust (PRSTRT), during the second week of November.

According to Lucy Crespo, Chief Executive of PRSTRT, "advances in health depend greatly on access to new technologies. Diagnosis and treatment also depend on the accuracy of the tests and prints obtained, so this conference is an opportunity to see firsthand the technologies that are available."

Outstanding professionals in various fields will discuss the advanced technologies available so doctors and dentists can be more precise in their diagnoses and treatments, Crespo explained.
Dr. Jenny Rich Port Carrero from 3D Solutions and Ramon Flores, from Envision TEC Caribbean, will present conferences and explain details about various oral "scanners" molds, 3D printing equipment and their applications. Meanwhile, Gasco Vicente of Trede, and Carlos Velez, representing 3D Creations, will talk about the use of 3D printing to help patients with mobility problems, and construction of prostheses. They will also explain the process that takes place from "scanning" to the development of medical models.

The event will also feature lectures on the use of 3D printing technology in the industrial world. Dr. Carlos Silva of the University of Turabo will present case studies of the use of this technology. Meanwhile, Antonio and Luis Berrios Negron, representative of Florida Turbine PR, will lecture about future challenges of the manufacturing industry in gas turbines.

Crespo, Senior Executive of the Trust, will be the keynote speaker at the event. The executive will discuss the future of manufacturing in Puerto Rico and the impact that 3D printing technology can have on it.

As part of the conference, three-dimensional printers will be exhibited in action, both dental and medical, and industrial models and prototypes, with experts who can explain everything related to this technology. The event, to be held from 11 to 13 November, at the headquarters of PRSTRT, located on the former grounds of the Río Piedras State Penitentiary, is part of an alliance with Rich Port 3D K & L Solutions and Marketing Services.

For more information on the event, which will be open to the public, you can visit http://richport3devents.com.

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