

Investment Committee

As of March 31, 2002 total assets of the URI Foundation at market value were \$77,951,000 compared to \$77,765,000 the prior year. Of these assets \$75,330,000 was invested under the guidance of this committee. The remainder is primarily property holdings, boats and stock the Foundation obtained through gifts. The \$75,330,000 of invested assets is divided into \$74,617,000 of principal assets and \$713,000 of earned income balances.

The Grants fund held \$15,616,000 of invested principal assets, about level with last year, as money continues to come in for the Convocation Center, Ballentine Hall, and Green Hall campaigns.

\$15,371,000 of the total Grants fund is invested by Fleet Bank in money market and government bonds of one to three years' duration. \$149,000 remains in loans to the University for buildings. \$96,000 is invested in Dreyfus money market. The Grants fund must be kept fairly liquid since it is primarily for immediate donor designated University purposes such as research, scholarships, buildings, etc. In addition, Fleet also held \$339,500, which is available for the Foundation's operations.

The balance of investments in endowment funds. Our asset allocation policy was changed this year from 30% bonds and 70% equities to 20% bonds and 80% equities. The equity portion is now diversified into 55% large capitalization, (30% growth, 25% value) 15% international, and 15% each small and medium capitalization stocks. In fiscal 2002 the committee voted to add a mid-cap manager to the mix, and after a search procedure selected Calamos Investments of Naperville, Illinois. Distribution to the University from endowment is determined on a total return basis. For fiscal 2003 the Foundation Board voted to distribute over \$2.5 million from endowment to the University for scholarships, library, etc. In addition, the Board approved \$438,000 to support advancement and \$272,500 for specific University programs such as competitive grants and scholarships.

Endowment principal totaled \$58,661,000 on 3/31/02, which included the new Foundation building. The size of the endowment is unchanged from last year. There were gifts and other net receipts of \$1,989,100 a realized loss \$2,095,292 and an unrealized gain of \$1,018,628.

Gross earned income for the 2001–2002 fiscal year was \$2,488,560. Based on 3/31/02 investments, estimated gross earnings for 2002–2003 year are \$2,050,000. The \$438,560 anticipated decrease in earnings, for 2002–2003 is due to the decrease in bond yields and the changes in our asset allocation.

Investment performance for each fund for the past fiscal year is shown in Table B as yield (income as percent of market value), plus appreciation of market value, to arrive at total return (expressed as percentage of market value). Whereas we are primarily interested in total return, note the wide variations in yield versus appreciation by funds.

For the endowment funds our asset allocation policy, which was originally adopted by this committee in February 1994, amended in December 1995, was amended again in December 2001 from 30% in bonds and 70% in equities to 20% in bonds and 80% in equities. The remainder of our invested assets is in fixed U.S. Government obligations, corporate bonds, and money market funds. The Grants fund is invested primarily in cash equivalents and short-term bonds for immediate availability to the University.

The total return on all investments for last fiscal year was 1.5% as compared to a 1.7% return from a weighted index. The General Endowment had a return of 0.5% compared to an identical return for the corresponding indices. For the calendar year total return on all investments was -1.5% compared to -4.6% for the weighted index. The General Endowment had a return of -3.6% compared to -6.7% for the weighted index.

I should like to give credit to our professional investment managers: Robert Armknecht and Marie Schofield of Columbia Management Group, John Bruce of Flippin, Bruce and Porter, Robin Kollannur of Brandes, Mark Genovise of Driehaus Capital Management, Erich Weissenberger of Suffolk Capital Management, Inc. and Ray Bovich of Calamos Investments. I would also like to thank the members of the Investment Committee for their informed participation and dedicated service.

Investment Committee: Albert E. Carlotti, Chair; Sarah Dowling, Joseph G. Formicola, George Graboyes, Manoog T. Heditian, James W. Leslie, Blanche R. Murray, Nathaniel J. Nazareth, Daniel J. Pendergast Jr., Ann M. Spruill, H. Winfield Tucker, Charles H. Wharton, Alan G. Zartarian, Caroline T. Kaul, ex-officio. Robert C. Coleman, Ruth Jarrett, Staff.

Table A. Invested Funds (as of 3/31/02)

	Market Value	12 Months Estimated Earnings (3) (In Thousands)	Current Yield (On Market) (In Thousands)	Earned Income Balances (4) (In Thousands)
Endowments				
General (balanced fund)*	\$53,645	\$1,249	2.3%	\$ 112
Pharmacy (for student aid)	1,280	25	2.0%	31
Loan Balance (1)	712	64	9.0%	-0-
Gift Annuity	756	15	2.0%	-0-
Foundation Building	2,268	-0-	0.0%	-0-
Total Endowments	\$58,661	\$1,353	2.3%	\$144
Grants				
Fleet	\$15,371	\$665	4.1%	\$545
Loan Balance (1)	149	15	10.0%	-0-
Dreyfus Basic Money Market	96	2	1.8%	24
	\$15,616	\$682	4.4%	\$593
Foundation Operations (Fleet)(4)	\$340	\$15	4.4%	-0-
Total Assets	\$74,617	\$2,050	2.7%	\$713

Table B. Investment Performance (for 12 months ended 3/31/02)

	Yield on Market Value	Appreciation + Depreciation -	Total Return (5)
General Endowment			
Fleet Bonds	6.2%	-1.2%	5.0%
Fleet Equity	1.0%	-5.4%	-4.4%
Suffolk Capital Mgt	1.2%	-2.9%	-1.7%
Flippin, Bruce & Porter	1.7%	7.3%	9.0%
Brandes Investment Partners	2.6%	-3.5%	-0.9%
Driehaus	0.1%	-16.7%	-16.6%
Calamos Investments	0.6%	1.5%	2.1%
Loan (1)	9.0%	0.0%	9.0%
Fleet Money Market	1.6%	0.0%	1.6%
Pharmacy Endowment (Fleet)	2.0%	-6.2%	-4.2%
Gift Annuity	2.0%	-3.7%	-1.7%
Grants			
Fleet	4.7%	0.5%	5.2%
Loans(1)	10.0%	0.0%	10.0%
Dreyfus Basic Money Market	1.7%	0.0%	1.7%
Total return—All Invested Assets			
fiscal year	1.5%		
calendar year	-1.5%		
Total return—General Endowment			
fiscal year	0.5%		
calendar year	-3.6%		
Market Indices			
Standard and Poors 500 Stocks	0.2%		
EAFE	-8.5%		
Russell 1000 Equal Weighted	6.2%		
Russell 2000	14.0%		
Lehman Aggregate	5.3%		
90 Day Treasury Bills	1.7%		
Money Market Funds	1.7%		

*Of this total, Fleet Bank held 17.9% (\$9,589,000) in bonds and 16.2% (\$8,716,000) in equities, Suffolk 13.3% (\$7,161,000) in equities, Flippin 21.0% (\$11,268,000) in equities, Brandes 16.1% (\$8,594,000) and Driehaus 5.9% (\$3,164,000) in equities and Calamos 9.6% (\$5,153,000).

Notes for Table A.

(1) In April 1988 the Foundation agreed to lend \$400,000 for the construction of a Fisheries building. The principal balance on 3/31/02 was \$149,000. The interest rate is 10%. In 1995 the Foundation made a loan of \$80,000 at 10% to the W. Alton Jones Campus for a new cabin. Repayment schedule is eight years. There was a balance of \$14,000 in the Jones Campus loan. In June 1999 the Foundation made a loan of \$650,000 for the purchase of equipment for the Rapid Manufacturing Center in the College of Engineering. The principal balance on 3/31/02 was \$549,000. The interest rate is 8.5% and payments are over an eight-year period. In May 2000 the Foundation made a loan of \$212,000 to URI for the purchase of the new facility for the Department of Safety and Risk Management. The interest rate is 10% over a five-year period. The principal balance is \$150,000. All loans provided by the Foundation to the University are backed by the Board of Governors for Higher Education. Interest rates are prime plus 1% at the time the loan agreement is approved by the Foundation. In October 2001 the Foundation agreed to lend \$200,000 over an eight-year period to the W. Alton Jones campus for various repairs at an interest rate of 6.5%. The loan will not be made until fiscal 2003.

(2) Estimated earnings for 2002–2003 will be charged with an amount equal to 1.6% of the January 31, 2002, market value of invested assets of \$72,040,000 for investment fees (.6%) and Foundation management expenses (1.0%).

(3) The income balances on 3/31/02 were transferred to the University in early April for fiscal 2002 expenses or rolled over to principal, except for the Grant's fund income balance that forms part of the fiscal 2003 Foundation budget revenue.

(4) This category includes the Foundation's reserve account, boat program operating account, and other funds for the operation of the Foundation.

(5) Total return performances, net of fees is calculated by the individual investment managers.

Table C. Composition of Holdings in Our Portfolio (Principal only as of 3/31/02)

	Carrying Value \$ (In Thousands)	Market Value \$ (In Thousands)	% of Market
Endowments			
Cash & Equivalents (Comm'l paper money market funds)	\$1,280	\$1,280	2.2%
Fixed Income (Gov't obligations, corporate bonds, pref. stocks)	9,634	9,733	16.6%
Equities (common stocks)	39,854	44,668	76.1%
Loans	712	712	1.2%
Foundation Building	2,268	2,268	3.9%
Total Endowments	\$53,748	\$58,661	100.00%
Grants & Foundation Operations			
Cash Equivalents	\$1,671	\$1,671	10.5%
Fixed Income	14,013	14,136	88.6%
Loans	149	149	0.9%
Total Grants	\$15,833	\$15,956	100.00%
Grand Total	\$69,581	\$74,617	

Table D. Deferred Gifts By Life Income Contract (Contracts in Force as of 3/31/02)

These are held in trust and managed by the Investment Committee, but will not become assets of the Foundation (as charitable remainderman) until donors are deceased or a trust ends in a certain number of years. The charitable gift annuities are included in total assets, the others are not.

	Number	Gift Value
Charitable Gift Annuities	41	\$886,200
Charitable Gift Annuity Held by Brown Univ.	1	25,000
Charitable Gift Annuity Held by RI Foundation	1	10,000
Charitable Pooled Life Income Fund	3	33,493
Annuity Trusts and Unitrust	19	3,705,994
	65	\$4,660,687

URI Foundation, as remainderman, has already received into assets. 31 \$1,583,586

In addition the Foundation owns and is named as beneficiary of 11 life insurance policies with a total face value of \$3,375,250. The Foundation has already received as beneficiary \$1,000,000 into assets.

Table E. Properties Owned By Foundation

Table E lists properties owned by the Foundation, all of which will eventually be sold and the proceeds invested. Other committee reports will provide details on some of these assets. The Investment Committee has no responsibility for these assets.

	No. of Donors	Value
Furniture & Equipment	0	\$56,479
Real Estate with Life Tenancy	1	60,000
Other Real Estate	1	161,000
Other Land	2	52,364
Boats	65	1,939,717
Other Gifts in Kind	17	315,570
Restricted Stock	1	35,000
Other Investments	1	800
	88	\$2,620,930

Planning/Building Committee

The URI Foundation Building located at the corner of 79 Upper College Road opened for business 22 February 2002 amidst trades people enmeshed in their final individual stages of completion. The building site was formerly occupied by Alpha Tau Gamma, 1931-1954 and Sigma Nu-Zeta Rho Chapter, 1954-1996.

Munroe and Associates have done a wonderful conceptual job of blending our varied needs with the architectural character of the University of Rhode Island Campus, especially the Upper College Road aspect. The building setback honors those existing structures currently on Fraternity Row and the rather simplistic New England farmhouse style, while combining the soaring, round-top windows and use of glass found on Edwards Hall across Upper College Road.

Regency Building & Engineering, selected as the lowest bidder from a list of four very capable construction firms, worked diligently to complete this project on time and on budget.

Funding for this 10,648 sq.ft. structure came from contributions to unrestricted URI Foundation funds.

Planning/Building Committee: Caroline T. Kaull, Chair, Mary A. Gray, Manoog T. Hedsian, James A. Hopkins, Daniel J. Pendergast Jr. Robert C. Coleman, Donna M. Judevine, Ruth Jarrett, Staff.

Patent Committee

The University of Rhode Island Foundation was designated licensing agent for the patents, trademarks, and copyrights developed on the URI campus by Rhode Island law in 1982. Foundation activities in this broadly based area come under the jurisdiction of the Rhode Island Board of Governors for Higher Education. Shown below is the breakdown of total income generated by these various programs during the past five fiscal years.

The total increase in program income reflects the timing of payments from Johnson and Johnson coupled with the resumption of a more normal payment schedule in the area of Grass Seed. The combination of copyright income from Johnson and Johnson together with contributions from Pacific Capital Markets Research Center continued to account for the majority-share on the income side. Grass seed patent sources together with URI trademark income contributed to the remaining balance. Our trademark program continues to be managed most effectively by The Collegiate Licensing Company. Together, we are making inroads in creating awareness of the URI marks. The remaining balance is distributed on the

basis of a formula approved by the Board of Governors for Higher Education. The University's share amounted to more than \$550,000 this past fiscal year.

With the recent addition of personnel in the licensing field at the University, we anticipate acceleration in program income growth over the next twenty-four months. The prospects for the smaller intellectual property based equity ventures continue to be an avenue for further exploration during the next twelve to eighteen months and one which ultimately might prove most rewarding.

Further Support for Intellectual Property at URI

As part of the 2001-2002 budget, \$40,000 was allocated to encourage prototype development of existing intellectual property. An RFP was issued during the fall of 2001, and funding recommendations were made by the University Intellectual Property Committee and the Foundation Patent Committee which were approved at the November meeting. Funding support for four proposals amounting to \$40,830 was approved.

- \$10,000 to develop and test and further test thermochromic pigments

for safety and convenience applications.

- \$10,830 for further evaluation of SCSI-TO-IP Cache Storage.
- \$10,000 to improve the manufacturing process for an infrared imaging system using PVDF sensors.
- \$10,000 for developing corrosion-based sensors embedded in coating systems.

\$40,000 was approved to further encourage prototype development for fiscal 2002-2003.

During this past year, Donald E. Letendre, Ph.D., the new dean of Pharmacy at the University of Rhode Island and Joseph N. Waller, '69 College of Engineering, Retired Brigadier General-United States Air Force, joined our committee. We extend our thanks to former member David E. Brook for his assistance while a member of the Patent Committee.

Patent Committee: Henry J. Nardone, Chair, Philip A. Ayoub, Louis T. DiFazio, J. Terence Feeley, Thomas J. Kim, Donald E. Letendre, Raymond G. Lundgren Jr., Ralph Lux, Louis A. Luzzi, Edmund V. Marshall, Thomas M. Ryan, Quentin C. Turtle, Joseph N. Waller, Charles H. Wharton, Caroline T. Kaull, ex officio. Robert C. Coleman, Staff.



Program Income

Fiscal Yr.	Income	URI Operating	URI Endowment	Dept./ College	Other	Total University Share	Inventors Share	FDN Share
1997	986,190	42,626	127,876	362,986	80,620	614,108	344,379	27,703
1998	946,284	38,937	116,811	351,919	127,034	634,701	285,909	25,674
1999	823,385	34,363	103,086	374,761	37,301	549,511	247,361	26,513
2000	778,678	32,352	97,055	386,679	26,330	524,416	226,830	27,432
2001	699,497	22,207	66,624	341,508	28,994	459,333	160,949	21,735
2002	887,014	37,641	112,918	371,997	31,851	554,407	278,737	31,851