



KECK GRADUATE INSTITUTE
of Applied Life Sciences

ANNUAL REPORT
2007-2008

MESSAGE

from the President and Chair of the Board



SHELDON M. SCHUSTER



ROBERT E. CURRY

A NEW EXPERIMENT

EXPERIMENTATION AND INNOVATION serve as the basis for all great endeavors. The only way to advance a discipline, whether it is biochemistry or higher education, is to move forward in a direction that few or perhaps none have traveled. Experiments are risky. They come without guarantees or certainty of success. But they do come with opportunities for great reward. Forging a new path, a new way of educating, a new way of communicating offers the excitement of discovery and the satisfaction of success in knowing one's ideas, instincts and intentions were sound.

Keck Graduate Institute is all about innovation and new approaches. From the beginning, our founders had a grand idea for a bold experiment—a new venture in higher education that set out to fuse business and science in a new kind of graduate study. Our program would produce young leaders trained to guide and shape the applied life sciences industry. In the mid-1990s, science-based industries began to demand graduates who were familiar with science and the *business* of science—individuals who understood the challenges of discovering a new cure, seeking approval for it, and marketing it so the public could realize its benefits.

KGI set out to prove this hybrid education of business and science could succeed. In doing so, we became a pioneer in a new field of higher education, today known as the Professional Science Masters (PSM). The development of the PSM represented the first significant change in American science education in the last 40 years. The creation of this new model of graduate education prompted the nation's leading research body—the National Research Council in Washington, DC—to conduct a study examining the PSM. Released this past summer, the NRC report (“Science Professionals: Master’s Education for a Competitive World”) highlights the specific role that KGI played in establishing this dynamic new trend in higher education.

“Exciting experiments in master’s education over the last decade—the Master of Biosciences (MBS) program at the Keck Graduate Institute of Applied Life Sciences...have shown that graduate education in these fields can prepare students for advanced science-based work in a way that is highly desired by employers,” wrote the authors of the report.

This report validated our own findings compiled in the process of building our MBS program. Today, life sciences companies compete for the opportunity to hire our students, both for summer internships and career positions after graduation. Our faculty have established themselves as leaders in the development of hands-on, team-based learning—the best example of this is our Team Masters Project, which no other institution or PSM requires as part of the degree program—while also garnering substantial external research funds, filing patents, starting companies and publishing in the most prestigious journals. These achievements are indeed rewarding; the hard work and contributions of our faculty, students, staff and supporters have paid important intellectual dividends.

But the experiment is not over. Maintaining our position as a leader in this unique branch of higher education demands that we continue to experiment and explore initiatives. The report you see here is an example of our commitment to taking an innovative approach regarding communications with supporters and stakeholders. Now is a time of electronic communication and, as such, KGI is shifting its Annual Report to the Internet, specifically our website: www.kgi.edu/AR. Within these pages are brief introductions to the full stories available for reading on our new Annual Report webpage. We urge you to visit www.kgi.edu/AR to learn fully of our accomplishments in 2007-2008 and, in the process, partake in our latest experiment.

Sheldon M. Schuster
President

Robert E. Curry
Chair of the Board

LEADERSHIP

NEW TRUSTEES

KECK GRADUATE INSTITUTE was fortunate to add two new members to its Board of Trustees in 2007-2008. Billy Tauzin, a former Congressman from Louisiana, currently serves as president and CEO of the Pharmaceutical Research and Manufacturers of America (PhRMA). Jay Flatley is the president and CEO of Illumina, a company creating innovative solutions for disease research, drug development, and molecular tests.

To learn more about the wealth of knowledge and experience they bring to KGI's board, visit www.kgi.edu/AR to read the full story.



BILLY TAUZIN



JAY FLATLEY

LEADERSHIP

KECK GRADUATE INSTITUTE'S leadership is comprised of senior administrators, trustees and dozens of advisors from industry and academia.

To view the names of all of KGI's leaders, visit www.kgi.edu/AR.

Senior Administration

Sheldon M. Schuster, PhD, President and Professor

T. Gregory Dewey, PhD, Senior Vice President for Academic Affairs, Dean of Faculty, Robert E. Finnigan Professor

Robert W. Caragher, Vice President for Finance and Operations

Kerry L. Howell, Vice President for Advancement

Matt Reed, PhD, Associate Vice President and Secretary to the Board



STAN PHELPS

STAN PHELPS: A DEVOTED TRUSTEE

THIS PAST YEAR Stanford "Stan" Phelps stepped down as an active member of the KGI Board of Trustees, after one of the longest and most important tenures by a trustee in board history. Phelps's participation on the board and his contributions to KGI have been truly remarkable, making him a vital trustee during the institution's formative years. From establishing professorships through his personal generosity to his company's sponsorship of numerous Team Masters Projects for KGI students, Phelps has contributed significantly to the success of KGI. Now an emeritus member of the board, Phelps leaves behind a legacy of great importance.

Visit www.kgi.edu/AR to read the full story about this pivotal leader.

Board of Trustees

Robert E. Curry, PhD, Board Chair; Partner, Alliance Technology Ventures

Sheldon M. Schuster, PhD, President and Professor, Keck Graduate Institute of Applied Life Sciences

John D. Baldeschwieler, PhD, Professor Emeritus, California Institute of Technology

Ernest A. Bates, MD, Founder, Chairman, and CEO, American Shared Hospital Services

Daniel M. Bradbury, President and CEO, Amylin Pharmaceuticals

Catherine M. Burzik, President and CEO, Kinetic Concepts, Inc.

Anthony D. Caracciolo, Senior Vice President, Manufacturing Operations, Gilead Sciences

Marsh A. Cooper, President, M.A. Cooper Consultants

Dennis M. Fenton, PhD, Former Executive Vice President, Amgen

Jay T. Flatley, President and CEO, Illumina, Inc.

Judith A. Heyboer, Human Resources Consultant; Former Senior Vice President of Human Resources, Genentech, Inc.

Peter Barton Hutt, Senior Counsel, Covington & Burling LLP

Alice T. Kane, JD, General Counsel of North America for Zurich Financial Services

Bernard A. Kury, Former Vice President and General Counsel, Guidant Corporation

John D. Leland, Jr., Consultant and Former Managing Director, Dresdner RCM Global Investors

Richard L. McConnell, PhD, Former President, Pioneer Hi-Bred International

Clifford A. Miller, Managing Director, Shamrock Holdings

Arthur D. Riggs, PhD, Director Emeritus, Beckman Research Institute, City of Hope

Jack L. Stark, President Emeritus, Claremont McKenna College

Billy Tauzin, President and CEO, Pharmaceutical Research and Manufacturers of America (PhRMA)

Murli Tolaney, Chairman Emeritus, MWH Global

Diana Walker, Of Counsel, O'Melveny & Myers

Trustees Emeriti

Sidney J. Weinberg, Jr., Chair Emeritus; Senior Director, The Goldman Sachs Group, Inc.

Alice S. Huang, PhD, Senior Faculty Associate in Biology, California Institute of Technology

Howard B. Keck, Jr., President, Brighton Distributing Company

Harlyne J. Norris, Trustee, Kenneth T. and Eileen L. Norris Foundation

Stanford N. Phelps, Chairman, S.N. Phelps & Co. and Clear Springs Land Co.

William H. Rastetter, PhD, Chairman, Board of Directors, Illumina, Inc.

Henry E. Riggs, President Emeritus, Keck Graduate Institute of Applied Life Sciences

Louis T. Rosso, Chairman Emeritus, Beckman Coulter

Stephen J. Ryan, MD, President, Doheny Eye Institute, University of Southern California

Robert E. Tranquada, MD, Emeritus Professor of Medicine and Public Policy, University of Southern California

KGI HIGHLIGHTS



JIM OSBORNE

NEW FACULTY AT KGI

KGI'S ESTEEMED FACULTY of business and science professors recently welcomed two new and highly-respected members. Jim Osborne, Corporate Vice President of the Advanced Technology Center at Beckman Coulter, is serving as an Industry Professor of biophysical chemistry. Osborne brings a wealth of expertise in the areas of protein biochemistry, protein structure, diagnostic applications and laboratory automation. His teaching will bolster the science curriculum for the Master of Bioscience (MBS) program through such courses as In Vitro Diagnostics. He also will begin planning and initiating a new Center for Biomarker Research.

On the business side of the MBS curriculum, KGI is fortunate to count Daniel Byrd among its experienced instructors whose pedigrees span both industry and academia. In addition to his work in the pharmaceutical industry, where he handled both management and engineering functions, Byrd has held teaching posts at Stanford University, MIT and Emory University. As a new assistant professor of management, he will teach two new courses in Bioscience Strategy and Managing Strategic Networks.

Visit www.kgi.edu/AR to learn more about Osborne and Byrd.



DANIEL BYRD

NEW LEADERS AT KGI

KECK GRADUATE INSTITUTE was fortunate to add two important new members to its leadership during 2007-2008. In August '07, Kerry Howell joined KGI as Vice President for Advancement, assuming responsibility for fundraising, marketing and communications at the institution. Howell came to KGI after more than 20 years of working at universities and nonprofit organizations. Seven months later, KGI welcomed another key new addition: Daniel Chatham, Dean of Admissions and Financial Aid. Chatham took over KGI's admissions program after serving as director of recruiting and admissions for UC San Diego's School of International Relations and Pacific Studies.

Visit www.kgi.edu/AR to read more about Kerry Howell and Dan Chatham.



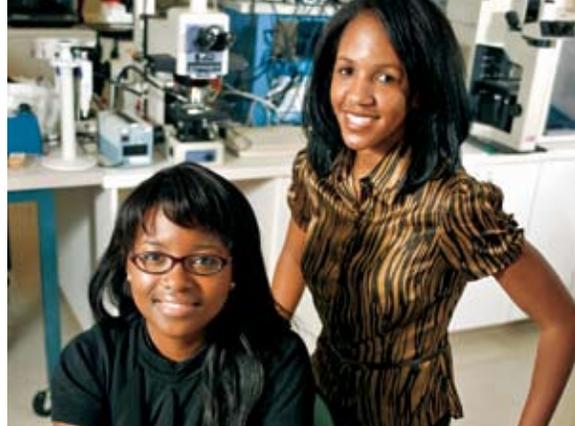
KERRY HOWELL



DAN CHATHAM

KGI'S FIRST BATES SCHOLARS

THE ERNEST A. BATES FAMILY FOUNDATION SCHOLARSHIP advances educational opportunities for underrepresented minority students at KGI. The idea of creating this new scholarship opportunity came from Ernest Bates, MD, a member of the KGI Board of Trustees and founder, chairman and CEO of American Shared Hospital Services.



BATES SCHOLARS JULIE VALDES AND TANYA STEVENS

At the beginning of the 2007-2008 academic year, Keck Graduate Institute welcomed its first-ever Bates Scholars. Tanya Stevens and Julie Valdes enrolled in KGI's Master of Bioscience program in the Fall of 2007 and were awarded the Bates Scholarship.

Visit www.kgi.edu/AR to read more about the Bates Scholars.

TEAM MASTERS PROJECTS 2007-2008

AMYLIN PHARMACEUTICALS, INC.

- Evaluation of Alternative Methods for Leptin Production
- Evaluation of Delivery Systems for Chronic Therapy in Diabetes and Obesity

BECKMAN COULTER, INC.

- Current and Future Role of Mass Spectrometry and Multiplex Assays in Human Diagnostic Testing

THE BRAINSCOPE COMPANY, INC.

- Assessment of Market Opportunities for Electroencephalography Applied to Neurological Disease

CLEAR SPRINGS LAND COMPANY LLC

- Biofuel Feedstocks: Economics of Algae and Switchgrass

DOW AGROSCIENCES, INC.

- Market Assessment of Stress Tolerant Traits for Field Production of Corn and Development of Proof-of-Concept Assays for Rapid Screening of Targeted Traits

GILEAD SCIENCES, INC.

- Manufacturing Transaction Processing Using Wireless Technology and Bar Codes
- Automated Inspection Systems for Pharmaceutical Products

GAMBRO BCT, INC. (NAVIGANT BIOTECHNOLOGIES)

- Pursuing a "Better Blood" Indication Based on the Ability of the Mirasol® Pathogen Reduction Technology to Inactivate White Blood Cells in Transfused Blood Products

ORTHO-CLINICAL DIAGNOSTICS

- Optimizing Reagents for Homogenous EMIT® Immunoassays

SYNGENTA GLOBAL

- Design and Development of an In-line, Rapid-cycling PCR System

THERAVANCE, INC.

- Leveraging Global Capabilities to Speed Drug Discovery and Early Development

FINANCIAL HIGHLIGHTS

GIFTS TO SUPPORT KGI

Fiscal Year Highlights

IN THE FISCAL YEAR ending June 30, 2008, KGI received \$7,137,501 in private support, including \$3 million from the W. M. Keck Foundation as part of a matching grant challenge. Annual contributions to the Pioneer Fund and other programs totaled \$1.9 million of the gift total. We extend our deepest thanks to our generous supporters whose support helps KGI meet short-term needs and long-term aims to achieve excellence in both teaching and research programs.

To view all 2007-2008 contributors to KGI, visit www.kgi.edu/AR.

Keck Match Update

IN MARCH 2005, the W. M. Keck Foundation awarded KGI a \$20 million matching grant. The grant is intended to leverage additional support from a variety of donors to help foster KGI's continued growth. According to the terms of the grant, KGI has ten years to meet the \$30 million matching requirement. As of June 30, 2008, a total of \$22,685,242 has been raised towards the match. It is a great accomplishment for KGI to have less than \$8 million left to raise for the matching requirement. This accomplishment also speaks to the integral support and generosity of KGI's donors. This support also helps to build KGI's endowment, provide scholarships and fellowships, and secure funds for future generations of KGI students and faculty.

Contributor Spotlight:

BECKMAN COULTER SUPPORTS NEW BIOMARKER CENTER

THANKS TO THE Beckman Coulter Foundation, Keck Graduate Institute is poised to create a new center focused on the life-changing realm of biomarkers. The Beckman Coulter Foundation is providing KGI with a \$150,000 planning grant to begin building the KGI Center for Biomarker Research, which will bring together academic and industrial researchers in systems biology, bioprocessing, proteomics and molecular diagnostics to forge new opportunities in this vital field. Biomarkers are molecular indicators of the health of a human cell and hold tremendous promise in the fight against disease and the development of personalized medicine.

To learn more about this important new program, visit www.kgi.edu/AR.

6/30/08 6/30/07

STATEMENTS OF FINANCIAL POSITION

Assets

Cash and cash equivalents	\$363,257	\$140,620
Accounts receivable	999,239	1,007,082
Prepaid expenses and deposits	433,151	446,921
Contributions receivable	8,289,657	8,563,416
Funds held in trust for others	110,701	86,930
Investments	32,569,707	35,893,100
Building investment, net	5,749,624	5,439,157
Buildings and equipment, net	12,798,340	13,195,080
Total assets	\$61,313,676	\$64,772,306

Liabilities

Accounts payable and accrued liabilities	\$1,260,261	\$1,557,985
Deposits and deferred revenues	1,650	10,000
Notes and bonds payable	9,260,851	8,723,498
Total liabilities	\$10,522,762	\$10,291,483

Net Assets

Unrestricted	\$17,049,188	\$20,480,654
Temporarily restricted	6,604,618	6,940,533
Permanently restricted	27,137,108	27,059,636
Total net assets	50,790,914	54,480,823
Total liabilities and net assets	\$61,313,676	\$64,772,306

STATEMENTS OF ACTIVITIES

Revenues

Tuition and fees (net of financial aid discount)	\$1,299,133	\$1,137,509
Private gifts and grants	6,096,798	8,441,892
Private contracts	396,171	117,720
Federal grants and contracts	3,171,492	4,016,037
Investment income	2,777,038	2,627,980
Other revenues	739,625	606,385
Total revenues	\$14,480,257	\$16,947,523

Expenses

Instruction	\$3,928,576	\$3,725,710
Research	3,979,825	4,439,116
Academic support	1,419,828	1,333,597
Student services	884,916	1,217,543
Institutional support	4,158,822	3,914,266
Total expenses	14,371,967	14,630,232
Excess of revenues over expenses	\$108,290	\$2,317,291

Other changes in net assets

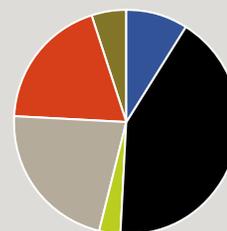
Actuarial adjustment	(8,786)	0
Realized and unrealized investment (losses) gains	(3,757,950)	2,865,483
Loss on bond defeasance	0	(1,104,626)
Loss on disposal of equipment	(31,463)	0
Total other changes in net assets	(3,798,199)	1,760,857

Net assets—beginning of year 54,480,823 50,402,675

Net assets—end of year **\$50,790,914** **\$54,480,823**

SOURCE OF FUNDS (6/30/08)

- Tuition & fees - 9%
- Private gifts & grants - 42%
- Private contracts - 3%
- Federal grants & contracts - 22%
- Investment income - 19%
- Other revenues - 5%





CLASS OF 2008 LEGACY GIFT

THE COVER OF THIS YEAR'S ANNUAL REPORT is derived from a work of art by San Francisco artist Klari Reis, who donated her painting, "Lexapro," to Keck Graduate Institute in May as part of the Class of 2008's Legacy Gift to the school. Each year at Commencement, the graduating class of Master of Bioscience students gives a generous token of their thanks for the education they have received. While recent classes have donated books and a handmade podium, the 2008 class was the first to approach an artist about contributing a painting to adorn KGI's walls. Reis specializes in biotech art that she creates from electron microscope images of biological forms found in modern prescription drugs.

Visit www.kgi.edu/AR to read more.



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