

FCR 9

Office of the President
September 9, 2008

Members, Board of Trustees:

APPROVAL OF RELATED TRANSACTIONS

Recommendation: that the Board of Trustees authorize and/or affirm a transfer of up to \$5,000,000 to the University of Kentucky Research Foundation, to be used as paid in capital in Coldstream Laboratories, Inc. (“CLI”). CLI will be authorized to use the capital for operational and capital expenses necessary to continue to pursue its role in pharmaceutical manufacturing at Coldstream.

Background: The University, with state assistance, agreed to construct a new facility at Coldstream for a substantial expansion of the College of Pharmacy’s Center for Pharmaceutical Science and Technology (“CPST”). As previously reported to the Board, CLI was formed to expand and commercialize pharmaceutical manufacturing, research, and development in the Coldstream facilities. On September 11, 2007, the Board approved an initial transfer of \$6,500,000 to the University of Kentucky Research Foundation to invest in CLI. With approval of this action, the total transfer authorized will be up to \$11.5 million. The additional investment will be funded by UK Healthcare.

CLI is now in operation and is building a client base but has not yet become self-sufficient. CLI requires the continued financial support that the University anticipated providing this operation. Working with CLI also provides educational opportunities for the College of Pharmacy and unique educational opportunities for its students, as well as unique collaborative opportunities for research projects.

CLI will seek to develop and expand the pharmaceutical manufacturing program and make it commercially viable (CLI currently projects it will have a positive cash flow next year), while maintaining a relationship with the College of Pharmacy via Educational Affiliation Agreements or other similar agreements that will enable the college to continue its goal of training students in this particular area of pharmacy. CLI will continue and expand upon the university’s goal of assisting economic development efforts by transferring appropriate technology and programs to the public sector.

Action taken: Approved Disapproved Other _____