

FCR 15

Office of the President
September 15, 2009

Members, Board of Trustees:

APPROVAL OF RELATED TRANSACTIONS

Recommendation: that the Board of Trustees authorize a transfer of up to \$2,350,000 to the University of Kentucky Research Foundation and forgive \$1,468,088 in University of Kentucky equipment lease agreements to be used as paid in capital in Coldstream Laboratories, Inc. (“CLI”).

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”). CLI was formed to expand and commercialize pharmaceutical manufacturing, research, and development in Coldstream facilities.

At its September 11, 2007 meeting, the Board approved an initial transfer of \$6,500,000 to the University of Kentucky Research Foundation as an initial investment in CLI. At its September 9, 2008 meeting, the Board approved the transfer of \$5,000,000 to the University of Kentucky Research Foundation to further invest in CLI. With approval of this September 15, 2009 action, the total transfer authorized will be \$13,850,000 with total capital contributions of \$15,318,088. The additional investments will be funded by UK HealthCare.

Pending Board approval, CLI will be authorized to use the additional funds for capital equipment purchases to provide additional capacity. The forgiveness of \$1,468,088 in University of Kentucky equipment lease agreements will provide additional paid in capital with a corresponding decrease in liabilities, allowing CLI to continue to pursue its role in pharmaceutical manufacturing at Coldstream and assisting economic development efforts in Kentucky by transferring appropriate technology and programs to the public sector. CLI also provides educational opportunities for students in the College of Pharmacy as well as unique collaborative research opportunities.

CLI is in operation and building a client base, but has not yet become self-sufficient. CLI therefore requires the continued financial support that the University expected to provide to this operation. CLI anticipates having a positive cash flow by the first quarter of 2010.

Action taken: Approved Disapproved Other _____