

# FCR 4

Office of the President  
December 7, 2010

Members, Board of Trustees

## APPROVAL OF INVESTMENT IN COLDSTREAM LABORATORIES, INC.

Recommendation: that the Board of Trustees authorize the President to approve the transfer of up to \$5.5 million to the University of Kentucky Research Foundation to be used for investment in Coldstream Laboratories, Inc. (“CLI”) to fund operations, the development of new product lines, and working capital.

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 Coldstream facilities.

CLI continues to pursue its role in pharmaceutical manufacturing at Coldstream and assist economic development efforts in Kentucky by transferring appropriate technology and programs to the public sector. CLI also provides education opportunities for the College of Pharmacy and unique educational opportunities for its students, as well as unique collaborative opportunities for research projects.

CLI is building a client base but has not yet become self-sufficient. CLI hopes to have a positive cash flow by the Fourth Quarter of 2011. The economic recession has slowed CLI’s progress, but it has made significant progress during the last six months to improve efficiency and has made strategic changes to personnel and production. CLI requires continued financial support in order to diversify products and improve operational efficiency.

With approval of this action, the total transfer authorized will be \$25,350,000 with total capital contributions of \$26,818,088, including the forgiveness of \$1,468,088 in University of Kentucky equipment lease agreements. The investment will be funded by UK Healthcare.

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Action taken:     Approved     Disapproved     Other \_\_\_\_\_