

Minutes of the Executive Committee
of the Board of Trustees
University of Kentucky
Thursday, January 15, 2015

The Executive Committee of the Board of Trustees of the University of Kentucky met on Thursday, January 15, 2015 in Room 103 of the Main Building.

A. Meeting Opened

Dr. O. Keith Gannon, chair of the Executive Committee, called the meeting to order at 2:02 p.m. and asked Secretary Sheila Brothers to call the roll.

B. Roll Call

The following members of the Executive Committee answered the call of roll: O. Keith Gannon (chair), Barbara Young (vice chair), and C.B. Akins, Sr. were present and E. Britt Brockman participated in the meeting via videoconference. Secretary Brothers reported that a quorum was present.

President Eli Capilouto, General Counsel Bill Thro, Executive Vice President for Finance and Administration Eric Monday and Senior Vice President for Health Affairs and Chief Financial Officer for UK HealthCare Murray Clark and a member of the media were also in attendance.

C. ECR 1 Authorization to Sell the Coldstream Laboratories Inc. Manufacturing Facility Located on Coldstream Research Campus

Eric Monday and Murray Clark shared the history of Coldstream Laboratories, Inc. (CLI).

In 1986, as an outgrowth from the Center for Pharmaceutical Science and Technologies in the College of Pharmacy, the concept for CLI and its clinical trials was initiated. Small scale pharmaceutical clinical trials were conducted in the College of Pharmacy until 2006. At that time, the center relocated to a new structure at the Coldstream Research Campus on Newtown Pike in Lexington. In 2007, the center became Coldstream Laboratories, Inc. In the next six years the company continued to grow, with sales in 2013 at \$14,000,000. With the increase in sales, came the need for expansion. In 2014, the decision is made to explore third party investment. After an extensive year long process, with the assistance of investment banking firm Lincoln International, a company was identified. Piramal Enterprises, Ltd., incorporated in 1947, is a publicly traded pharmaceutical and healthcare services company headquartered in India. PH Kentucky, Inc., an affiliate of Piramal Enterprises Ltd. is the preferred bidder for the CLI stock.

Mr. Monday stated that CLI currently employs over 100 individuals with an average salary of \$58,000.00. These jobs would remain in Kentucky, with the possibility for expansion of the facility at Coldstream Research campus. The purchase price for CLI is \$30,650,000, \$25,000,000 for the purchase of the stock of CLI and \$5,650,000 for the building. The University

of Kentucky Research Foundation Board of Directors approved the sale of the stock and ECR 1 addresses the sale of the CLI building only. ECR 1 does not include a sale of the land, as it remains as property of the University of Kentucky.

Chair Gannon inquired as to the appraisal process for the building. Murray Clark explained that an independent appraisal was performed of the building and its contents.

Vice Chair Young asked about the current employees of CLI. Mr. Clark stated they were employees of CLI, not the University of Kentucky. As the sale relates to a stock transaction, their employment status does not change; they remain employees of CLI.

Trustee Brockman and Secretary Brothers asked about the sale proceeds. Mr. Monday stated that the proceeds from the sale of stock would return to UKRF. The level of investment authorized by UKRF came from UK HealthCare and as such, investment monies would be proportionately returned to UK HealthCare.

Secretary Brothers asked about remaining stockholders. Mr. Clark stated there were two additional stockholders and a few additional option holders. These stockholders have been bought out and are not affiliated with or employed by UK.

Trustee Brockman thanked President Capilouto, Eric Monday and Murray Clark for what he thought was a “win-win” negotiation and transaction for the University, the city of Lexington and Piramal Group.

Chair Gannon asked if there was to be a formal, ongoing relationship with the new company. Mr. Clark related there was nothing formal at this time, but the company was interested in working with the College of Pharmacy.

Trustee Akins inquired about the ground lease and its future. Mr. Monday stated that all leases at Coldstream Research campus were for 99 years. There are utilization restrictions on all leases. Sales and subleases must adhere to those restrictions and are consistent with all parts of the research campus.

Vice Chair Young inquired, with the approved stock transaction by UKRF and the sale of the building subject to Board approval, what were the next steps. Mr. Clark stated that formal closing proceedings would continue and be complete before the end of the first quarter of 2015.

Mr. Monday and Mr. Clark also wanted to acknowledge and thank Mr. James Hardymon, a CLI Board member. His assistance in locating Lincoln Investment and his advice was essential in the success of the transaction.

Chair Gannon praised the team for the positive resolution and the handling of the corporation through its business phases.

Chair Gannon stated that the recommendation asks that the Executive Committee of the Board of Trustees act on behalf of the Board of Trustees of the University of Kentucky during the period between Board meetings as authorized by Kentucky Revised Statute (“KRS”) 164.190 and Governing Regulation II.E.2.a(2) by:

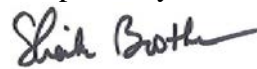
- (A) acknowledging receipt of the offer from Coldstream Laboratories Inc. (“CLI”) to purchase the University’s interest in the manufacturing facility that CLI current leases from the University, located at the Coldstream Research Campus at 1575 McGrathiana Parkway, Lexington, Kentucky (“CLI Building”), for its appraised value immediately following CLI’s acquisition by PH Kentucky, Inc.;
- (B) finding that, in accordance with 164A.575(7), it is in the best interests of both the University and the public to sell the CLI Building, but not the land on which it sits, to CLI as part of the same competitive arms-length bid and negotiation process used by CLI and its shareholders, rather than through a traditional sealed bid or public auction process, because (i) the CLI Building is specially designed for the type of pharmaceutical manufacturing business conducted by CLI, (ii) a sale of the CLI Building to CLI after the stock transaction will likely result in the maximum return to the University, and (iii) the sale will encourage the purchaser of CLI to keep and expand the CLI business in the Commonwealth of Kentucky at the Coldstream Research Campus;
- (C) finding that, in accordance with 164A.575(7), a sale of the CLI Building following CLI’s acquisition by PH Kentucky, Inc., would be a use more suitable consistent with the public interest than retaining ownership of the CLI Building;
- (D) approving the sale of the CLI Building to CLI for its appraised value of \$5,650,000, subject to a ninety-nine (99) year ground lease with the University for the land on which it sits, in accordance with KRS 164A.575(7); and
- (E) authorizing the President or his designee to execute any documents necessary or required by law to be recorded to effect such sale, convey the University’s interest in such building and enter into a long-term ground lease with CLI.

Trustee Akins moved approval of ECR 1. Vice Chair Young seconded the motion. Chair Gannon opened the floor for discussion. Secretary Brothers asked if the building itself was being sold to PH Kentucky or to CLI. General Counsel Bill Thro stated that the building was being sold to CLI. Mr. Clark stated that Piramal through PH Kentucky, Inc. will transfer the money to CLI and CLI will purchase the building from the University of Kentucky.

Chair Gannon moved the question and it passed without dissent. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

With no further business, Vice Chair Young moved adjournment. It was seconded by Trustee Akins and the meeting adjourned at 2:24 p.m.

Respectfully submitted,



Sheila Brothers, Secretary