

Contact: Jean Friedrich

UNIVERSITY OF IOWA PROPERTY PURCHASE

Actions Requested: Consider recommending to the Board approval of the following, with all further documentation subject to approval by the Board Office and the Attorney General's Office.

1. Exercise of the option to purchase property located at 2656 Crosspark Road (Building Two) at the price of \$1,300,000 from Myriad Developers, in accordance with the terms of the Lease Agreement approved by the Board on February 3, 2005.
2. Improvement costs to the space of \$1,100,000.
3. Granting of a cross easement to Myriad for utility lines and parking lots.
4. A lease with Dermacia/National Genecular Institute for 7,200 square feet of space in Building Two.

Executive Summary: In December 2004, the University presented to the Economic Development Committee its proposed plan for initiatives to be funded from the original Grow Iowa Values Fund; the plan includes the development of business incubator space at the Oakdale Research Park. Myriad Developers is a private company that owns property and buildings in a complex in the Oakdale Research Park.

In November 2005, the Board authorized the University of Iowa to exercise its option to purchase the property at 2660 Crosspark Road (Building One).

In February 2005, the Board approved the lease agreement with Myriad Developers for the University's use of 7,200 square feet of laboratory and office space located in Building Two (2656 Crosspark Road) in the Park. The lease is effective from March 1, 2005, through February 29, 2008, at an annual rental rate of \$74,500 (\$10.35 per square foot). The lease includes an option for the University to purchase Building Two (14,400 square feet) at the purchase price of \$1,300,000, anytime during the first three years of the lease. The option grants a right, but not an obligation for the University to purchase the property.

The University requests approval to exercise the purchase option for Building Two (14,400 square feet of laboratory and office space at 2656 Crosspark Road) at the Oakdale Research Park from Myriad Developers. The University currently leases 7,200 square feet of space in the facility, which will be being fit-out to house a new biological materials production facility for the University's Center for Biocatalysis and Bioprocessing. The production facility, which will conform to FDA Good Manufacturing Practices (cGMP) standards, will produce biopharmaceuticals suitable for use in human clinical research trials. The cGMP facility construction is being financed by an award from the State Grow Iowa Values Fund.

The proposed purchase price of \$1,300,000, which would be financed from FY 2007 Battelle Infrastructure Funds, is consistent with Board policy for the purchase of property, based on two appraisals. In addition to the purchase price, approximately \$1,100,000 in improvements would be needed to accommodate the fit-out of 7,200 square feet of space (one-half of Building Two) for the Center for Advanced Drug Development (CADD). Myriad will provide the required fit-out pursuant to a turnkey purchase agreement. Funding for the fit-out will be a combination of FY 2007 Battelle Infrastructure funds (\$100,000) and Battelle Platform Project funds (\$1.0 million).

The University is also requesting approval to lease the 7,200 square feet of space designated for the CADD in Building Two to Dermacia/National Genecular Institute (Dermacia) until the company's permanent space is ready for occupancy in the Oakdale Research Park (approximately 18 months). The lease rate would be \$7,680 per month (\$12.80 per square foot). Dermacia will reimburse the University for fit-out costs exclusive to them and will also reimburse the University for the depreciated value of the greater fit-out costs for the overall CADD finished space which they use.

National Genecular Institute, Inc. (NGI), a fully-owned research subsidiary of Dermacia, plans to expand its California-based operation to the Park. The global pharmaceutical company, specializing in cosmeceuticals, will locate its pharmacogenomic research and development operation at the Coralville facility. Founded in 2000, Dermacia Inc. manufactures and distributes skin care products that aid in the healing of wounds, treatments for skin conditions and anti-aging products. Dr. Tannin Fuja, former head of the Molecular and Cell Biology Group of the National Center for Voice and Speech at the University of Iowa, directs all scientific research for National Genecular Institute. Currently, Dermacia has manufacturing plants in the U.S., Mexico and China.

Upon Dermacia's vacating the space, the University will assign the space to the Center for Advanced Drug Development (CADD). CADD is an outgrowth and division of the University of Iowa College of Pharmacy and is an important core component in the Oakdale Research Park economic development strategy.

The Board is being requested to consider approval of Battelle Infrastructure Proposals and Platform Project Proposals in the Economic Development Committee agenda items (see 2c and 2d). If the Board approves the Battelle Infrastructure and Platform Project Proposals for the purchase and fit-out of Building Two, they will be presented to the Technology and Commercialization Resources Organization (TCRO) for review prior to final consideration by the Board. Subject to the Board approvals and TCRO review and the Board's approval to exercise the purchase option, all documentation associated with the purchase, including any easements and lease, would be subject to approval by the Board Office and the Attorney General's Office.

The University is also requesting approval of a Cross Easement to Myriad to accommodate the joint ownership of utility lines and parking lots.

Additional information and copies of the appraisals are available from the Board Office.