



AGENDA
SPECIAL CALLED TELEPHONE MEETING
of
THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS

September 18, 2017
Austin, Texas

Page

CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551

4:00 p.m.

1. Individual Personnel Matters Relating to Officers or Employees – Section 551.074
 - a. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding the appointment of Peter W. T. Pisters, M.D., as President**
 - b. **U. T. System: Discussion and appropriate action regarding proposed appointment, terms of appointment, and compensation for David Lakey, M.D., as Vice Chancellor for Health Affairs and Chief Medical Officer**
 - c. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees**
 - d. **U. T. System Board of Regents: Discussion regarding individual personnel matters associated with the reorganization of the Board of Regents and the election of officers**
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**
 - b. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding legal issues related to proposed participation as a special limited partner in the MD Anderson Trout Focus Fund, LP**
 - c. **U. T. System: Discussion of legal issues related to management of Los Alamos National Laboratory**
 - d. **U. T. System: Discussion and appropriate action regarding legal issues related to the lease, sale, or value of approximately 300 acres of land in Houston, Harris County, Texas, generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard**

3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

U. T. System: Discussion and appropriate action regarding the lease, sale, or value of approximately 300 acres of land in Houston, Harris County, Texas, generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard

4. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

- a. **U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**
- b. **U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

RECONVENE THE BOARD IN OPEN SESSION FOR DISCUSSION AND APPROPRIATE ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO CONSIDER AGENDA ITEMS

*4:50 p.m.
approximately*

1. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) proposed participation as a special limited partner in the MD Anderson Trout Focus Fund, LP, and b) delegation of authority to the President to execute documents and take other actions as necessary**

*4:55 p.m.
Action*

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2. **U. T. System: Discussion and appropriate action regarding proposed development of a bid for management of Los Alamos National Laboratory**

*5:00 p.m.
Action
Deputy Chancellor
Daniel*

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3. **U. T. System Board of Regents: Possible discussion and appropriate action regarding election of officers**

*5:10 p.m.
Action*

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ADJOURN

*5:15 p.m.
approximately*

1. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) proposed participation as a special limited partner in the MD Anderson Trout Focus Fund, LP, and b) delegation of authority to the President to execute documents and take other actions as necessary**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the institutional president that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center

- a. to participate as a special limited partner in an investment fund initiated by U. T. M. D. Anderson Cancer Center and The Trout Group, LLC, a Delaware limited liability company, and to be known as the MD Anderson Trout Focus Fund, LP; and
- b. to the President of U. T. M. D. Anderson Cancer Center or the President's delegate to execute all documents, instruments, and other agreements, following review and approval by the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, and to take all further actions necessary or advisable to carry out the purpose and intent of the foregoing actions and to accomplish the foregoing transaction.

BACKGROUND INFORMATION

The MD Anderson Trout Focus Fund, LP ("Focus Fund"), is being formed by a New York based investor relations and strategic advisory firm that services the life sciences industry, The Trout Group, LLC, a Delaware limited liability company. Because of its close affiliation with U. T. M. D. Anderson Cancer Center, the Focus Fund will be a first-of-its-kind investment fund for the development of novel cancer drugs and diagnostics. The companies who are sponsoring these drugs will be sourced from all over the world, with the intended plan that the clinical trials of the selected drugs will be performed almost exclusively at M. D. Anderson. The Focus Fund will target promising therapeutics, vaccines, or diagnostic tools (collectively referred to hereafter as "drugs") that are advancing into or are presently in early human clinical trials (Phase I/II). The Trout Group, LLC, and its affiliates are well underway with structuring the Focus Fund pending approval for M. D. Anderson's participation. Following that approval, the current schedule calls for a first close on the Focus Fund within 30 days. It is expected that the Focus Fund will publicly launch at the J.P. Morgan healthcare investment conference in early January 2018.

Early stage biotechnology companies with cutting edge scientific breakthroughs are seeking to partner with M. D. Anderson to perform first-in-human clinical trials with their novel cancer drugs. Additionally, these companies often need help from M. D. Anderson in conducting or confirming preclinical studies and developing assays or biomarkers that will aid in the development of their potentially life-saving drugs. Human clinical trials are expensive, and many small biotech companies do not have the resources to undertake the clinical development of their asset in a thoughtful and comprehensive manner. Given the early stage of these

companies and the significant cost to conduct a human clinical trial, many highly promising drugs are unable to move forward while the company's founders seek out funding, which can take months or years. As a result, the unfortunate reality is that promising drugs are underdeveloped or delayed and, in some cases, not developed at all. It is these drugs and the related technologies that the Focus Fund will target. Specifically, with capital from third-party investors, the Focus Fund will provide funding at appropriate risk-adjusted rates for drugs about to enter or already in early human clinical trials.

The General Partner of the Focus Fund will be comprised of The Trout Group, LLC, and veterans in the life sciences industry, while M. D. Anderson will have the status of Special Limited Partner (although M. D. Anderson will not be investing any money in the Focus Fund and will earn its limited partner interest by its sweat equity). Other Limited Partners will invest capital in the Focus Fund in the expectation of a return comprised of the cash flows that will arise from the monetization of each one of the assets in which the Focus Fund has invested. The life of the Focus Fund will be 10 years, although earlier returns are expected.

The duties and privileges of M. D. Anderson as the Special Limited Partner will be:

- A 20% stake in the Focus Fund, in exchange for a 20% discount in the provision of services to the Focus Fund (primarily clinical trials). M. D. Anderson will also receive consulting and administrative fees from the General Partner.
- Exclusive formation of a Scientific Advisory Board. M. D. Anderson scientists will preselect and rank all the drugs of which it is aware on a worldwide basis, and establish the threshold of what drugs are eligible for consideration by the Investment Committee.
- The Investment Committee, formed by members of the General Partner and special advisors of world renown - but not M. D. Anderson itself, to minimize conflict of interest issues - will select the drugs into which the Focus Fund will make an investment.
- For those drugs, M. D. Anderson will conduct the clinical trials under strict additional conflict of interest guidelines. M. D. Anderson will not benefit from the success of an individual drug, but it will have a limited upside if the Focus Fund is successful overall.

From M. D. Anderson's perspective, participation in the Focus Fund is attractive and beneficial because:

1. M. D. Anderson does not have to invest any capital in the Focus Fund.
2. M. D. Anderson will have access to novel agents from around the world that it otherwise would not have had access to, to the benefit of M. D. Anderson's clinicians and scientists.
3. Participation in the Focus Fund will increase the number of clinical trials performed at M. D. Anderson and the number of drugs that are developed at M. D. Anderson.

M. D. Anderson believes that the Focus Fund will be successful and attractive to investors and drug owners because:

1. The scientific resources of M. D. Anderson will be dedicated to finding, triaging, and developing drugs that are undervalued by the community.

2. Financial resources will be employed at the premier cancer center in the world, ensuring that the best scientists will come with a state-of-the-art development plan, which will give each drug the highest chance of success.
3. Investment by the Focus Fund will be tailored to each drug. It may or may not involve an equity investment in the corporate structure of the owner of the drug, and it could be comprised of milestones and/or royalties upon commercialization. This will allow drugs to be developed that otherwise may not have had a chance due to unorthodox or imperfect corporate structures of the company that has the rights to the drug. Moreover, investors can avail themselves of a broad range of exit strategies, unlike traditional funds that always obtain equity in the companies in which they invest, and suffer from long-term horizons and large amounts of uncertainty.
4. Small biotech companies that are outside of the traditional financing centers (e.g., New York, Boston, San Francisco) and which are struggling to finance the development of the novel drugs can avail themselves through the Focus Fund to highly differentiated and advantageous mechanisms to advance their assets, without sacrificing a large amount of equity in their company, or agreeing to a suboptimal early licensing deal with pharmaceutical companies.

2. **U. T. System: Discussion and appropriate action regarding proposed development of a bid for management of Los Alamos National Laboratory**

The Chancellor and Deputy Chancellor will make a recommendation regarding the proposed development of a bid for the management of Los Alamos National Laboratory.

3. **U. T. System Board of Regents: Possible discussion and appropriate action regarding election of officers**