

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Research Agreement between the University of Michigan and Proteostasis Therapeutics, Inc.

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the Proposal Approval Form. This then triggered a review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed by this Board and agreed to by the parties involved.

This proposed agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Randal Kaufman is an employee of the University of Michigan ("University") and a partial owner of Proteostasis Therapeutics, Inc. The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Dr. Randal Kaufman, Professor in the Department of Biological Chemistry, is a partial owner of a for-profit company called Proteostasis Therapeutics, Inc. ("Company"). Dr. Kaufman also serves on the Scientific Advisory Board and consults for the Company. The Company is engaged in discovering and developing new novel small molecule therapeutics designed to control the body's protein homeostasis, the natural balance of proteins that protect against numerous diseases. These novel therapies may be useful to treat multiple genetic and degenerative disorders associated with deficiencies of the Proteostasis Network, such as Alzheimer's disease, emphysema, Huntington's disease, and type II diabetes.

Nature of the Agreement:

The Company seeks to enter into a sponsored research agreement with the University for the purpose of performing dose-response assays to identify the most potent and selective XBP1-activating and inhibiting compounds which may be useful in treatment of cancer, retinopathy and immunosuppressive therapy. The Company wishes to enter into a subcontract with the University to enable Dr. Kaufman to assist in the performance of this research.

Agreement Terms:

The terms of the Agreement conform to University policy. The period of performance for the project is one (1) year and the amount of funding support is \$70,730. University procedures for approval of the project will be followed and additional review by the Medical School Conflict of Interest Review Board will be conducted as appropriate.

Impact of the Agreement:

The Agreement will support an effort by Dr. Kaufman to use his expertise and the resources of his University of Michigan laboratory, well as other University resources, and will provide support for a post-doctoral student to facilitate the generation and analysis of data to evaluate this promising therapeutic approach.

Recommendation:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board. In light of the disclosure made in this document and our finding that the agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with Proteostasis Therapeutics, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

January 2011