

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and  
Glucrx Therapeutics LLC

Action Requested: Approval of Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement that then triggered a review by the Medical School Conflict of Interest Board and the UMOR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Board and Committee and agreed to by the parties involved in this plan.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors James Shayman and Scott Larsen and Mentor-in-Residence Bruce Auerbach, are employees of the University of Michigan ("University") and partial owners of Glucrx Therapeutics LLC. The law permits such an Agreement provided it is disclosed to the Board of Regents ("Regents") of the University of Michigan and approved in advance by a 2/3 vote.

Background:

James Shayman, M.D., a Professor in Internal Medicine, Scott Larsen, Ph.D., Research Professor in the College of Pharmacy, and Bruce Auerbach, a Mentor-in-Residence in the Office of Technology Transfer, are the partial owners of a for-profit company called Glucrx Therapeutics LLC (the "Company"). The Company was formed recently to commercialize therapeutics for lipid storage diseases and desires to option from the University of Michigan the University's rights associated with the following technologies:

UM OTT File No. 5040, entitled: "Inhibitors of CNS-Based Lipid Storage Diseases" (Scott Larsen, James Shayman, Richard Keep, Michael Wilson, Akira Abe and Liming Shu)

UM OTT File No. 6186, entitled: "CNS-Permeable Inhibitors of Glucosylceramide Synthase" (Scott Larsen, James Shayman, Richard Keep, Duxin Sun, Akira Abe and Liming Shu)

The Office of Technology Transfer selected the Company as a University partner and negotiated the terms of the proposed Agreement in accordance with University policy and its accepted licensing principles.

Parties to the Agreement:

The Regents of the University of Michigan and Glucrx Therapeutics LLC.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs.

The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be amended by consent of the parties, such as adding related technology. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Drs. Shayman and Larsen and Mr. Auerbach arise from their ownership interest in Glucrx Therapeutics LLC.

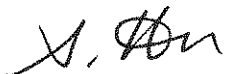
Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents related to UM OTT File Nos. 5040 and 6186 for all fields of use. Glucrx Therapeutics LLC will obtain evaluation rights to the above listed University technologies.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board and the UMOR Conflict of Interest Review Committee. In light of this disclosure and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Agreement between the University and Glucrx Therapeutics LLC.

Respectfully submitted,



S. Jack Hu  
Interim Vice President for Research

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