

10-08-1998

FORM PTO-1595

(Rev. 6-92)

OMB N. 0651-0011 (exp. 4/94)

RECORD

OCT - 6 1998



100846213

PATENTS ONLY

T

U.S. DEPARTMENT OF COMMERCE

Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Medical Biology Institute
3550 General Atomics Court
San Diego, CA 92121Additional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

3. Nature of conveyance:

☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other - _____Execution Date: August 27, 1998

2. Name and address of receiving party(ies):

Name: LIDAK Pharmaceuticals

Internal Address: _____

Street Address: 9393 Towne Centre DriveCity: San Diego State: CA Zip: 92121Additional names(s) & address(es) attached? ☐ Yes ☒ No

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is: _____

A. Patent Application No.(s)

B. Patent No.(s)

SEE EXHIBIT A ATTACHED HERETO

Additional numbers attached? ☒ Yes ☐ No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Charles H. Dick, Jr., Esq.Internal Address: Baker & McKenzie101 West Broadway12th FloorStreet Address: Same As AboveCity: San Diego State: CA Zip: 92101

6. Total number of applications and patents involved: _____

7. Total fee (37 C.F.R. 3.41).....\$ 400.00☒ Enclosed☐ Authorized to be charged to deposit account

8. Deposit account number:

n/a

(Attached duplicate copy of this page if paying by deposit account)

10/08/1998 JSHADAZZ 00000110 5470714

OL FC:581

400.00 OP

DO NOT USE THIS SPACE

9. Statement and signature.

*To the best of my knowledge and belief, the forgoing information is true and correct and any attached copy is a true copy of the original document.*CYNTHIA THORNTON
Name of Person Signing[Signature]
SignatureSeptember 24, 1998
DateTotal number of pages including cover sheet, attachments, and document: 25Mail documents to be recorded with required cover sheet information to:
COMMISSIONER OF PATENTS AND TRADEMARKS, BOX ASSIGNMENTS
WASHINGTON, D.C. 20231

EXHIBIT A

PATENTS AND APPLICATIONS SUBJECT TO SECURITY AGREEMENT BETWEEN LIDAK PHARMACEUTICAL AND MEDICAL BIOLOGY INSTITUTE

<u>US Patent or Application No./Date</u>	<u>Title</u>
US Patent No. 5,470,714 11/28/95	ONE-STEP FREE FATTY ACID DETERMINATION METHOD.
US Patent No. 5,045,320 09/03/91	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/327,910 03/23/89	DNA BLOTTING METHOD.
US Patent App. No. 07/503,047 04/02/90	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/760,0865 09/16/91	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/792,760 02/04/97	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/475,785 06/07/95	LARGE MULTIVALENT IMMUNOGEN ACTIVATION OF IMMUNE CELLULAR RESPONSE.
US Patent App. No. 08/663,617 06/14/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT- MODULATING PEPTIDES.
US Patent App. No. 08/837,599 04/21/97	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT- MODULATING PEPTIDES.
US Patent Provisional App. No. 60/000,674 06/29/95	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT- MODULATING PEPTIDES.

Foreign/ PCT Patent or Application
No./Date

Title

EPO No. 0422164 11/30/94	LARGE MULTIVALENT IMMUNOGEN.
Japan App. No. 505845/1990 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
PCT App. No. PCTUS90/01474 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
EPO Patent No. 0457901 11/08/95	FREE FATTY ACID DETERMINATION.
Hong Kong Patent No. 567/1996 03/28/96	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US90/07202 12/07/90	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US92/07415 09/02/92	DIAGNOSTIC AID FOR EARLY DETECTION OF CANCER AND DIABETES.
PCT App. No. PCT/US96/10958 06/27/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
PCT App. No. PCT/US98/07817 04/20/98	METHOD OF TOPICAL IMMUNOSTIMULATION TO INDUCE LANGERHANS CELL MIGRATION.
PCT App. No. PCT/US97/10400 06/13/97	METHOD OF DETECTION OF CARDIAC ISCHEMIA USING MODIFIED FATTY ACID BINDING PROTEIN.

Unknown Serial No./Patent No.

Title

Not currently available.	AMPLIFIED SIGNAL IMMUNOASSAY.
Not currently available.	ONE-STEP IMMUNOLOGICAL TEST.
Not currently available.	INHIBITION OF NEURO SIGNALS.
Not currently available.	SMALL UNILAMELLAR VESICLES.
Not currently available.	MURINE MODEL OF AIDS-LIKE VIRUS INFECTION.

Unknown Serial No./Patent No.

Title

Not currently available.

INDUCTION OF ANTIBODY RESPONSE BY
LARGE MULTIVALENT IMMUNOGEN.

Not currently available.

DIAGNOSTIC AID FOR EARLY DETECTION OF
CANCER AND DIABETES.

Not currently available.

DIAGNOSTIC AID FOR DETECTION OF CANCER
AND DIABETES.

Not currently available.

NUCLEIC ACID HYBRIDIZATION ASSAY.

Not currently available.

ONE-STEP IMMUNOASSAY USING A BINARY
ANTIBODY REPORTER SYSTEM.

Not currently available.

CELL ACTIVATION BY IMMOBILIZED
MEMBRANE PROTEINS.

Not currently available.

METHOD OF TOPICAL IMMUNOSTIMULATION
TO INDUCE LANGERHANS CELL MIGRATION.

Not currently available.

METHOD OF DETECTION OF CARDIAC
ISCHEMIA USING MODIFIED FATTY ACID
BINDING PROTEIN.

SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement"), dated as of August 27, 1998, is between MEDICAL BIOLOGY INSTITUTE ("DEBTOR") and LIDAK PHARMACEUTICALS ("SECURED PARTY"); the DEBTOR and the SECURED PARTY are referred to as "the Parties."

RECITALS

1. LIDAK Pharmaceuticals is a California business corporation with its principal place of business in San Diego, California. LIDAK develops, manufactures, distributes and sells pharmaceutical products.
2. Medical Biology Institute ("Institute") is a California nonprofit corporation with its principal place of business in San Diego, California. The Institute performs biomedical research.
3. Certain disagreements have arisen between the Parties, and they now have reached an agreement to compromise and resolve all differences that currently exist or may arise between them in the future based upon matters, transactions or occurrences between them prior to the Effective Date of the Settlement Agreement and Mutual General Release between them.
4. Without admitting the validity or legitimacy of any liabilities, claims, demands or disputes between them, the Parties each agree to settle all such matters in exchange for the mutual consideration and promises set forth in the Settlement Agreement and Mutual General Release executed contemporaneously with the Promissory Note that is secured by this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals and the mutual covenants set forth below, the parties to this Agreement agree as follows:

1. Creation of Security Interest. DEBTOR grants to SECURED PARTY a security interest in all of DEBTOR's right, title and interest in and to the collateral described in Section 2 below (the "Collateral") in order to secure the payment and performance of the obligations of DEBTOR to SECURED PARTY described in Section 3.

2. Collateral. The Collateral under this Agreement is:

(a) all of DEBTOR's intellectual property, including, without limitation, all inventions (whether patentable or not), patents, patent applications, trademarks, service marks, trademark applications, service mark applications, technical knowledge and processes, trade secrets, know-how, formulae, methods, processes, procedures, information, ideas, disclosures, reports,

findings, lab notebooks, scientific data, medical data, technical data, experimental data, organisms, bacteria, viruses, tissue, experiments, clinical studies and results, blueprints, technical specifications, copyrights, copyright applications and other trade secrets, computer programs, algorithms, schematics and other technical, and product development plans, forecasts, strategies and information, and all embodiments thereof, including without limitation all that are listed in Exhibit 2A attached to this Agreement.

(b) The Collateral includes all items described in this Section 2, whether now owned or subsequently at any time acquired by DEBTOR and wherever located, and includes all replacements, additions, accessions, substitutions, repairs, proceeds and products relating to this Agreement or therefrom, and all documents and files of DEBTOR relating thereto. Proceeds pursuant to this Agreement include whatever is now or subsequently received by DEBTOR upon the sale, exchange, collection or other disposition of any item of Collateral, whether such proceeds constitute inventory, accounts, accounts receivable, general intangibles, instruments, securities, credits, documents, letters of credit, chattel paper, documents of title, warehouse receipts, leases, deposit accounts, money, contract rights, goods or equipment; any such items which are now or subsequently acquired by DEBTOR with any proceeds of Collateral pursuant to this Agreement; and any insurance now or subsequently payable by reason of loss or damage to any item of Collateral or any proceeds thereof.

3. Secured Indebtedness. The Collateral secures and will subsequently secure the payment by DEBTOR to SECURED PARTY of all indebtedness now or subsequently owed to SECURED PARTY by DEBTOR, including, without limitation, the Debt Pay Down Loan referenced in Section 3 of the Settlement Agreement and Mutual General Release executed by DEBTOR and SECURED PARTY effective as of August 27, 1998, together with any interest thereon and extensions, modifications and renewals thereof, and the performance by DEBTOR of all other obligations and the discharge of all other liabilities to SECURED PARTY of every kind and character, direct or indirect, absolute or contingent, due or to become due, now existing or subsequently arising, joint, several and joint and several, whether created under this Agreement or any other agreement to which DEBTOR and SECURED PARTY are parties. All payments and performance will be in accordance with the terms under which such indebtedness, obligations and liabilities were or are subsequently incurred or created.

4. Rights of SECURED PARTY.

(a) SECURED PARTY will have the right at any time to make any payments and do any other acts SECURED PARTY may deem necessary to protect its security interest in the Collateral, including, without limitation, the right to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of SECURED PARTY appears to be prior to or superior to the security interest granted pursuant to this Agreement, and appear in and defend any action or proceeding purporting to affect its security interest in or the value of the Collateral, and in exercising any such powers or authority, the SECURED PARTY will have the right to pay all expenses incurred in connection therewith, including attorneys' fees. SECURED PARTY will have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

(b) SECURED PARTY will have at all times, with reasonable advance notice, the right to enter into and upon any premises where any of the Collateral or records with respect thereto are located for the purpose of inspecting the same, making copies of records, observing the use of any part of the Collateral, or otherwise protecting its security interest in the Collateral.

5. DEBTOR's Representations and Warranties. DEBTOR represents and warrants that:

(a) DEBTOR is the sole owner of the Collateral; the security interest pursuant to this Agreement in the Collateral is a first, prior and perfected security interest; there are no security interests, liens or encumbrances, or adverse claims of title to, or any other interests whatsoever in, the Collateral or any portion thereof except (i) those created by this Agreement and (ii) those already in existence as a matter of law by virtue of financial grants previously made to the DEBTOR or its predecessor(s) in interest by a private or governmental agency; no financing statement, mortgage or deed of trust covering the Collateral or any portion thereof exists or is on file in any public office;

(b) the Collateral has not been and will not be used or bought by DEBTOR for personal, family or household purposes;

(c) DEBTOR's chief executive office is located at the address set forth in Exhibit 2B to this Agreement, and that DEBTOR has no places of business other than that set forth in Exhibit 2B;

(d) the Collateral is now located at DEBTOR's places of business set forth in Exhibit 2B, and in the absence of SECURED PARTY's consent (which shall not be unreasonably withheld) to temporary relocation of the Collateral in furtherance of DEBTOR's enterprise, the Collateral will remain at such location in the future;

(e) neither the execution and delivery of this Agreement by DEBTOR nor the consummation of the transactions in this Agreement contemplated nor the fulfillment of the terms of this Agreement will result in a breach of any of the terms or provisions of, or constitute a default under, or constitute an event which with notice or lapse of time or both will result in a breach of or constitute a default under, any agreement, indenture, mortgage, deed of trust, equipment lease, instrument or other document to which DEBTOR is a party, or conflict with any law, order, rule or regulation applicable to DEBTOR of any court or any federal or state government, regulatory body or administrative agency, or any other governmental body having jurisdiction over DEBTOR or its properties.

6. Covenants of DEBTOR.

(a) DEBTOR will register and prosecute (as applicable) and protect the Collateral from infringement, misappropriation, and misuse and will undertake all acts necessary for the renewal or maintenance of the Collateral, including without limitation, the execution and filing with

any patent office any documents, instruments, declaration or affidavits necessary to obtain registrations or patents for the Collateral and to preserve such registration or patents from abandonment or cancellation.

(b) DEBTOR will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein except as expressly provided in this Agreement.

(c) DEBTOR will not move or permit to be moved the Collateral or any portion thereof to any location other than those set forth in Exhibit 2B without the prior written consent of SECURED PARTY, which shall not be unreasonably withheld.

(d) DEBTOR will not establish any place of business other than those set forth in Exhibit 2B, or voluntarily or involuntarily change its name, identity or corporate structure, without the prior written consent of SECURED PARTY, which shall not be unreasonably withheld.

(e) DEBTOR will procure or execute and deliver any document necessary or desirable to perfect or continue the perfection and first priority of SECURED PARTY's security interest in the Collateral, to protect and preserve the Collateral, and will pay all costs incurred in connection therewith.

(f) DEBTOR will not, without the prior written consent of SECURED PARTY, in any way hypothecate, pledge, grant, create or permit to exist any lien, security interest or encumbrance on or other interest in the Collateral, except that are created by this Agreement, nor will DEBTOR sell, transfer, assign, exchange or otherwise dispose of the Collateral.

(g) If the Collateral, or any part thereof, is sold, transferred, assigned, exchanged, or otherwise disposed of in violation of these provisions, the security interest of SECURED PARTY will continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and DEBTOR will hold the proceeds thereof in a separate account for SECURED PARTY's benefit. DEBTOR will, at SECURED PARTY's request, transfer such proceeds to SECURED PARTY in kind.

(h) Upon request of SECURED PARTY, DEBTOR promptly will provide SECURED PARTY with copies of all existing and subsequently created contracts and agreements, and of all amendments and modifications thereto, relating to the Collateral.

(i) DEBTOR will pay and discharge all taxes, maintenance or renewal fees, assessments and governmental charges or levies against the Collateral prior to delinquency thereof and will keep the Collateral free of all unpaid charges whatsoever.

(j) DEBTOR will (i) keep and maintain the Collateral in good condition and repair; and (ii) not misuse or abuse the Collateral, or waste or allow it to deteriorate, and will comply with all laws, statutes and regulations pertaining to the use or ownership of the Collateral.

(k) DEBTOR will cause the Collateral to be kept insured at its own expense under one or more property insurance policies with such companies, in such amounts, and against such risks and liabilities as are satisfactory to SECURED PARTY. No such policy will be subject to reduction or cancellation without thirty (30) days prior written notice to SECURED PARTY.

(l) DEBTOR will promptly reimburse SECURED PARTY for any and all amounts expended by SECURED PARTY in accordance with, or in the enforcement (judicially or otherwise) or exercise of its rights under, the terms of this Agreement, including attorneys' fees, which amounts are included in the indebtedness secured pursuant to this Agreement.

(m) DEBTOR will reimburse SECURED PARTY for all payments made and expenses incurred, which amounts will be secured under this Agreement, and will be bound by any payment made or act taken by SECURED PARTY pursuant to this Agreement. SECURED PARTY will have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

7. Defaults and Remedies. The occurrence of any one or more of the following events or conditions will constitute default under this Agreement:

(a) DEBTOR fails to pay any indebtedness, perform any obligation or covenant required to be performed by it, or discharge any liability to SECURED PARTY in accordance with the terms upon which such indebtedness, obligation, covenant or liability was incurred or created, or otherwise defaults under any agreement to which SECURED PARTY and DEBTOR are parties;

(b) DEBTOR makes or has made or furnishes or has furnished any representation or warranty to SECURED PARTY in connection with this Agreement, or any other agreement to which it and SECURED PARTY are parties, which is or was false or misleading in any material respect when made or furnished;

(c) any lien or encumbrance other than that created by this Agreement that is placed on or any levy is made on the Collateral or any portion thereof, or the Collateral or any portion thereof is seized or attached pursuant to legal process, unless such lien, encumbrance, levy, seizure or attachment is removed or released within thirty (30) days from the time such lien or encumbrance was placed thereon or such levy, seizure or attachment was effected, but in any event not later than five (5) days prior to any date for sale of such property;

(d) any substantial portion of the assets of DEBTOR is transferred or any material obligation is incurred by DEBTOR without the consent of SECURED PARTY, which shall not be unreasonably withheld;

(e) DEBTOR becomes insolvent or admits (in writing) its insolvency as defined in the federal Bankruptcy Code, is unable to or does not pay all or any material portion (in number or dollar amount) of its debts as they become due, permits or suffers a judgment to be entered against it (unless enforcement thereof is stayed pending appeal), makes or proposes an assignment

for the benefit of creditors, convenes or proposes to convene a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts, proposes any such moratorium, extension or composition, or commences or proposes to commence any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of DEBTOR;

(f) DEBTOR fails to obtain the dismissal, within thirty (30) days after the commencement thereof, of any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any law for the relief of debtors, instituted against it by one or more third parties, fails actively to oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or its desire to seek liquidation, reorganization or adjustment of any of its debts;

(g) any receiver, trustee or custodian is appointed to take possession of all or any substantial portion of the assets of DEBTOR, or any committee of the DEBTOR's creditors, or any class thereof, is formed for the purpose of monitoring or investigating the financial affairs of DEBTOR or enforcing such creditors' rights;

(h) DEBTOR ceases to conduct its business as the same is now conducted in the ordinary course of its business, without the prior written consent of SECURED PARTY, which shall not be unreasonably withheld;

(i) SECURED PARTY deems itself insecure with respect to the payment or performance by DEBTOR of any indebtedness, obligation, covenant or liability of DEBTOR to SECURED PARTY; or

(j) DEBTOR defaults under, repudiates or is otherwise in material breach of the Settlement Agreement and Mutual General Release between DEBTOR and SECURED PARTY with an effective date of August 27, 1998.

8. Remedies. Upon the occurrence of a default pursuant to this Agreement, SECURED PARTY may, at its option, without notice to or demand upon DEBTOR, do any one or more of the following:

(a) Declare all advances made by SECURED PARTY to DEBTOR pursuant to this Agreement and all other indebtedness of DEBTOR to SECURED PARTY to be immediately due and payable, whereupon all unpaid principal and interest on such advances and other indebtedness will become and be immediately due and payable without notice.

(b) Exercise any or all of the rights and remedies provided for by the applicable Uniform Commercial Code, specifically including, without limitation, the right to recover the attorneys' fees and other expenses incurred by SECURED PARTY in the enforcement of this Agreement or in connection with DEBTOR's redemption of the Collateral.

(c) Require DEBTOR to assemble the Collateral or any part thereof and make it available at one or more places as SECURED PARTY may designate, and to deliver possession of the Collateral or any part thereof to SECURED PARTY, who will have full right to enter upon any or all of DEBTOR's premises and property to exercise SECURED PARTY's rights pursuant to this Agreement.

(d) Use, manage, operate and control the Collateral and DEBTOR's business and property to preserve, prosecute, register and maintain the Collateral or its value, including, without limitation, the rights to appear before any patent, trademark or copyright office, to appoint agents or attorneys with respect to the same and to file any responses, amendments, renewals, extensions or other documents or instruments necessary or appropriate with respect to the Collateral, to take possession of all of DEBTOR's premises and property, to exclude DEBTOR and any third parties, whether or not claiming under DEBTOR, from such premises and property, to make repairs, replacements, alterations, additions and improvements to the Collateral and to dispose of all or any portion of the Collateral in the ordinary course of DEBTOR's business.

(e) Use, in connection with any assembly, use or disposition of the Collateral, any trademark, trade name, trade style, copyright, patent or technical knowledge or process, whether or not used or utilized by DEBTOR.

(f) Enforce one or more remedies pursuant to this Agreement, successively or concurrently, and such action will not operate to estop or prevent SECURED PARTY from pursuing any other or further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms of this Agreement will not operate to release DEBTOR until full and final payment of any deficiency has been made in cash. DEBTOR will reimburse SECURED PARTY upon demand for, or SECURED PARTY may apply any proceeds of Collateral to, the costs and expenses (including attorneys' fees, transfer taxes and any other charges) incurred by SECURED PARTY in connection with any sale, disposition or retention of any Collateral pursuant to this Agreement.

(g) In connection with any public or private sale under the applicable Uniform Commercial Code, SECURED PARTY will give DEBTOR at least five (5) days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made, which will be deemed to be reasonable notice of such sale or other disposition. Such notice may be mailed to DEBTOR at the address set forth in Section 9.(d) Agreement. Further, in the event of any public sale pursuant to this Agreement, SECURED PARTY will exhibit the Collateral for a reasonable period of time not later than the day before such sale is to take place, and, if practicable, will exhibit the Collateral at the time and place of such sale; provided, however, that SECURED PARTY will have no obligation to exhibit any part of the Collateral at or prior to the sale thereof, if, at the time of default, such Collateral is in DEBTOR's possession or under its control, and if SECURED PARTY sends DEBTOR a written demand for possession thereof under Section 8.(c) and DEBTOR fails to comply with such demand at least three days prior to the date set for sale of such Collateral.

(h) Proceed by an action or actions at law or in equity to recover the indebtedness secured pursuant to this Agreement or to foreclose this Agreement and sell the Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction.

(i) In the event SECURED PARTY recovers possession of all or any part of the Collateral pursuant to a writ of possession or other judicial process, whether prejudgment or otherwise, SECURED PARTY may thereafter retain, sell or otherwise dispose of such Collateral in accordance with this Agreement or the applicable Uniform Commercial Code, and following such retention, sale or other disposition, SECURED PARTY may voluntarily dismiss without prejudice the judicial action in which such writ of possession or other judicial process was issued. DEBTOR hereby consents to the voluntary dismissal by SECURED PARTY of such judicial action, and DEBTOR further consents to the exoneration of any bond which SECURED PARTY filed in such action.

(j) DEBTOR agrees to pay all costs incurred by SECURED PARTY in collecting the amounts that are secured by or otherwise enforcing any rights under this Security Agreement, including actual attorney fees and costs, in addition to any other relief that may be granted, all without regard to any schedule or rule of court purporting to restrict such award of attorney fees or costs.

9. Miscellaneous Provisions.

(a) Authority of the SECURED PARTY. SECURED PARTY will have and be entitled to exercise all powers pursuant to this Agreement which are specifically delegated to SECURED PARTY by the terms of this Agreement, together with such powers as are reasonably incident thereto. SECURED PARTY may perform any of its duties pursuant to this Agreement or in connection with the Collateral by or through agents or employees and will be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. Neither SECURED PARTY nor any director, officer, employee, attorney or agent of SECURED PARTY will be liable to DEBTOR for any action taken or omitted to be taken by it or them pursuant to this Agreement except for its or their own gross negligence or willful misconduct; nor will SECURED PARTY be responsible for the validity, effectiveness or sufficiency of this Agreement or of any document or security furnished pursuant to this Agreement. SECURED PARTY and they will be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. DEBTOR will indemnify and hold harmless SECURED PARTY or any such other person from and against any and all costs, expenses (including attorneys' fees), claims or liability incurred by SECURED PARTY or such person pursuant to this Agreement, unless such claim or liability will be due to willful misconduct or gross negligence on the part of SECURED PARTY or such person.

(b) Power of Attorney. DEBTOR hereby appoints and constitutes SECURED PARTY as DEBTOR's attorney-in-fact for purposes of making any payments or taking any acts under Section 4(a). SECURED PARTY's authority pursuant to this Agreement will include, without

limitation, the authority to endorse and negotiate, for SECURED PARTY's own account, any checks or instruments in the name of DEBTOR, to execute and receipt for any certificate of ownership or any document, to transfer title to any item of Collateral, and to take any other actions necessary or incident to the powers granted to SECURED PARTY in this Agreement. This power of attorney is coupled with an interest and is irrevocable by DEBTOR.

(c) Termination of Agreement. This Agreement will terminate on February 28, 1999, if the indebtedness for which this Agreement secures payment has been forgiven by SECURED PARTY on or before that date in accordance with the Settlement Agreement and Mutual Release executed by the Parties effective as of August 27, 1998. Otherwise, this Agreement will terminate upon full and final payment and performance of all indebtedness and obligations secured pursuant to this Agreement. Upon termination of this Agreement, SECURED PARTY will reassign and redeliver to DEBTOR all of the Collateral that has not been sold, disposed of, retained or applied by SECURED PARTY in accordance with the terms of this Agreement. Such reassignment and redelivery will be without warranty by or recourse to SECURED PARTY, and will be at the expense of DEBTOR.

(d) Notices. Notices, requests and other communications pursuant to this Agreement will be in writing and may be delivered personally or sent by telegram, telecopier, telex or United States mail to the parties addressed as follows:

To SECURED PARTY: LIDAK Pharmaceuticals
 Attention: Gerald J. Yakatan, Ph.D.
 President and Chief Executive Officer
 9393 Towne Centre Drive
 San Diego, CA 92121

To DEBTOR: Medical Biology Institute
 Attention: Ronald T. Ogata, Ph.D.
 3550 General Atomics Court
 San Diego, CA 92121

Such notices, requests and other communications sent as provided above will be effective when received by the addressee thereof, but if sent by registered or certified mail, postage prepaid, will be effective exactly three business days after being deposited in the United States mail. The parties to this Agreement may change their addresses by giving notice thereof to the other parties to this Agreement in conformity with this section.

(e) Construction Rules. The various headings in this Agreement are inserted for convenience only and will not affect the meaning or interpretation of this Agreement or any provision of this Agreement. All terms not defined in this Agreement will have the meaning set forth in the applicable Uniform Commercial Code, except where the context otherwise requires.

(f) Governing Law. This Agreement will be construed in accordance with and all disputes pursuant to this Agreement will be governed by the laws of California as applied to contracts between California residents entered into in and to be performed wholly within California.

(g) Amendments and Waivers. This Agreement or any provision of this Agreement may be changed, waived, or terminated only by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced. No delay in enforcing or failure to enforce any right under this Agreement by SECURED PARTY will constitute waiver by SECURED PARTY of such a right. No waiver by SECURED PARTY of any default pursuant to this Agreement will be effective unless in writing, nor will any waiver operate as a waiver of any other default or of the same default on a future occasion.

(h) Severability. If any provision of this Agreement should be found to be invalid or unenforceable to any extent, all of the other provisions will nonetheless remain in full force and effect to the maximum extent permitted by law and the affected provision will be construed as if it were written so as to be valid and enforceable to the maximum possible extent.

(i) Time of the Essence. Time is of the essence for each provision of this Agreement in which time is an element.

(j) Binding Agreement. All rights of SECURED PARTY pursuant to this Agreement will inure to the benefit of its successors and assigns. DEBTOR will not assign any of its interest under this Agreement without the prior written consent of SECURED PARTY. Any purported assignment inconsistent with this provision will, at the option of SECURED PARTY, be null and void.

(k) Entire Agreement. This Agreement, together with the Settlement Agreement and its Exhibits executed in connection herewith, is intended by the parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions thereof. Acceptance of or acquiescence in a course of performance rendered under this Agreement will not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

(l) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or to seek damages for a breach of any provision hereof, or where any provision of this Agreement is validly asserted as a defense, the successful party will be entitled to recover actual attorney fees and costs incurred, in addition to any other relief that may be granted, all without regard to any schedule or rule of court purporting to restrict such award of attorney fees or costs.

(m) Survival of Provisions. All representations, warranties and covenants of DEBTOR contained in this Agreement will survive the execution and delivery of this Agreement, and will terminate only upon the full and final payment and performance by DEBTOR of its indebtedness and obligations secured pursuant to this Agreement.


(n) Statute of Limitations. DEBTOR hereby waives the right to plead any statute of limitations as a defense to any indebtedness or obligation pursuant to this Agreement or secured pursuant to this Agreement to the full extent permitted by law.

(o) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which will together constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed the date first written above.

MEDICAL BIOLOGY INSTITUTE

LIDAK PHARMACEUTICALS

By: 
Cynthia K. Thornton, Esq.
Vice President - Administration

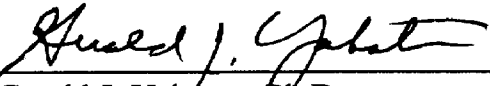
By: 
Gerald J. Yakatan, Ph.D.
President and Chief Executive Officer

Exhibit A

COLLATERAL TO SECURITY AGREEMENT

<u>US Patent or Application No./Date</u>	<u>Title</u>
US Patent No. 5,470,714 11/28/95	ONE-STEP FREE FATTY ACID DETERMINATION METHOD.
US Patent No. 5,045,320 09/03/91	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/327,910 03/23/89	DNA BLOTTING METHOD.
US Patent App. No. 07/503,047 04/02/90	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/760,0865 09/16/91	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/792,760 02/04/97	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/475,785 06/07/95	LARGE MULTIVALENT IMMUNOGEN ACTIVATION OF IMMUNE CELLULAR RESPONSE.
US Patent App. No. 08/663,617 06/14/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
US Patent App. No. 08/837,599 04/21/97	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
US Patent Provisional App. No. 60/000,674 06/29/95	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.

**Foreign/ PCT Patent or Application
No./Date**

Title

EPO No. 0422164 11/30/94	LARGE MULTIVALENT IMMUNOGEN.
Japan App. No. 505845/1990 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
PCT App. No. PCTUS90/01474 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
EPO Patent No. 0457901 11/08/95	FREE FATTY ACID DETERMINATION.
Hong Kong Patent No. 567/1996 03/28/96	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US90/07202 12/07/90	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US92/07415 09/02/92	DIAGNOSTIC AID FOR EARLY DETECTION OF CANCER AND DIABETES.
PCT App. No. PCT/US96/10958 06/27/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
PCT App. No. PCT/US98/07817 04/20/98	METHOD OF TOPICAL IMMUNOSTIMULATION TO INDUCE LANGERHANS CELL MIGRATION.
PCT App. No. PCT/US97/10400 06/13/97	METHOD OF DETECTION OF CARDIAC ISCHEMIA USING MODIFIED FATTY ACID BINDING PROTEIN.

Unknown Serial No./Patent No.

Title

Not currently available.	AMPLIFIED SIGNAL IMMUNOASSAY.
Not currently available.	ONE-STEP IMMUNOLOGICAL TEST.
Not currently available.	INHIBITION OF NEURO SIGNALS.
Not currently available.	SMALL UNILAMELLAR VESICLES.
Not currently available.	MURINE MODEL OF AIDS-LIKE VIRUS INFECTION.

Unknown Serial No./Patent No.

Title

Not currently available.

INDUCTION OF ANTIBODY RESPONSE BY
LARGE MULTIVALENT IMMUNOGEN.

Not currently available.

DIAGNOSTIC AID FOR EARLY DETECTION OF
CANCER AND DIABETES.

Not currently available.

DIAGNOSTIC AID FOR DETECTION OF CANCER
AND DIABETES.

Not currently available.

NUCLEIC ACID HYBRIDIZATION ASSAY.

Not currently available.

ONE-STEP IMMUNOASSAY USING A BINARY
ANTIBODY REPORTER SYSTEM.

Not currently available.

CELL ACTIVATION BY IMMOBILIZED
MEMBRANE PROTEINS.

Not currently available.

METHOD OF TOPICAL IMMUNOSTIMULATION
TO INDUCE LANGERHANS CELL MIGRATION.

Not currently available.

METHOD OF DETECTION OF CARDIAC
ISCHEMIA USING MODIFIED FATTY ACID
BINDING PROTEIN.

EXHIBIT B

DEBTOR'S CHIEF EXECUTIVE OFFICE AND BUSINESS ADDRESS

MEDICAL BIOLOGY INSTITUTE

Attention: Ronald T. Ogata, Ph.D.

3550 General Atomics Court

San Diego, California 92121

PATENT COLLATERAL ASSIGNMENT

THIS PATENT COLLATERAL ASSIGNMENT ("Assignment"), dated as of August 27, 1998, is made by MEDICAL BIOLOGY INSTITUTE ("Institute"), a corporation organized and existing under the laws of California, in favor of LIDAK PHARMACEUTICALS ("LIDAK") a corporation organized and existing under the laws of California.

WHEREAS, contemporaneously with the execution and delivery of this Assignment, the Institute has executed and delivered a Security Agreement in favor of LIDAK (the "Security Agreement");

WHEREAS, the Institute has agreed to execute and deliver this Assignment to LIDAK for filing with the United States Patent and Trademark Office and any other relevant recording systems in any domestic or foreign jurisdiction, all as further evidence of and to effectuate LIDAK's existing security interests in the patents and other general intangibles described in this Assignment;

NOW THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Institute hereby agrees in favor of LIDAK as follows:

1. Assignment and Grant of Security Interest. To secure the faithful performance of its obligations, the Institute assigns, grants, transfers and conveys to LIDAK a security interest in and to all of the Institute's right, title and interest in, to and under the following property, whether now existing or hereafter acquired or arising (collectively, the "Patent Collateral"):

(i) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the U.S. or any other country, now or hereafter owned, held or used by the Institute in whole or in part, including all existing U.S. patents and patent applications of the Institute which are described in Exhibit A, the same may be amended or supplemented pursuant to this Assignment from time to time, together with all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and the inventions disclosed therein, (collectively, the "Assigned Patents"), and further, all rights and privileges pertaining to the Assigned Patents, including, the right, if any, to sue or bring other actions for past, present and future infringement;

(ii) all products and proceeds of any and all of the foregoing Patent Collateral, including, without limitation, any and all causes of action and any and all royalties for any licenses thereof.

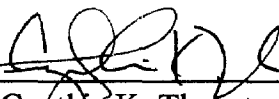
2. Security Agreement. This Assignment shall be fully incorporated into the Security Agreement and all understandings, agreements and provisions contained in the Security Agreement shall be fully incorporated into this Assignment. LIDAK shall have all rights and remedies available to it under the Security Agreement and applicable law with respect to the security interests in any of the Patent Collateral or any other collateral.

3. Termination. Upon the satisfaction in full of all indebtedness secured by this Assignment, this Assignment shall terminate and LIDAK shall execute and deliver such documents and instruments and take such further action reasonably requested by the Institute and at the Institute's expense as shall be necessary to evidence termination of the security interest granted by the Institute to LIDAK hereunder, including cancellation of this Assignment by written notice from LIDAK to the United States Patent and Trademark Office.

4. Miscellaneous. This Assignment shall be governed by and construed in accordance with the laws of the state of California, except to the extent that the validity or perfection of the assignment and security interests hereunder in respect of any Patent Collateral are governed by federal law. The Institute and LIDAK each submit to the jurisdiction of the United States District Court for the Southern District of California for the resolution of any disputes arising out of or relating to this Agreement, or, in the event that that Court does not have subject matter jurisdiction of any such dispute, the Institute and LIDAK submit to the jurisdiction of the California state courts located in San Diego, California. This Assignment, together with the Security Agreement and the Schedules and Exhibits, contains the entire agreement of the parties with respect to the subject matter of this Assignment. Neither this Assignment nor any provision of this Assignment may be changed, waived, or terminated except by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced. The Institute agrees to take such further action and to execute powers of attorney, assignments and other documents with respect to the conveyance of the Assigned Patents to LIDAK and such reasonable and truthful documents as LIDAK may request to effect or confirm the conveyance to LIDAK of the Assigned Patents and any improvements thereto.

IN WITNESS WHEREOF, MEDICAL BIOLOGY INSTITUTE HAS duly executed this Assignment, as of the date first above written.

MEDICAL BIOLOGY INSTITUTE

By: 
Cynthia K. Thornton, Esq.
Vice President - Administration

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On Sept. 24, 1998, before me, the undersigned, a Notary Public in and for California, personally appeared Cynthia K. Thornton, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Diana L. Lytle
Notary Public in and for California

EXHIBIT A

COLLATERAL TO PATENT COLLATERAL ASSIGNMENT

<u>US Patent or Application No./Date</u>	<u>Title</u>
US Patent No. 5,470,714 11/28/95	ONE-STEP FREE FATTY ACID DETERMINATION METHOD.
US Patent No. 5,045,320 09/03/91	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/327,910 03/23/89	DNA BLOTTING METHOD.
US Patent App. No. 07/503,047 04/02/90	LARGE MULTIVALENT IMMUNOGEN.
US Patent App. No. 07/760,0865 09/16/91	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/792,760 02/04/97	LARGE MULTIVALENT IMMUNOGEN ANTIVIRUS THERAPY.
US Patent App. No. 08/475,785 06/07/95	LARGE MULTIVALENT IMMUNOGEN ACTIVATION OF IMMUNE CELLULAR RESPONSE.
US Patent App. No. 08/663,617 06/14/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
US Patent App. No. 08/837,599 04/21/97	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
US Patent Provisional App. No. 60/000,674 06/29/95	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.

Foreign/PCT Patent or Application
No./Date

Title

EPO No. 0422164 11/30/94	LARGE MULTIVALENT IMMUNOGEN.
Japan App. No. 505845/1990 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
PCT App. No. PCTUS90/01474 03/19/90	LARGE MULTIVALENT IMMUNOGEN.
EPO Patent No. 0457901 11/08/95	FREE FATTY ACID DETERMINATION.
Hong Kong Patent No. 567/1996 03/28/96	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US90/07202 12/07/90	FREE FATTY ACID DETERMINATION.
PCT App. No. PCT/US92/07415 09/02/92	DIAGNOSTIC AID FOR EARLY DETECTION OF CANCER AND DIABETES.
PCT App. No. PCT/US96/10958 06/27/96	METHOD FOR IDENTIFYING PEPTIDES THAT AFFECT PROTEIN-PROTEIN INTERACTIONS & COMPLEMENT-MODULATING PEPTIDES.
PCT App. No. PCT/US98/07817 04/20/98	METHOD OF TOPICAL IMMUNOSTIMULATION TO INDUCE LANGERHANS CELL MIGRATION.
PCT App. No. PCT/US97/10400 06/13/97	METHOD OF DETECTION OF CARDIAC ISCHEMIA USING MODIFIED FATTY ACID BINDING PROTEIN.

Unknown Serial No./Patent No.

Title

Not currently available.	AMPLIFIED SIGNAL IMMUNOASSAY.
Not currently available.	ONE-STEP IMMUNOLOGICAL TEST.
Not currently available.	INHIBITION OF NEURO SIGNALS.
Not currently available.	SMALL UNILAMELLAR VESICLES.
Not currently available.	MURINE MODEL OF AIDS-LIKE VIRUS INFECTION.

Unknown Serial No./Patent No.

Title

Not currently available.

INDUCTION OF ANTIBODY RESPONSE BY
LARGE MULTIVALENT IMMUNOGEN.

Not currently available.

DIAGNOSTIC AID FOR EARLY DETECTION OF
CANCER AND DIABETES.

Not currently available.

DIAGNOSTIC AID FOR DETECTION OF CANCER
AND DIABETES.

Not currently available.

NUCLEIC ACID HYBRIDIZATION ASSAY.

Not currently available.

ONE-STEP IMMUNOASSAY USING A BINARY
ANTIBODY REPORTER SYSTEM.

Not currently available.

CELL ACTIVATION BY IMMOBILIZED
MEMBRANE PROTEINS.

Not currently available.

METHOD OF TOPICAL IMMUNOSTIMULATION
TO INDUCE LANGERHANS CELL MIGRATION.

Not currently available.

METHOD OF DETECTION OF CARDIAC
ISCHEMIA USING MODIFIED FATTY ACID
BINDING PROTEIN.