

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	RELEASE BY SECURED PARTY
CONVEYING PARTY DATA	
Name	Execution Date
PAUL ROYALTY FUND HOLDINGS II	03/12/2008
RECEIVING PARTY DATA	
Name:	VERUS PHARMACEUTICALS, INC.
Street Address:	12671 HIGH BLUFF DRIVE, SUITE 200
City:	SAN DIEGO
State/Country:	CALIFORNIA
Postal Code:	92130
PROPERTY NUMBERS Total: 1	
Property Type	Number
Patent Number:	5665071
CORRESPONDENCE DATA	
Fax Number:	(703)997-4905
Phone:	(703) 917-0000
Email:	KRIS@MH2LAW.COM
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.</i>	
Correspondent Name:	MH2 TECHNOLOGY LAW GROUP
Address Line 1:	1951 KIDWELL DRIVE, SUITE 550
Address Line 4:	TYSONS CORNER, VIRGINIA 22182
ATTORNEY DOCKET NUMBER:	0134.0000
NAME OF SUBMITTER:	Timothy B. Donaldson
Total Attachments: 3 source=2012-03-29__SECURITY#page1.tif source=2012-03-29__SECURITY#page2.tif source=2012-03-29__SECURITY#page3.tif	

OP \$40.00 5665071

Paul Royalty Fund Holdings II
50 California Street, Suite 3000
San Francisco, California 94111

March 12, 2008

Verus Pharmaceuticals, Inc.
12671 High Bluff Drive, Suite 200
San Diego, CA 92130
Attention: Chairman

Ladies and Gentlemen:

Reference is hereby made to (i) the Revenue Interests Assignment Agreement between Verus Pharmaceuticals, Inc. ("Verus") and Paul Royalty Fund Holdings II ("Paul") dated as of March 29, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "RIAA"), (ii) the Purchase Agreement between Verus and Sciele Pharma Inc. ("Sciele") dated as of March 12, 2008 (the "Sciele Agreement") and (iii) the Termination, Amendatory and Payment Agreement between Verus and Paul dated as of March 12, 2008 (the "Termination Agreement"). All capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Termination Agreement.

Verus has informed Paul, that Verus intends to sell to Sciele all or a substantial portion of its interests in the Twinject product as described in the Sciele Agreement. Pursuant to the terms of the RIAA and the Termination Agreement, Verus is obligated to pay us the Outstanding Amounts. In exchange for a partial payment of the Outstanding Amounts, Verus has requested that we provide the consent as set forth herein, which we have agreed to do in accordance with the terms herein.

For purposes of the foregoing, Paul hereby acknowledges and agrees with Verus as follows:

Effective upon receipt by Paul of a payment from Sciele and Verus in an aggregate amount equal to \$18,000,000 (the "Payoff Amount") as contemplated by the Sciele Agreement, of which \$16,000,000 shall be sent by wire transfer from Sciele (the "Sciele Amount") and \$2,000,000 shall be sent by wire transfer by Verus (the "Verus Payoff Amount"). Paul: (i) waives any and all rights granted under the RIAA to claim the purchase and sale transaction contemplated by the Sciele Agreement constitutes a breach of the RIAA and (ii) consents to the sale of the Purchased Assets (as defined in the Sciele Agreement) free and clear of any and all liens, security interests and other rights of Paul to the Purchased Assets (which are hereby released and discharged); provided, that the foregoing shall not constitute a release of the security interest of Paul in any other property of Verus, including without limitation, any rights Verus may have pursuant to the Purchase Agreement (including, without limitation, the right to receive any Purchase Price payments and any proceeds or payments made to Verus pursuant to Section 2.7 of the Sciele Agreement).

The Payoff Amount shall be paid to by wire transfer as follows:

1-NY/2286274.10

Bank: Citibank N.A.
451 Montgomery Street
San Francisco, CA 94104
SWIFT: CITIUS33
ABA Routing No.: 321171184
Account No.: 201744513
Beneficiary: Paul Royalty Fund Holdings II
Contact Person: Lindy Chen (415)283-4360, lchen@paulcap.com

THIS LETTER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF) AND MAY BE AMENDED ONLY IN A WRITING EXECUTED BY ALL OF THE PARTIES HERETO.

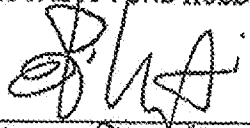
This letter may be executed in identical counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this letter by facsimile or other electronic transmission shall be effective as delivery of an original counterpart of this letter.

Sciele is entitled to receive a copy of this letter and is entitled to rely upon the agreements of Paul contained herein. Upon receipt of the Verus Payoff Amount, Paul shall send confirmation thereof via email to Lzacks@sciele.com.

1-NY/2286274.10

Very truly yours,

PAUL ROYALTY FUND HOLDINGS II

By: 

Name: Jean-Pierre Haagelt

Title: Member

[Signature Page to Payoff Letter]