

08-10-2004



102810459

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

1. Name of conveying party(ies):

A. M. Pappas Life Science Ventures I, L.P., as Collateral Agent

- Individual(s) Association General Partnership Limited Partnership Corporation-State Other State of Delaware

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other Payee Financing Notice and Conversion Agmt

Execution Date: 03/12/2004

2. Name and address of receiving party(ies)

Name: Panacos Pharmaceuticals Inc.

Internal Address: Samuel K. Ackerman

Street Address: 209 Perry Parkway

City: Gaithersburg State: MD Zip: 20877-2164

- Individual(s) citizenship Association General Partnership Limited Partnership Corporation-State Delaware Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 76/507051, 76/507052, 75/856496, 75/856497

Additional number(s) attached Yes No

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

Name: David B. Clement, Esq.

Internal Address:

Smith, Anderson, Blount,

Dorsett, Mitchell & Jernigan, L.L.P.

Street Address:

2500 Wachovia Capitol Center

City: Raleigh State: NC Zip: 27601

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41) \$ 115.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature.

David B. Clement

Name of Person Signing

Signature

August 3, 2004

Date

Total number of pages including cover sheet, attachments, and document: 8

08/09/2004 DBYRNE 00000010 76507051

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

01 FC:0521 02 FC:0522

40.00 OP 75.00 OP

Attachment to Form PTO-1594Recordation Form Cover Sheet – Trademarks Only**1. Additional names and domiciles of conveying parties:**

<u>Name/Address</u>	<u>Type</u>	<u>Domicile</u>
A. M. PAPPAS LIFE SCIENCE VENTURES I, L.P.	limited partnership	Delaware
AMPERSAND 1999 LIMITED PARTNERSHIP	limited partnership	Delaware
AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP	limited partnership	Delaware
MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT	state agency	Maryland
GRAHAM P. ALLAWAY	individual	Maryland
WILLIAM R. PRATHER	individual	Colorado
RICHARD T. SCHUMACHER	individual	Massachusetts
PHILIP C. SMITH	individual	North Carolina
CANDICE J. SCHUMACHER	individual	Massachusetts

Pursuant to Section 3, titled "Term of Agreement," of the Intellectual Property Security Agreement, dated as of July 22, 2003 (the "Agreement") and recorded with the United States Patent and Trademark Office on September 29, 2003 at Reel/Frame 002836/0087, the "Agreement shall terminate, and each Lender shall release its security interest in the Intellectual Property, upon the earlier to occur of (i) the payment in full by or on behalf of Borrower of all of the then outstanding Notes issued pursuant to the Purchase Agreement, and (ii) the conversion of all of the Notes pursuant to their terms." The attached Payee Financing Notice and Conversion Agreement converts all of the Notes and is signed by the Lenders holding Notes representing at least a majority of the outstanding principal amount of the Notes and is binding on each Lender pursuant to Section 8.9 of the Convertible Secured Note Purchase Agreement dated July 22, 2003 and executed by all of the Lenders who are the conveying parties referenced above.

PAYEE FINANCING NOTICE AND CONVERSION AGREEMENT

TO: Panacos Pharmaceuticals, Inc.
209 Perry Parkway
Gaithersburg, Maryland 20877-2164

Reference is made to those certain Convertible Secured Promissory Notes, dated as of July 22, 2003, September 4, 2003 and December 5, 2003 (each, a "*Note*," and collectively, the "*Notes*"), made by PANACOS PHARMACEUTICALS, INC., a Delaware corporation (the "*Company*") in favor of the undersigned pursuant to that certain Convertible Secured Note Purchase Agreement, dated as of July 22, 2003 (the "*Note Purchase Agreement*"). Capitalized terms used herein without definition shall have the meanings given to such terms in the Notes.

In connection with the closing of the Company's sale and issuance of shares of its Series C Preferred Stock (the "*Series C Preferred*") to certain investors (the "*Series C Financing*"), pursuant to the terms and conditions of that certain Series C Preferred Stock Purchase Agreement of even date herewith, made by and among the Company, the undersigned and the certain other parties thereto (the "*Stock Purchase Agreement*"), the undersigned holders of Notes (each, a "*Noteholder*," and collectively, the "*Noteholders*") hereby elect and agree to convert the Notes as set forth herein. In consideration of the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the undersigned hereby agree as follows:

1. The First Closing (as defined in the Stock Purchase Agreement) of the Series C Financing is hereby expressly acknowledged to be a "Qualified Financing" as defined in Section 2(a) of the Notes, and upon such First Closing, without the requirement of any further action by any party, the outstanding principal and accrued interest balances due under each Note shall be automatically converted into that number of shares of Series C Preferred set forth opposite each Noteholder's name on Exhibit A to the Stock Purchase Agreement.

2. Each Noteholder hereby authorizes the Company to combine the number of shares of Series C Preferred issuable and deliverable upon conversion of each Note held by such Noteholder with the number of shares of Series C Preferred that the Noteholder shall be entitled to receive in connection with the Noteholder's cash portion of the aggregate purchase price being paid at the First Closing, as set forth opposite such Noteholder's name on Exhibit A to the Stock Purchase Agreement, and directs the Company to issue and deliver the appropriate number of shares of Series C Preferred to the undersigned Noteholder in one certificate subject to the terms of the Purchase Agreement.

3. The issuance of the shares of Series C Preferred referenced in Section 1 hereof shall constitute full satisfaction of the Company's obligations under the Notes, the Note Purchase Agreement, that certain Security Agreement, dated as of July 22, 2003 by and among the Company and the Noteholders (the "*Security Agreement*") and that certain Intellectual Property Security Agreement, dated as of July 22, 2003 by and among the Company and the Noteholders (the "*IP Security Agreement*," and together with the Security Agreement, the "*Security Agreements*"), and each Noteholder, conditioned upon the receipt of such shares of Series C Preferred, hereby waives and releases, to the fullest extent of the law, the Company (including any of its officers, directors,

employees, affiliates and successors and assigns) from any and all obligations, liabilities, claims, expenses, liens, actions, rights and interests arising under the Notes, the Note Purchase Agreement or the Security Agreements.

4. Upon receipt of the shares of Series C Preferred referenced in Section 1 hereof, each Noteholder hereby agrees to immediately deliver (i) all original Notes issued to it to the Company (each Note marked as "cancelled") or (ii) in lieu thereof, an Affidavit of Loss and Indemnity Agreement in a form that may be obtained upon request of the Company. The Noteholders agree and acknowledge that the conversion of the Notes in accordance with the terms hereof shall be deemed to be a satisfaction in full of the "Obligations" as defined in the Security Agreements.

5. Each Noteholder hereby agrees to take any further action necessary to release the Company from its obligations under the Notes, the Note Purchase Agreement and the Security Agreements, including without limitation the filing of a UCC-3 Financing Statement terminating all of the Noteholders' security interests in the Collateral (as defined in the Security Agreements).

6. Notwithstanding anything to the contrary in the Stock Purchase Agreement, the Notes, the Note Purchase Agreement or the Security Agreements, this letter agreement shall be deemed to amend and terminate each of the Notes, the Note Purchase Agreement and the Security Agreements, each of which shall be of no further force and effect after the date hereof; furthermore, this letter agreement shall supersede all prior agreements, whether oral or written, with respect to the subject matter hereof.

7. The undersigned Noteholders hereby waive any notice requirements of the Company set forth in the Notes or the Note Purchase Agreement with respect to the Series C Financing or the conversion of the Notes.

8. Modifications to this letter agreement may only be made in writing, signed by Noteholders holding at least a majority of the aggregate principal amount of the Notes being converted as part of the Series C Financing.

9. This letter agreement shall be construed, enforced and performed in accordance with the laws of the State of Delaware, without regard to conflict of law principles.

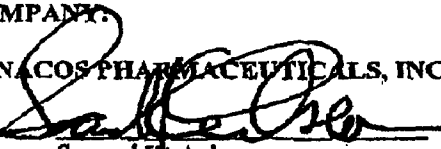
10. This letter agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this letter agreement as of the dates set forth opposite each party's signature below.

COMPANY:

PANACOS PHARMACEUTICALS, INC.

By:  3/12/2004
Name: Samuel K. Ackerman
Title: Acting President and Chief Executive Officer

NOTEHOLDERS:

A. M. PAPPAS LIFE SCIENCE VENTURES I, L.P.

By: AMP&A Management, LLC, Its General Partner
By: _____
Name: Ford S. Worthy
Title: Partner

AMPERSAND 1999 LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, Its General Partner
By: _____
Name: Peter D. Parker
Title: Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, Its General Partner
By: _____
Name: Peter D. Parker
Title: Managing Member

MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

By: _____
Name: _____
Title: _____

GRAHAM P. ALLAWAY

WILLIAM R. PRATHER

RICHARD T. SCHUMACHER

CANDICE J. SCHUMACHER

PHILIP C. SMITH

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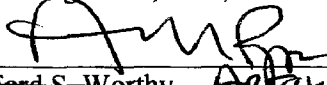
COMPANY:

PANACOS PHARMACEUTICALS, INC.

By: _____
Name: Samuel K. Ackerman
Title: Acting President and Chief Executive Officer

NOTEHOLDERS:

A. M. PAPPAS LIFE SCIENCE VENTURES I, L.P.

By: AMP&A Management, LLC, Its General Partner
By:  _____ 3/12/2004
Name: ~~Ford S. Worthy~~ ~~Ackerman~~ ~~Pappas~~
Title: Partner

AMPERSAND 1999 LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, Its General Partner
By: _____
Name: Peter D. Parker
Title: Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, Its General Partner
By: _____
Name: Peter D. Parker
Title: Managing Member

MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

By: _____
Name: _____
Title: _____

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Title: Partner

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By: Peter D Parker 3/12/2004
Name: Peter D. Parker
Title: Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, Its General Partner

By: Peter D Parker 3/12/2004
Name: Peter D. Parker
Title: Managing Member

MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

By: _____
Name: _____
Title: _____

GRAHAM P. ALLAWAY

WILLIAM R. PRATHER

RICHARD T. SCHUMACHER

CANDICE J. SCHUMACHER

PHILIP C. SMITH

MAR 19 '04 03:50PM ATTY GENERAL DBED 410 333 8298

P. 4/4

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COMPANY:

PANACOS PHARMACEUTICALS, INC.

By: _____
Name: Saronel K. Ackerman
Title: Acting President and Chief Executive Officer

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Title: Partner

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By: _____
Name: Peter D. Parker
Title: Managing Member

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By: AMP-99 Management Company Limited Liability Company, Its General Partner

By: _____
Name: Peter D. Parker
Title: Managing Member

MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

By:  3/12/2004
Name: Aris Melissaratos
Title: Secretary

GRAHAM P. ALLAWAY

WILLIAM R. PRATHER

RICHARD T. SCHUMACHER

CANDICE J. SCHUMACHER

PHILIP C. SMITH