SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported) October 11, 1996

OXIS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Charter)

DELAWARE	0-8092	94-1620407
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER IDENTIFICATION NUMBER)

6040 N. Cutter Circle, Suite 317, Portland, OR 97217

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

Registrant's telephone number, including area code. (508) 283-3911

(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

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ITEM 5. OTHER EVENTS

(a) On October 11, 1996, OXIS International, Inc. (the "Company" or "OXIS") closed a private placement of Secured Convertible Term Notes ("Notes") and Stock Purchase Warrants ("Warrants"). The Notes are in the aggregate principal amount of $1,000,000 and are due in June 1997. The Notes are convertible into shares of common stock at a conversion rate based on market trading prices of the Company's Common Stock leading up to the time of closing (subject to adjustment based on certain events) for a period of one hundred eighty (180) days; thereafter the conversion rate may be periodically reset based on trading prices of the Company's securities. The Warrants issued are for an aggregate of 300,000 shares and are exercisable at market trading prices at the time of closing (subject to adjustment under certain circumstances). OXIS expects to complete an additional private round of financing in the next few weeks.

All of the securities mentioned in this report (including the underlying shares of Common Stock) have not been registered under the Securities Act of 1933, as amended (the "Securities Act"). The foregoing securities may not be offered or sold in the United States nor may the Warrants be sold in the United States absent registration under the Securities Act or an applicable exemption from such registration requirements. The Company has agreed to register the shares of Common Stock issuable upon conversion of the Notes and exercise of the Warrants for resale under the Securities Act.

(b) The Company has engaged a French investment banker to act as its underwriter for a planned entry into the newly opened French stock market, Le

Nouveau Marche, through a public offering of its Common Stock in France, subject to obtaining appropriate authorization from the French stock market regulatory authorities. Le Nouveau Marche is a Paris-Based stock exchange that was specifically designed to meet the needs of emerging companies. Funds from the French public offering and other private offerings by the Company will allow the Company to advance its lead compound, BXT-51072, into a Phase II trial for inflammatory bowel disease early in 1997, assuming successful completion of the current ongoing Phase I trial. The funds will also support advancement of the Company's second lead series of lipid soluble antioxidant molecules through preclinical and into clinical development.

A copy of the press release with respect to the sale of Notes and Warrants and the other matters discussed herein is attached as an exhibit to this report. A copy of each of the Securities Purchase Agreement, the form of the Notes, the form of the Warrants, the Registration Rights Agreement and the Security Agreement relating to the sale of the Notes and the Warrants are attached as exhibits to this report.

Certain of the statements made in this report and in the attached press release are forward looking statements that are based on current expectations which involve a number of uncertainties, including the Company's ability to complete the additional financing discussed above, to enter the Le Nouveau Marche stock market, and to further advance the Company's products. The events described herein may not occur in a timely

manner, or at all. Accordingly, the Company's future activities may differ materially from those projected in the forward-looking statements.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits

99.1 Press Release, dated October 24, 1996.

99.2 Securities Purchase Agreement, dated October 11, 1996.

99.3 Form of Secured Convertible Term Notes issued October 11, 1996.

99.4 Form of Stock Purchase Warrants issued October 11, 1996.

99.5 Registration Rights Agreement, dated October 11, 1996.

99.6 Security Agreement, dated October 11, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OXIS INTERNATIONAL, INC.
(Registrant)

Dated: October 30, 1996 By: /s/Ray R. Rogers

Name: Ray R. Rogers

Title: Chairman of the Board

EXHIBIT INDEX

<TABLE>

<CAPTION>

Exhibit No.	Description
<S>	<C>
99.1	Press Release dated October 24, 1996
99.2	Securities Purchase Agreement dated October 11, 1996
99.3	Form of Secured Convertible Term Notes issued October 11, 1996
99.4	Form of Stock Purchase Warrants issued October 11, 1996
99.5	Registration Rights Agreement dated October 11, 1996
99.6	Security Agreement dated October 11, 1996

</TABLE>

EXHIBIT 99.1

Contact: OXIS International, Inc.
(503) 283-3911

OXIS INTERNATIONAL PURSUES PRIVATE AND PUBLIC FINANCING

CLOSES ONE MILLION INTERIM FINANCING

PORTLAND, ORE. -- OCTOBER 23, 1996 -- OXIS International, Inc. (NASDAQ: OXIS), announced today that it has closed a $1,000,000 private round of financing. The $1,000,000 was raised through convertible notes and warrants placed with two of the company's current major investors. The bridge notes are due in June of 1997 and are initially convertible at market trading prices leading up to the time of the closing. The warrants issued were for 300,000 shares and are initially exercisable at market trading prices at the time of the closing. The conversion rate of the convertible notes and exercise price of the warrants may change under certain circumstances. OXIS expects to complete an additional private round of financing in the next few weeks.

All securities mentioned in this press release (including shares of common stock underlying other securities) have not been registered under the Securities Act of 1933, as amended. The foregoing securities may not be offered and sold in the United States, nor may the warrants be exercised in the United States, absent registration under the Securities Act or an applicable exemption from such registration requirements.

The company further announced that it has engaged a French investment banker to act as its underwriter for a planned entry into the newly opened French stock market, Le Nouveau Marche, through a public offering of its common stock in France, subject to obtaining appropriate authorization from the French stock market regulatory authorities. Le Nouveau Marche is a Paris-based stock exchange that was specifically designed to meet the needs of emerging companies. Funds from these offerings will allow the company to advance its lead compound, BXT-51072, into a Phase II trial for inflammatory bowel disease, early next year assuming successful completion of the current ongoing Phase I trial. The funds will also support advancement of the company's second lead series of lipid soluble antioxidant molecules through preclinical and into clinical development.

Certain of the statements contained in this press release are forward-looking statements that are based on current expectations which involve a number of uncertainties, including the company's ability to complete the additional financing described above, to enter the Le Nouveau Marche stock market and to further advance the company's products. The events described herein may not occur in a timely manner, or at all. Accordingly, the company's future activities may differ materially from those projected in the forward-looking statements.

OXIS International is a drug discovery and development company focused on developing novel therapeutic molecules and supportive technologies to treat diseases associated with damage from free radicals and reactive oxygen species (ROS). The company is headquartered Portland, Oregon, with research facilities outside Paris, France. Visit OXIS International on the World Wide Web at http://www.oxis.com.

Exhibit 99.2

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "AGREEMENT"), dated as of October 11, 1996 by and among OXIS INTERNATIONAL, INC., a Delaware corporation, with headquarters located at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217-3935 (the "COMPANY"), and each of the purchasers set forth on the signature pages hereto (the "BUYERS").

WHEREAS:

A. The Company and each of the Buyers are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Rule 506 under Regulation D ("REGULATION D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 ACT");

B. The Buyers wish to purchase, in the amounts and upon the terms and conditions stated in this Agreement, (i) secured convertible term notes in the form attached hereto as EXHIBIT "A" (the "NOTES"), in the aggregate principal amount of One Million Dollars ($1,000,000) due June 8, 1997, which are (a) convertible into shares of common stock, $.50 par value per share, of the Company (the "COMMON STOCK") and (b) subject to extension by the Company (and the Buyers thereafter) for a fee payable in warrants, in the form attached hereto as EXHIBIT "B" (the "EXTENSION WARRANTS"), to acquire up to 150,000 shares of Common Stock (subject to adjustment as provided therein), upon the terms and subject to the conditions set forth in such Notes, and (ii) warrants, in the form attached hereto as EXHIBIT "B" (the "CLOSING WARRANTS") to acquire an aggregate of 300,000 shares of Common Stock (subject to adjustment as provided therein) (the Extension Warrants and Closing Warrants are sometimes hereinafter collectively referred to as the "WARRANTS"); and

C. Contemporaneous with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement, in the form attached hereto as EXHIBIT "C" (the "REGISTRATION RIGHTS AGREEMENT"), pursuant to which the Company has agreed to provide certain registration rights under the 1933 Act and the rules and regulations promulgated thereunder, and applicable state securities laws;

NOW THEREFORE, the Company and the Buyers hereby agree as follows:

1. PURCHASE AND SALE OF NOTES AND CLOSING WARRANTS

a. Purchase of Notes and Closing Warrants. On the Closing Date (as defined herein) subject to the satisfaction (or waiver) of the conditions set forth in Section 6 and Section 7 below, the Company shall issue and sell to each Buyer and each Buyer severally agrees to purchase from

the Company such principal amount of Notes and number of Closing Warrants as is set forth on the signature page hereto executed by each such Buyer for a purchase price equal to such principal amount of Notes.

b. Form of Payment. On the Closing Date, (i) each Buyer shall pay the purchase price (the "PURCHASE PRICE") for the Notes and Closing Warrants to be issued and sold to it at closing by wire transfer to the Company, in accordance with the Company's written wiring instructions, against delivery of the duly executed Notes and Closing Warrants being purchased by each Buyer hereunder, and (ii) the Company shall deliver such Notes and Closing Warrants to the Buyer against delivery of such Purchase Price.

c. Closing Dates. Subject to the satisfaction (or waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Notes and Closing Warrants pursuant to this Agreement (the "CLOSING DATE") shall be 12:00 noon Eastern Standard Time on October 11, 1996 (subject to a two (2) business day grace period at either party's option), or such other mutually agreed upon time. The closing shall

occur at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers, 1401 Walnut Street, Philadelphia, Pennsylvania 19102.

2. BUYER'S REPRESENTATIONS AND WARRANTIES

Each Buyer severally represents and warrants to the Company that:

a. Investment Purpose. The Buyer is purchasing the Notes, the shares of Common Stock issuable upon conversion thereof (the "CONVERSION SHARES"), the Warrants and, if applicable, the shares of Common Stock issuable upon exercise of the Warrants (the "WARRANT SHARES") (collectively, the "SECURITIES") for its own account for investment only and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered under the 1933 Act.

b. Accredited Investor Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D.

c. Reliance on Exemptions. The Buyer understands that the Notes and Warrants are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Notes and Warrants.

d. Information. The Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company

and have received what the Buyer believes to be satisfactory answers to any such inquiries. Neither such inquiries nor any other due diligence investigation conducted by the Buyer or any of its advisors or representatives shall modify, amend or affect the Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a high degree of risk.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Resale. The Buyer understands that (i) except as provided in the Registration Rights Agreement, the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be transferred unless (a) subsequently registered thereunder, or (b) the Buyer shall have delivered to the Company an opinion of counsel (which opinion and counsel shall be reasonably acceptable to the Company) to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (c) sold pursuant to Rule 144 promulgated under the 1933 Act (or a successor rule); (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case, other than pursuant to the Registration Rights Agreement).

g. Legends. The Buyer understands that the Notes, Warrants and, until such time as the Conversion Shares and Warrant Shares have been registered under the 1933 Act, as contemplated by the Registration Rights Agreement or otherwise may be sold by Buyer pursuant to Rule 144 under the 1933 Act (or any successor rule thereto) without any restriction as to the number of securities acquired hereunder that can then be immediately sold, the certificates for the Conversion Shares and Warrant Shares, may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended. The securities have been acquired for investment and may not be sold, transferred or assigned in the absence of an effective registration statement for the securities under said Act, or an opinion of counsel, in form, substance and scope reasonably acceptable to the Company, that registration is not required under said Act or unless sold pursuant to Rule 144 under said Act."

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise

required by state securities laws, (a) the sale of such Security is registered under the 1933 Act, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope reasonably acceptable to the Company, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act or (c) such holder provides the Company with reasonable assurances that such Security can be sold pursuant to Rule 144 under the 1933 Act (or a successor rule thereto) without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable securities law. In the event the above legend is removed from any Security, the Company may, upon reasonable advance notice to Buyer, require that the above legend be placed on any Security that cannot then be sold pursuant to an effective registration statement or Rule 144 under the 1933 Act (or any successor rule thereto) without any restriction as to the number of securities acquired hereunder that can then be immediately sold.

h. Authorization; Enforcement. This Agreement and the Registration Rights Agreement have been duly and validly authorized, executed and delivered on behalf of the Buyer and are valid and binding agreements of the Buyer enforceable in accordance with their terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth under such Buyer's name on the signature page hereto executed by such Buyer.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Buyer that:

a. Organization and Qualification. The Company and each of its subsidiaries is a corporation duly organized and existing in good standing under the laws of the jurisdiction in which it is incorporated, and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company and each of its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted by it makes such qualification necessary and where the failure so to qualify would have a Material Adverse Effect. "MATERIAL ADVERSE EFFECT" means any material adverse effect on the operations, properties, financial condition or prospects of the Company or on the transactions contemplated hereby.

b. Authorization; Enforcement. (i) The Company has the requisite corporate power and authority to enter into and perform this Agreement, the

Registration Rights Agreement, the Warrants, the Notes and the Security Agreement securing the Company's obligations under the Notes (the "SECURITY AGREEMENT"), and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Registration Rights Agreement, the Warrants, the Notes and the Security Agreement by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation the issuance of the Notes and the Warrants and the issuance and reservation for issuance of the Conversion Shares and

Warrant Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board or Directors, or its stockholders is required, (iii) this Agreement has been duly executed and delivered by the Company, and (iv) this Agreement, the Closing Warrants, the Notes and the Security Agreement each constitute, and upon execution and delivery by the Company of the Registration Rights Agreement and the Extension Warrants, such instruments will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms.

c. Capitalization. As of the date hereof, the authorized capital stock
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of the Company consists of (i) 40,000,000 shares of Common Stock of which 13,314,896 shares are issued and outstanding, 2,200,000 shares are reserved for issuance pursuant to the Company's stock option plans, 8,401,236 shares are reserved for issuance pursuant to securities (other than the Notes and the Warrants) exercisable for, or convertible into or exchangeable for any shares of Common Stock and 2,661,648 shares are reserved for issuance upon conversion of the Notes and exercise of the Warrants (subject to adjustment pursuant to the Company's covenant set forth in Section 4(h) below); and (ii) 15,000,000 shares of preferred stock, of which 2,341,740 shares are issued and outstanding. All of such outstanding shares of capital stock have been, or upon issuance will be, validly issued, fully paid and nonassessable. Except as set forth on Schedule 3(c), no shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the stockholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in SCHEDULE 3(C), as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its subsidiaries, or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries, and (ii) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act (except the Registration Rights Agreement). The Company has furnished to the Buyer true and correct copies of the Company's Restated Certificate of Incorporation as in effect on the date hereof ("CERTIFICATE OF INCORPORATION") and the Company's By-laws, as in effect on the date hereof (the "BY-LAWS"). The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive or Chief Financial Officer on behalf of the Company as of the Closing Date.

d. Issuance of Shares. The Conversion Shares and Warrant Shares are duly
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authorized and, upon issuance in accordance with the terms of this Agreement, upon conversion of the Notes and upon proper exercise of the Warrants, as applicable, the Securities shall be validly issued, fully paid and non-assessable, and free from all taxes, liens (imposed through the actions or failure to act of the Company) and charges with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of stockholders of the Company (in connection therewith, Capital Ventures International hereby waives its rights of first refusal with respect to such issuance granted by the Company pursuant to that certain Securities Purchase Agreement, dated as of May 15, 1996).

The term Conversion Shares includes the shares of Common Stock issuable upon conversion of the Notes, including without limitation, such additional shares, if any, as are issuable as a result of the events described in Section 2(c) of the Registration Rights Agreement and Article III of the Notes.

e. No Conflicts. The execution, delivery and performance of this Agreement, the Registration Rights Agreement, the Warrants, the Notes and the Security Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including without limitation, the issuance and reservation for issuance of the Conversion Shares and Warrant Shares) will not (i) result in a violation of the Certificate of Incorporation or By-laws or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its subsidiaries is in default (and no event has occurred which with notice or lapse of time or both would put the Company or any of its subsidiaries in default) under, and neither the Company nor any of its subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its subsidiaries are not being conducted, and shall not be conducted, so long as a Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity, except for possible violations which either singly or in the aggregate do not have a Material Adverse Effect. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self regulatory agency in order for it to execute, deliver or perform any of its obligations under this Agreement, the Registration Rights Agreement, the Warrants, the Notes and/or the Security Agreement in accordance with the terms hereof or thereof.

f. SEC Documents, Financial Statements. Since December 31, 1994, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 ACT") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits) incorporated by reference therein, being hereinafter referred to herein as the "SEC DOCUMENTS"). The Company has delivered to each Buyer true and complete copies of the SEC Documents, except for such exhibits, schedules and incorporated documents. As of their respective dates, the SEC Documents complied

in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may include footnotes or may be condensed or summary statements) and fairly present in all material respects the consolidated financial position of the Company and its

consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC documents and on Schedule 3(f) hereof, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to June 30, 1996 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company.

g. Absence of Certain Changes. Since June 30, 1996, there has been no material adverse change and no material adverse development in the business, properties, operations, financial condition, results of operations or prospects of the Company, except as disclosed in Schedule 3(g) or in the SEC Documents.

h. Absence of Litigation. Except as set forth on Schedule 3(h) hereof, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries.

i. Disclosure. All information relating to or concerning the Company set forth in this Agreement and provided to the Buyers pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading.

j. Absence of Events of Default. Except as set forth on the Schedules hereto, no Event of Default (as defined in the Notes) and no event which, with the giving of notice or the passage of time or both, would become an Event of Default, has occurred and is continuing.

k. Acknowledgment Regarding Buyers' Purchase of Notes and Closing Warrants. The Company acknowledges and agrees that the Buyers are acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that no Buyer is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any advice given by any Buyer or any of their respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is merely incidental to the Buyers' purchase of the Notes and Closing Warrants. The Company further represents to each Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

l. Collateral. Upon the execution and delivery of the Security Agreement and the filing of appropriate financing statements under the Uniform Commercial Code, the Buyers shall have a valid perfected first priority security interest in the Collateral (as defined in the Notes) other than as provided in the Security Agreement.

4. COVENANTS.

a. Best Efforts. The parties shall use their best efforts timely to satisfy each of the conditions described in Section 6 and 7 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with

respect to the Securities as required under Regulation D and to provide a copy thereof to each Buyer promptly after such filing. The Company shall, on or before each Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for, or obtain exemption for the Securities for, sale to the Buyers at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States, and shall provide evidence of any such action so taken to each Buyer on or prior to such Closing Date.

c. Reporting Status. So long as any Buyer beneficially owns any of the Securities, the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination.

d. Use of Proceeds. The Company shall use the proceeds from the sale of the Notes and Closing Warrants in the manner set forth in Schedule 4(d) attached hereto and made a part hereof and shall not, directly or indirectly, use such proceeds for any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with its direct or indirect subsidiaries).

e. Additional Equity Capital; Right of First Refusal. The Company agrees that during the period beginning on the date hereof and ending two hundred forty (240) days following the Closing Date (the "LOCK-UP PERIOD"), the Company will not, without the prior written consent of

Susquehanna Financial Group ("SFG") and S.R. One, Limited ("S.R. ONE") (which consent shall not be unreasonably withheld), contract with any party to obtain additional equity financing (including debt financing with an equity component) in any form ("FUTURE OFFERINGS") and shall not for a period of sixty (60) days following the Lock-Up Period, without the prior written consent of SFG and S.R. One, contract with any party to conduct any Future Offerings pursuant to Regulation S under the 1933 Act. In addition, the Company will not conduct any Future Offering during the period beginning on the date hereof and ending one (1) year after the Closing Date unless it shall have first delivered to each of Capital Ventures International ("CVI")and S.R. One at least five (5) business days prior to the closing of such Future Offering, written notice describing the proposed Future Offering, including the terms and conditions thereof, and providing CVI and S.R. One, and their affiliates, an option during the five (5) business day period following delivery of such notice to purchase all or any portion of the securities being offered in the Future Offering (which portion shall not, in any event, be less than one-half of the aggregate dollar value of the securities to be sold in such Future Offering) on the same terms as contemplated by such Future Offering (the limitations referred to in this and the immediately preceding sentence are collectively referred to as the "CAPITAL RAISING LIMITATION"). The Capital Raising Limitation shall not apply to any transaction involving the Company's commercial banking arrangements or issuances of securities in connection with a merger, consolidation or sale of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company or exercise of options by employees, consultants or directors. The Capital Raising Limitation also shall not apply to (i) the issuance of up to $4.0 million of securities pursuant to a private offering conducted in reliance upon the exemption from securities registration afforded by Regulation D on substantially similar terms as described to the Buyers by the Company as of the date hereof, (ii) the issuance of securities pursuant to an underwritten public offering or a public offering resulting in an issuance of securities qualified for trading exclusively on the Nouveau Marche and/or the EASDAQ or (iii) the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of the date hereof or (iv) the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan.

f. Expenses. On the Closing Date, the Company shall pay to the Buyers Twenty-five Thousand Dollars ($25,000.00) as a non-accountable expense allowance

to be applied by the Buyers against all expenses incurred in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith, including, without limitation, the Buyers' attorneys' fees and expenses.

g. Financial Information. The Company agrees to send the following reports to each Buyer until such Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; and (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its subsidiaries.

h. Reservation of Shares. The Company shall at all times have authorized, and reserved for the purpose of issuance, a sufficient number of shares of Common Stock to provide for the full conversion of the outstanding Notes and issuance of the Conversion Shares in connection therewith and the full exercise of the Warrants and the issuance of the Warrant Shares in connection therewith (based on the Conversion Price of the Notes and the exercise price of the Warrants in effect from time to time). The Company shall not reduce the number of shares of Common Stock reserved for issuance upon conversion of the Notes and the full exercise of the Warrants without the consent of each of the Buyers, which consent will not be unreasonably withheld.

i. Listing. The Company shall promptly secure the listing of the Conversion Shares and Warrant Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Notes and Warrant Shares issuable upon exercise of the Warrants.

j. Corporate Existence. So long as any Buyer beneficially owns any Notes or Warrants, the Company shall maintain its corporate existence, except in the event of a merger, consolidation or sale of all or substantially all of the Company's assets, as long as the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the American Stock Exchange the New York Stock Exchange or the NASDAQ National Market System ("NASDAQ").

k. Restrictions on Transfer of Notes and Warrants. Each Buyer agrees that it shall not, without the Company's prior written consent, transfer any Notes or Warrants to any competitor of the Company.

5. TRANSFER AGENT INSTRUCTIONS.

The Company shall instruct its transfer agent to issue certificates, registered in the name of each Buyer or its nominee, for the Conversion Shares and Warrant Shares in such amounts as specified from time to time by each Buyer to the Company upon conversion of the Notes or exercise of the Warrants. Prior to registration of the Conversion Shares and Warrant Shares under the 1933 Act, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that no instruction other than such instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(f) hereof, in the case of the Conversion Shares and Warrant Shares, prior to registration of the Conversion Shares and Warrant Shares under the 1933 Act, will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Registration Rights Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable securities laws upon resale of the Securities. If a Buyer provides the Company

with an opinion of counsel, reasonably satisfactory to the Company in form, substance and scope, that registration of a resale by such Buyer of any of the Securities is not required under the 1933 Act, the Company shall permit the transfer, and, in the case of the Conversion Shares and Warrant Shares promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by such Buyer.

6. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The obligation of the Company hereunder to issue and sell the Notes and Closing Warrants to a Buyer at the closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

(i) The applicable Buyer shall have executed this Agreement, the Registration Rights Agreement and the Security Agreement, and delivered the same to the Company.

(ii) The applicable Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

(iii) The representations and warranties of the applicable Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the applicable Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the applicable Buyer at or prior to the Closing Date.

7. CONDITIONS TO EACH BUYER'S OBLIGATION TO PURCHASE.

The obligation of each Buyer hereunder to purchase the Notes and Closing Warrants at the closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for such Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion:

(i) The Company shall have executed this Agreement, the Registration Rights Agreement and the Security Agreement, and delivered the same to the Buyer.

(ii) The Company shall have delivered to such Buyer (A) duly executed Notes (in such denominations as such Buyer shall request) and (B) duly executed Closing Warrants (in such denominations as such Buyer shall request), in accordance with Section 1(b) above.

(iii) The Common Stock shall be authorized for quotation on NASDAQ, and trading in the Common Stock (or on NASDAQ generally) shall not have been suspended by the SEC or NASDAQ.

(iv) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. Such Buyer shall have received a certificate, executed by the chief executive officer or chairman of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer.

(v) Such Buyer shall have received an opinion of the Company's counsel, dated as of the date of the Closing, in form, scope and substance reasonably satisfactory to such Buyer and in substantially the same form as EXHIBIT "D" attached hereto.

(vi) Such Buyer shall have received the officer's certificate described in Section 3(c) above, dated as of the Closing Date.

8. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Delaware without regard to the principles of conflict of laws. The parties hereto hereby submit to the exclusive jurisdiction of the United States Federal Courts located in Philadelphia, Pennsylvania with respect to any dispute arising under this Agreement, the agreements entered into in connection herewith or the transactions contemplated hereby or thereby.

b. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party.

c. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any of the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement. Notwithstanding the foregoing, other than as provided in Section 3(d) hereof, nothing contained herein shall be construed as limiting the rights

of CVI pursuant to that certain Securities Purchase Agreement with the Company, dated as of May 15, 1996, and the other agreements and instruments entered into in connection therewith.

f. Notices. Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier and shall be effective five days after being placed in the mail, if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

OXIS International, Inc.
6040 N. Cutter Circle
Suite 317
Portland, Oregon 97217-3935
Telecopy: (503) 283-4058
Attention: Chief Executive Officer

With copy to:

Jackson Tufts Cole & Black, LLP
60 South Market Street
San Jose, California 95113-2336
Telecopy: (408) 998-4889

Attention: Richard Scudellari, Esquire

If to CVI:

Capital Ventures International
c/o Bala International, Inc.
401 City Line Avenue, Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707
Attention: Andrew Frost

With copy to:

Joel Greenberg, Esq.
c/o Bala International, Inc.
401 City Line Avenue, Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707

And:

Klehr, Harrison, Harvey, Branzburg & Ellers
1401 Walnut Street
Philadelphia, PA 19102
Telecopy: (215) 568-6603
Attention: Stephen T. Burdumy, Esq.

If to SFG:

Susquehanna Financial Group
401 City Line Avenue
Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707
Attention: Michael Howe

If to S.R. One:

S.R. One, Limited
c/o Smith Kline Beecham
One Franklin Plaza
Philadelphia, PA 19102
Telecopy: (215) 751-3935
Attention: Brenda Gavin and Donald Parman

If to any other Buyer, to such address as is set forth under such Buyer's name on the signature page hereto executed by such Buyer.

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor any Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, any Buyer may assign its rights hereunder to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in Sections 3, 4, 5 and 8 shall survive the closing hereunder for a period of two

(2) years notwithstanding any due diligence investigation conducted by or on behalf of the Buyers. The Company agrees to indemnify and hold harmless each of the Buyers for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations set forth in Section 3 hereof, including advancement of expenses as they are incurred.

j. Publicity. The Company and each of the Buyers shall have the right to review before issuance any press releases, SEC, NASDAQ or NASD filings, or any other public statements with respect to the transactions contemplated hereby.

k. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

l. Termination. In the event that the Closing shall not have occurred on or before fifteen (15) business days from the date hereof, unless the parties agree otherwise, this Agreement shall terminate at the close of business on such date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

OXIS INTERNATIONAL, INC.

By: /s/ Ray R. Rogers

Name: Ray R. Rogers
Its: Chairman

CAPITAL VENTURES INTERNATIONAL

By: Bala International, Inc., as authorized agent

By: /s/ Andrew Frost

Name: Andrew Frost
Its: Director

RESIDENCE: Cayman Islands

ADDRESS: c/o Bala International, Inc.
401 City Line Avenue, Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707
Attention: Andrew Frost

AGGREGATE SUBSCRIPTION AMOUNT:

<TABLE>
<S> <C>
Principal Amount of Notes: $500,000.00

Number of Closing Warrants: 150,000

Aggregate Purchase Price: $500,000.00

</TABLE>

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

OXIS INTERNATIONAL, INC.

By: /s/ Ray R. Rogers

Name: Ray R. Rogers
Its: Chairman

S.R. ONE, LIMITED

By: /s/ Donald F. Parman

Name: Donald F. Parman
Title: President

RESIDENCE: _____

ADDRESS:
Bay Colony Executive Park
568 East Sanderford Rd., Suite 315
Wayne, PA 19087

AGGREGATE SUBSCRIPTION AMOUNT:

<TABLE>
<S> <C>
Principal Amount of Notes: $500,000.00

Number of Closing Warrants: 150,000

Aggregate Purchase Price: $500,000.00
</TABLE>

Exhibit 99.3

THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL IN FORM, SUBSTANCE AND SCOPE REASONABLY ACCEPTABLE TO THE BORROWER THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. ANY SUCH SALE, ASSIGNMENT OR TRANSFER MUST ALSO COMPLY WITH APPLICABLE STATE SECURITIES LAWS.

SECURED CONVERTIBLE TERM NOTE

October 11, 1996 $_____

FOR VALUE RECEIVED, OXIS INTERNATIONAL, INC., a Delaware corporation (hereinafter called the "Borrower") hereby promises to pay to the order of _____ or registered assigns (the "Holder") the sum of _____ ($_____) on June 8, 1997 (the "Scheduled Maturity Date"), unless extended in accordance with the provisions of Article 5 hereof, and to pay interest on the unpaid principal balance hereof at the rate of ten percent (10%) per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or otherwise. Any amount of principal of or interest on this Note which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date thereof until the same is paid. Interest shall commence accruing on the Issue Date and, to the extent not converted in accordance with the provisions of Article II below, shall be payable in arrears on the earlier of (A) each March 31 and September 30 during the term of this Note, as extended, if applicable, and (B) the date the principal amount in respect of which it has accrued is paid, whether at maturity or upon acceleration or by prepayment or otherwise. All payments of principal (to the extent not converted in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments of interest (whether pursuant to a conversion in accordance with the terms hereof, or otherwise) shall, at the option of the Borrower,

be made in lawful money of the United States of America or in shares of Common Stock (as defined below) at the Conversion Price (as defined below) in effect at such time as provided pursuant to the terms of Section 2.2. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note.

The following terms shall apply to this Note:

ARTICLE I

PREPAYMENT

1.1 Prepayment at Borrower's Option. This Note is being issued by the Borrower along with similar secured convertible term notes (the "Other Notes") delivered to other holders (together with the Holder referred to herein, the "Holders") pursuant to that certain Securities Purchase Agreement, dated as of the date hereof, by and among the Borrower and the Holders (the "Purchase Agreement"). Upon the occurrence of an Event of Default (as defined herein), this Note shall be prepaid by the Borrower in accordance with the provisions of Article III hereof. So long as no Event of Default shall have occurred and be continuing, the Borrower shall have the right, exercisable on not less than twenty (20) days prior written notice to the Holder, to prepay this Note, in whole or in any part of not less than $250,000 principal amount (or such lesser principal amount as shall remain unpaid at the time of exercise of such right), in accordance with this Section 1.1; provided, however, that all prepayments shall be made ratably among the Holders in proportion to the ratio that the aggregate principal amount of Notes held by each Holder bears to the aggregate principal amount of all Notes then outstanding. Any notice of prepayment (a "Prepayment Notice") shall be delivered to the Holder at its registered address

appearing on the records of the Borrower and shall state (1) that the Borrower is exercising its right to prepay all or a portion of the principal amount of this Note, (2) the principal amount to be prepaid and (3) the date of prepayment. On the date fixed for prepayment (the "Prepayment Date"), the Borrower shall make payment of the Prepayment Amount (as hereinafter defined) to or upon the order of the Holder or as otherwise specified by the Holder in writing to the Borrower at least one business day prior to the Prepayment Date. If the Borrower exercises its right to prepay all or a portion of this Note, the Borrower shall make payment to the Holder or upon the order of the Holder of (A) an amount in cash equal to the principal amount of this Note to be prepaid (the "Prepayment Amount"), plus (B) at the option of the Borrower (1) an amount in cash equal to the sum of all accrued and unpaid interest on the principal amount being prepaid to the Prepayment Date, or (2) such number of shares of Common Stock as equals the quotient obtained by dividing (i) accrued and unpaid interest on the principal amount being prepaid to the Prepayment Date, divided by (ii) the Conversion Price in effect on the Prepayment Date (such quotient referred to herein as the "Prepayment Share Amount"). Upon the prepayment of less than the entire unpaid principal amount of this Note, a new Note containing the same date and provisions as this Note shall be issued by the Borrower to the Holder for the principal balance of this Note which shall not have been prepaid. Notwithstanding anything to the contrary contained in this Section 1.1, the Holder shall at all times maintain the right to convert all or any part of the outstanding and unpaid principal amount of this Note in accordance with Article II below and any amounts so converted after receipt of a Prepayment Notice and prior to the Prepayment date of the amounts set forth in such notice (which period shall be at least 19 days) shall be deducted from the principal amount which is otherwise subject to prepayment pursuant to such notice.

1.2 Prepayment at Holder's Option. Upon the conclusion of any underwritten public offering of the Borrower's securities, the Holder shall have the right, exercisable on not less than one (1) business day prior written notice to the Borrower, to require the Borrower to prepay this Note, in whole or in any part not less than $25,000 principal amount (or such lesser principal amount as shall remain unpaid at the time of exercise of such right), in accordance with this Section 1.2. Any notice requiring Borrower to prepay (a "Required Prepayment Notice") shall be delivered to the Borrower by telecopier and shall state (1) that the Holder is requiring the Borrower to prepay all or a portion of the principal amount of this Note, (2) the principal amount to be prepaid and (3) the Prepayment Date. On the Prepayment Date, the Borrower shall make payment of the Prepayment Amount to or upon the order of the Holder, or as otherwise specified by the Holder in writing to the Borrower at least one (1) business day prior to the Prepayment Date. The Borrower shall make payment to the Holder or upon the order of the Holder of (A) an amount in cash equal to the Prepayment Amount, plus (B) at the option of the Borrower (1) an amount in cash equal to the sum of all accrued and unpaid interest on the principal amount being prepaid to the Prepayment Date, or (2) such number of shares of Common Stock as equals the Prepayment Share Amount. Upon the required prepayment of less than the entire unpaid principal amount of this Note, a new Note containing the same date and provisions as this Note shall be issued by the Borrower to the Holder for the principal balance of this Note which shall not have been prepaid. Notwithstanding the foregoing, on or before December 31, 1996, the Holder may not require the Borrower to prepay this Note or a portion hereof, if, after such prepayment, the Holder would not be the holder of Notes with an aggregate principal amount greater than or equal to 50% multiplied by the aggregate principal amount of the Notes issued to the Holder on the Issue Date.

ARTICLE II

CONVERSION AND PURCHASE RIGHTS

2.1 Conversion Right.

(a) The Holder shall have the right (the "Conversion Right") at any time on or prior to the day this Note is paid in full (whether or not the Borrower has sent a Mandatory Conversion Notice to the Holder pursuant to Section 2.7 hereof), to convert at any time all or from time to time any part of the outstanding and unpaid principal amount of this Note of at least $25,000, or such lesser amount as shall remain unpaid at the time of the conversion, into

fully paid and non-assessable shares of common stock, par value $.50 per share, of the Borrower as such stock exists on the date of issuance of this Note, or any shares of capital stock of Borrower into which such stock shall hereafter be changed or reclassified (the "Common Stock") at the conversion price determined as provided herein (the "Conversion Price"); provided, however, that in no event
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shall the Holder be entitled to convert any portion of this Note in excess of that amount upon conversion of which the sum of (x) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes, the unconverted number of shares of the Borrower's Series D Convertible Preferred Stock and the unexercised portion of the Warrants) and (y) the number of shares of Common Stock issuable upon the conversion of this Note with respect to which the determination of this

proviso is being made would result in beneficial ownership by the Holder and its affiliates of more than 4.9% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the securities Exchange Act of 1934, as amended, and Regulation 13 D-G thereunder, except as otherwise provided in clause (x) of such proviso.

Upon the surrender of this Note, accompanied by a Notice of Conversion of Secured Convertible Note in the form attached hereto as Exhibit 1, properly completed and duly executed by the Holder (a "Conversion Notice"), the Borrower shall issue and, within two (2) business days after such surrender of this Note with the Conversion Notice, deliver to or upon the order of the Holder (i) that number of shares of Common Stock for the portion of the Note converted as shall be determined in accordance herewith and (ii) a new Note in the form hereof for the balance of the principal amount hereof, if any. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing (i) the sum of (A) that portion of the principal amount of the Note to be converted plus (B) accrued and unpaid Conversion Date Interest (as defined below) (such sum referred to as the "Conversion Amount"), by (ii) the Conversion Price in effect on the date the Conversion Notice is delivered to the Borrower by the Holder. Conversion Date Interest means the product of (i) the principal amount of the Note to be converted, multiplied by (ii) a fraction (A) the numerator of which is the number of days elapsed since the date of issuance of this Note (or the last day on which interest was paid hereunder) and (B) the denominator of which is 365, multiplied by (iii) 0.10 (or, for the period of time after the occurrence of an Event of Default, 0.15). Notwithstanding the foregoing, the Borrower shall have the option of paying the Conversion Date Interest in cash, in which case the above formula set forth in the second sentence of this paragraph shall be modified to eliminate clause (B).

(b) The Holder shall have the right to require the Borrower to provide advance notice to such Holder stating whether the Borrower will elect to pay all or any portion of the Conversion Date Interest in cash pursuant to the Borrower's rights discussed in subparagraph (a) above. The Holder may exercise such right from time to time by sending notice (an "Election Notice") to the Borrower, by facsimile, requesting that the Borrower disclose to such Holder whether the Borrower would elect to pay any portion of the Conversion Date Interest in cash in lieu of issuing Common Stock if such Holder were to exercise its right of conversion pursuant hereto. The Borrower shall, no later than the fifth (5th) business day following receipt of an Election Notice, disclose to such Holder whether the Borrower would elect to pay any portion of the Conversion Date Interest in cash in connection with a conversion pursuant to a Conversion Notice delivered over the subsequent ten(10) business day period. If the Borrower does not respond to such Holder within such five (5) business day period via facsimile, the Borrower shall, with respect to any conversion pursuant to a Conversion Notice delivered within the subsequent ten (10) business day period, forfeit its right to pay such Conversion Date Interest in cash in accordance with subparagraph (a) above and shall be required to convert the Conversion Date Interest into shares of Common Stock.

2.2 Conversion Price.

(a) The Conversion Price shall be the lesser of (i) eighty percent (80%) of the average of the closing bid prices for the Common Stock on the

NASDAQ National Market or on the principal securities exchange or other securities market on which the Common Stock is then being traded, for the five (5)

consecutive Trading Days (as defined herein) ending one (1) Trading Day prior to the date the Conversion Notice is sent by the Holder to the Borrower via facsimile (the "Conversion Date"), and (ii) the Fixed Conversion Price. Notwithstanding anything in this Section 2.2(a) or 2.2(b) to the contrary, prior to the date that is 180 days after the Issue Date, the Conversion Price shall equal the Fixed Conversion Price. The Conversion Price shall be subject to equitable adjustments for stock splits, stock dividends, combinations, recapitalization, reclassifications and similar events. The Fixed Conversion Price shall initially be $1.4125 and shall be subject to adjustment as provided in Section 2.2(b) hereof and reset as provided in Section 2.2(d) hereof. "Trading Day" shall mean any day on which the Common Stock is traded for any period on the NASDAQ National Market, or on the principal securities exchange or other securities market on which the Common Stock is then being traded.

(b) Subject to the exceptions set forth in Paragraph 4(b)(vi) of the Warrants, in the event that the Borrower shall, at any time or from time to time after the date of issuance of this Note and prior to the full repayment or conversion of this Note, issue or sell shares of Common Stock or any securities exercisable for, convertible into or exchangeable for Common Stock ("Convertible Securities") for an amount less than the Fixed Conversion Price (the "New Price") then in effect, then the Fixed Conversion Price shall on and after the date of issuance of such Common Stock or securities be reduced to an amount which equals the New Price. The Conversion Price and the Fixed Conversion Price shall also be subject to equitable adjustments for stock splits, stock dividends, combinations, reclassifications and similar events.

(c) Borrower shall promptly notify each Holder of any adjustment (and event that requires adjustment) to the Conversion Price or the Fixed Conversion Price pursuant to this Section 2.2.

(d) So long as any principal amount of this Note is outstanding, on the date that is 180 days after the Issue Date (the "Initial Reset Date") and each 30 day anniversary of the Initial Reset Date through and including the date that is 360 days after the Issue Date (collectively, with the Initial Reset Date, the "Reset Dates"), the Fixed Conversion Price then in effect shall be reduced, but not increased, to equal the average of the closing bid prices for the Common Stock on the NASDAQ National Market or on the principal securities exchange or other securities market on which the Common Stock is then being traded, for the five (5) consecutive Trading Days ending one (1) Trading Day prior to the Reset Date.

2.3 Authorized Shares. The Borrower covenants that during the period the Conversion Right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. The Borrower (i) acknowledges that it will irrevocably instruct its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents, who are charged with the duty of executing stock certificates, to execute and issue the necessary certificates for shares of Common Stock upon the conversion of this Note.

2.4 Method of Conversion. Except as otherwise provided in this Note or agreed to by the Holder, this Note may be converted by the Holder in whole at any time or in part (provided such partial conversion is at least $25,000) from time to time by (i) submitting to the Borrower a Conversion Notice (by facsimile

dispatched on the Conversion Date and confirmed by U.S. mail or overnight mail service sent within two Trading Days thereafter) and (ii) surrendering this Note with the mailed confirmation of the Conversion Notice at the principal office of the Borrower. Upon partial exercise of the conversion rights provided hereby, a new Note containing the same date and provisions as this Note shall be issued by

the Borrower to the Holder for the principal balance of this Note which shall not have been converted. By its acceptance of this Note, the Holder and each subsequent holder hereof agrees to be bound by the terms of the Purchase Agreement. This Note has been issued by the Borrower pursuant to the exemption from registration provided by Regulation D under the Securities Act of 1933, as amended (the "Act").

2.5 Restrictions on Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) they first shall have been registered under the Act and applicable state securities laws, (ii) the Borrower shall have been furnished with an opinion of legal counsel (in form, substance and scope reasonably acceptable to Borrower) to the effect that such sale or transfer is exempt from the registration requirements of the Act or (iii) they are sold pursuant to Rule 144 under the Act. Except as otherwise provided in the Purchase Agreement, each certificate for shares of Common Stock issuable upon conversion of this Note that have not been so registered and that have not been sold pursuant to an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL IN FORM, SUBSTANCE AND SCOPE REASONABLY ACCEPTABLE TO THE BORROWER THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. ANY SUCH SALE, ASSIGNMENT OR TRANSFER MUST ALSO COMPLY WITH APPLICABLE STATE SECURITIES LAWS.

Upon the request of a holder of a certificate representing any shares of Common Stock issuable upon conversion of this Note, the Borrower shall remove the foregoing legend from the certificate or issue to such holder a new certificate therefor free of any transfer legend, if (i) with such request, the Borrower shall have received either (A) an opinion of counsel, reasonably satisfactory to the Borrower in form, substance and scope, to the effect that any such legend may be removed from such certificate, or (B) satisfactory representations from the holder that such holder is eligible to sell immediately all of the Common Stock issuable upon conversion of the Note (to the extent such securities are deemed to have been acquired on the same date) pursuant to Rule 144 (or a successor rule) or (ii) a registration statement under the Act covering such securities is in effect. Nothing in this Note shall (i) limit the Borrower's obligation under the Registration Rights Agreement, dated as of October 11, 1996, by and among the Company and the other signatories thereto (the "Registration Rights Agreement") or (ii) affect in any

way the Holder's obligations to comply with applicable securities laws upon the resale of the securities referred to herein.

2.6 Effect of Merger, Consolidation, etc. If at anytime when this Note is issued and outstanding, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the bases and upon the terms and conditions specified herein and in lieu of the shares of Common Stock then issuable upon conversion of this Note, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted immediately prior to such transaction, and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of this Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities

or assets thereafter deliverable upon the exercise hereof. The Borrower shall not effect any transaction described in this Section 2.6 unless the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 2.6.

2.7 Mandatory Conversion. After the Initial Reset Date, so long as (i) no Event of Default (as defined in Article III below) shall have occurred and be continuing, (ii) the average of the closing bid prices for the Common Stock on the NASDAQ National Market or on the principal securities exchange or other securities market on which the Common Stock is then being traded, for the fifteen (15) consecutive Trading Days ending on the Trading Day immediately preceding the date on which the Mandatory Conversion Notice (as defined below) is sent to the Holder and is, on the Mandatory Conversion Date (as defined below), greater than or equal to 300% of the average of the closing bid prices for the Common Stock on the NASDAQ National Market or on the principal securities exchange or other securities market on which the Common Stock is then being traded, for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding the Issue Date and (iii) the Borrower has reserved a sufficient number of shares of its Common Stock to provide for the conversion in full of this Note, the Borrower shall have the right, exercisable on not less than thirty (30) days prior written notice to the Holder, to force the conversion of all or any part of the outstanding and unpaid principal amount of this Note (together with accrued and unpaid interest thereon) of not less than $250,000 principal amount in accordance with this Section 2.7. Any notice of mandatory conversion (a "Mandatory Conversion Notice") shall be sent by facsimile to the Holder at least thirty (30) days prior to the Scheduled Maturity Date at its registered address appearing on the records of the Borrower and shall state (i) that the Borrower is exercising its right to force the conversion of all or a portion of the principal amount of this Note, (ii) the principal amount to be so converted and (iii) the date of the Mandatory Conversion, which date shall be the Scheduled Maturity Date. On the date fixed for Mandatory Conversion (the "Mandatory Conversion Date"), the Note shall automatically convert into that number of shares of Common Stock as determined in accordance with Section 2.1 hereof and, upon

the tender of this Note to the Borrower, the Borrower shall issue such number of shares of Common Stock to the Holder. If less than all of the outstanding principal amount is so converted, the unconverted principal balance of this Note, together with accrued and unpaid interest thereon, shall be payable to the Holder in accordance with the first paragraph of this Note. Notwithstanding anything to the contrary contained in this Section 2.7, the Holder shall at all times maintain the right to convert all or any part of this Note in accordance with this Article II and any amounts so converted after receipt of a Mandatory Conversion Notice and prior to the Mandatory Conversion Date set forth in such notice shall be deducted from the principal amount which is otherwise subject to Mandatory Conversion pursuant to such notice.

ARTICLE III

EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails (i) to pay the principal hereof when due, whether at maturity, upon acceleration or otherwise or (ii) to pay any installment of interest hereon when due and such failure continues for a period of five (5) business days after the Borrower shall have been notified thereof in writing by the Holder;

3.2 Conversion. The Borrower fails to issue shares of Common Stock to the Holder (i) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note or (ii) upon exercise by the Holder of any of the Warrants in accordance with the terms thereof, and any such failure shall continue uncured for ten (10) business days after the Borrower shall have been notified thereof in writing by the Holder; provided, however,

that in the event that such failure has not been cured on or before the fifth business day after such notification, in addition to any other remedies available to the Holder, including actual damages and/or equitable relief, the Borrower shall pay to the Holder $500 in cash for each day that such breach continues beginning on the third business day after such notification until the tenth business day after such notification;

3.3 Breach of Covenant. The Borrower breaches any material covenant or other material term or condition of this Note (other than as specifically provided in Sections 3.1 and 3.2 hereof), the Purchase Agreement, the Warrants, the Registration Rights Agreement or the Security Agreement executed by the Borrower in connection with the issuance of this Note (the "Security Agreement") and such breach continues for a period of ten (10) business days after written notice thereof to the Borrower from the Holder; provided, however, that if such breach reasonably should have been discovered by the Borrower, the Borrower shall be obligated to cure such breach within three (3) business days after written notice thereof to the Borrower from the Holder; and, provided, further, that if such breach is discovered by the Borrower, the Borrower shall provide the Holder with written notice thereof within two (2) business days and shall cure such breach within ten (10) business days of the giving of such notice to the Holder;

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in

connection herewith (including, without limitation, the Purchase Agreement, the Registration Rights Agreement and the Security Agreement), shall be false or misleading in any material respect when made and the breach of which would have a material adverse effect on the Borrower or the prospects of the Borrower or a material adverse effect on the Holder or the rights of the Holder with respect to this Note or the shares of Common Stock issuable upon conversion of this Note and such breach continues for a period of ten (10) business days after written notice thereof to the Borrower from the Holder; provided, however, that if such breach reasonably should have been discovered by the Borrower, the Borrower shall be obligated to cure such breach within three (3) business days after written notice thereof to the Borrower from the Holder; and, provided, further, that if such breach is discovered by the Borrower, the Borrower shall provide the Holder with written notice thereof within two (2) business days and shall cure such breach within ten (10) business days of the giving of such notice to the Holder;

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business; or such a receiver or trustee shall otherwise be appointed;

3.6 Judgments. Except as described in the Schedules to the Purchase Agreement, any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than $250,000, and shall remain unvacated, unbonded or unstayed for a period of thirty (30) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld;

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower;

3.8 Material Adverse Change. Any material adverse change in the financial condition or business of the Borrower, or any material adverse change in Borrower's business plans and/or operations, as determined by the Holders in their reasonable discretion (in determining whether a material adverse change has occurred, the Holder acknowledges that the Borrower will require significant capital in the future in order to continue its operations);

3.9 Material Loss or Theft. Material loss or theft, substantial damage or destruction or unauthorized sale or encumbrance of any material portion of the Collateral (as defined in Article IV hereof) in excess of reasonably expected recoveries under insurance policies, or the making of any levy on, or seizure or attachment of or entry of a judgment against a material portion of the Collateral; or

3.10 Reports. A material omission or misstatement in any of the Debtor's previously or hereafter filed reports pursuant to the requirements of the Securities Exchange Act of 1934, as amended, or the rules and regulations promulgated thereunder.

Then, upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1, 3.2, 3.3, 3.4, 3.6, 3.8, 3.9 or 3.10 hereof, at the option of the Holder hereof, and upon the occurrence of any event of default specified in Sections 3.5 or 3.7 hereof, the Borrower shall pay to the Holder, in satisfaction of its obligation to pay the outstanding principal amount of this Note and accrued and unpaid interest thereon, an amount equal to the sum of (i) the product of (x) the then outstanding principal amount of this Note multiplied by (y) 110% plus (ii) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the "Default Amount") and such Default Amount, together with all other ancillary amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default, to require the Borrower, upon written notice, to immediately issue (in accordance with the terms of Article II hereof), in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV

RESTRICTIONS ON ISSUANCES TO HOLDER

Notwithstanding any provision to the contrary set forth herein, in the Other Notes or in the Registration Rights Agreement, the Borrower shall not be required to issue shares of Common Stock pursuant to any provision of this Note, the Other Notes or the Registration Rights Agreement (a "New Issuance") to the extent that the sum of (1) the aggregate number of shares of Common Stock issued by the Borrower pursuant to this Note, the Other Notes and the Registration Rights Agreement prior to such New Issuance, plus (2) the number of shares of Common Stock which are the subject of the New Issuance (such sum being referred to herein as the "Aggregate Share Amount") would be greater than 2,211,648 shares of Common Stock (or such greater number of shares as may be permitted pursuant to Section 6(i)(1)(d) of Part III to Schedule D of the NASD By-Laws as in effect from time to time hereafter) (the "Maximum Share Amount"); provided, however, that the Maximum Share Amount shall be increased to the extent that the number of shares issuable upon the exercise of the Extension Warrants (as defined in the Purchase Agreement), if any, is less than 150,000 shares. If, but for the provisions of this Article IV, the aggregate number of shares of Common Stock issued by the Borrower pursuant to this Note, the Other Notes and the Registration Rights Agreement would have exceeded the Maximum Share Amount, the Borrower shall pay to the Holder an amount (the "Excess Amount") in cash equal to 120% of the dollar value (as

determined in accordance with Section 1.1, 1.2, 2.1, 2.7 or Article III hereof or Section 2(c) of the Registration Rights Agreement, as applicable) of the difference between (1) the Aggregate Share Amount and (2) the Maximum Share Amount. The Excess Amount shall be paid by the Borrower on the earlier of the closing of an underwritten public offering for the securities of the Borrower and the date that the principal amount of this Note is paid, whether at maturity or upon acceleration or by prepayment or otherwise.

ARTICLE V

COLLATERAL

This Note is secured by a security interest in certain of Borrower's now owned or hereafter acquired assets, all as more particularly described in the Security Agreement and the Exhibits thereto (the "Collateral").

ARTICLE VI

EXTENSION

6.1 Extension at Option of Borrower. Upon thirty (30) days prior written notice to the Holder, the Borrower may extend the term of this Note for one hundred and twenty (120) days beyond the Scheduled Maturity Date. As consideration for such extension, the Borrower shall issue to the Holder Warrants (as defined and in the form as set forth in the Purchase Agreement) to acquire a number of shares of Common Stock equal to 15% of the principal amount of this Note outstanding plus all accrued and unpaid interest thereon as of the date of extension (i.e., Warrants to acquire 15,000 shares of Common Stock for each $100,000 in aggregate principal amount of this Note outstanding).

6.2 Extension at Option of Holder. If Borrower extends the term of this Note pursuant to the terms of Section 6.1 above, the Holder may, at the expiration of such extended term, extend the term of this Note for an additional one hundred and eighty (180) days by providing written notice thereof to the Borrower not less than ten (10) days prior to the expiration of such extended term.

ARTICLE VII

MISCELLANEOUS

7.1 Failure or Indulgency Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

7.2 Notices. Any notice herein required or permitted to be given shall be in writing and may be personally served or delivered by courier or sent by United States mail and shall be deemed to have been given upon receipt if personally served (which shall include telephone line facsimile transmission) or sent by courier or five (5) days after being deposited in the United States mail, certified, with postage pre-paid and properly addressed, if sent by mail. For the purposes hereof, the address of the Holder shall be as shown on the records of the Borrower; and the address of the Borrower shall be 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217; Facsimile Number: (503) 283-4058. Both the Holder and

the Borrower may change the address for service by service of written notice to the other as herein provided.

7.3 Amendment Provision. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all references thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

7.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns; provided, however, that so long as no Event of Default has occurred, this Note shall only be transferable in whole or in increments of $25,000 to "Accredited Investors" (as defined in Rule 501(a) under the Act); and, provided further, that any transfer of this Note is subject to the provisions of Section 4(k) of the Purchase Agreement.

7.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

7.6 Governing Law. This Note shall be governed by the internal laws of the State of Delaware, without regard to conflicts of laws principles. The parties hereto hereby submit to the exclusive jurisdiction of the United States Federal Courts located in the City and County of Philadelphia in the Commonwealth of Pennsylvania with respect to any dispute arising under this Note.

7.7 Damages Shares. The shares of Common Stock that may be issuable to the Holder pursuant to Article III hereof and pursuant to Section 2(c) of the Registration Rights Agreement ("Damages Shares") shall be treated as Common Stock issuable upon conversion of this Note for all purposes hereof and shall be subject to all of the limitations and afforded all of the rights of the other shares of Common Stock issuable hereunder, including, without limitation, the right to be included in the Registration Statement filed pursuant to the Registration Rights Agreement. For purposes of calculating interest payable on the outstanding principal amount hereof, amounts convertible into Damages Shares ("Damages Amounts") shall not bear interest but must be converted prior to the conversion of any outstanding principal amount hereof, until the outstanding Damages Amount is zero.

7.8 Denominations. At the request of the Holder, upon surrender of this Note, the Borrower shall promptly issue new Notes in the aggregate outstanding principal amount hereof, in the form hereof, in such denominations of at least $25,000 as the Holder shall request.

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IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this 11th day of October, 1996.

OXIS INTERNATIONAL, INC.

By:_____
Name:
Title:

EXHIBIT 1

NOTICE OF CONVERSION
OF SECURED CONVERTIBLE NOTE

TO: [_____]

(1) Pursuant to the terms of the attached Secured Convertible Term Note (the "Note"), the undersigned hereby irrevocably elects to convert $_____principal amount of the Note into shares of Common Stock of Oxis International, Inc., a Delaware corporation (the "Borrower"). Capitalized terms used herein and not otherwise defined herein have the respective meanings provided in the Note.

(2) Please issue a certificate or certificates for the number of shares of Common Stock into which such principal amount of the Note is convertible in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Name	Name
Address	Address
SS or Tax ID Number	SS or Tax ID Number

(3) In the event of partial exercise, please reissue an appropriate Note(s) for the principal balance which shall not have been converted.

(4) If the shares of Common Stock issuable upon conversion of the Note have not been registered under the Securities Act of 1933, as amended (the "Act"), the undersigned represents and warrants that (i) such shares of Common Stock are being acquired for the account of the undersigned for investment, and not with a present view to, or for resale in connection with, the distribution thereof, and that the undersigned has no present intention of distributing or reselling such securities, in each case, other than pursuant to a registration statement under the Act and (ii) the undersigned is an "Accredited Investor" as defined in Regulation D under the Act. The undersigned further agrees that (A) such securities shall not be sold or transferred unless either (i) they first shall have been registered under the Act and applicable state securities laws or (ii) the Borrower first shall have been furnished with either (x) an opinion of legal counsel (in form, substance and scope reasonably satisfactory to Borrower) to the effect that such sale or transfer is exempt from the registration requirements of the Act or (y) satisfactory representations from the undersigned that the undersigned may immediately sell all of such securities (to the extent such securities are deemed to have been acquired on the same date) pursuant to Rule 144

under the Act (or a successor thereto) and (B) the Borrower may place a legend on the certificate(s) for such securities to that effect and place a stop transfer restriction in its records relating to such securities. Nothing in this Notice of Conversion shall limit the Borrower's obligations under the Registration Rights Agreement and the Purchase Agreement.

Date

Signature of Registered Holder
(must be signed exactly as name appears in the Note. The signature must be guaranteed by a member firm of the New York Stock Exchange or the National Association of Securities Dealers or by a commercial bank or trust having an office in the United States)

Exhibit 99.4

THIS WARRANT AND THE SHARES ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. EXCEPT AS OTHERWISE SET FORTH HEREIN OR IN A SECURITIES PURCHASE AGREEMENT DATED AS OF OCTOBER 11, 1996, NEITHER THIS WARRANT NOR ANY OF SUCH SHARES MAY BE SOLD, OFFERED FOR SALE, ASSIGNED, TRANSFERRED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER SUCH ACT OR AN OPINION OF COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT. ANY SUCH SALE, ASSIGNMENT OR TRANSFER MUST ALSO COMPLY WITH APPLICABLE STATE SECURITIES LAWS.

Warrant No. ___	Right to Purchase _____ Shares of Common Stock, par value $.50 per share

OXIS INTERNATIONAL, INC.
STOCK PURCHASE WARRANT

THIS CERTIFIES THAT, for value received, _____ or its registered assigns, is entitled to purchase from OXIS INTERNATIONAL, INC., a Delaware corporation (the "Company"), at any time or from time to time during the period specified in Paragraph 2 hereof, _____ (_____) fully paid and nonassessable shares of the Company's Common Stock par value

$.50 per share (the "Common Stock"), at an exercise price (the "Exercise Price") equal to 115% multiplied by the lesser of (a) $1.375 and (b) the Fixed Conversion Price (as defined in the secured convertible term notes of the Company in the aggregate principal amount of One Million Dollars ($1,000,000) due June 8, 1997 (the "Notes")). The term "Warrant Shares", as used herein, refers to the shares of Common Stock purchasable hereunder. The Warrant Shares and the Exercise Price are subject to adjustment as provided in Paragraph 4 hereof. The term Warrants means this Warrant and the other warrants of the Company issued pursuant to the Notes and that certain Securities Purchase Agreement dated as of October 11, 1996, by and among the Company and the Buyers listed on the execution pages thereof (the "Securities Purchase Agreement").

This Warrant is subject to the following terms, provisions, and conditions:

1. MANNER OF EXERCISE; ISSUANCE OF CERTIFICATES; PAYMENT FOR SHARES.

Subject to the provisions hereof, this Warrant may be exercised by the holder hereof, in whole or in part, by the surrender of this Warrant, together with a completed exercise agreement in the form attached hereto (the "Exercise Agreement"), to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), and upon (i) payment to the Company in cash, by certified or official bank check or by wire transfer for the account of the Company of the Exercise Price for the Warrant Shares specified in the Exercise Agreement or (ii) if the resale of the Warrant Shares by the holder is not then registered pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), delivery to the Company of a written notice of an election to effect a "Cashless Exercise" (as defined in Section 11(c) below) for the Warrant Shares specified in the Exercise Agreement. The Warrant Shares so purchased shall be deemed to be issued to the holder hereof or such holder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered, the completed Exercise Agreement shall have been deliv ered, and payment shall have been made for such shares as set forth above. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the holder hereof within a reasonable time, not exceeding two (2) business days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the holder hereof and shall be registered in the name of such holder or such other name as shall be designated by such holder. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its

expense, at the time of delivery of such certificates, deliver to the holder a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised.

Notwithstanding anything in this Warrant to the contrary, in no event shall the Holder of this Warrant be entitled to exercise a number of Warrants (or portions thereof) in excess of the number of Warrants (or portions thereof) upon exercise of which the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares

of Common Stock which may be deemed beneficially owned through the ownership of the unexercised Warrants and the unconverted portion of the Notes and the Company's Series D Convertible Preferred Stock) and (ii) the number of shares of Common Stock issuable upon exercise of the Warrants (or portions thereof) with respect to which the determination described herein is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.9% of the outstanding shares of Common Stock. For purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13D-G thereunder (collectively, "Section 13(d)"), except as otherwise provided in clause (i) hereof.

2. PERIOD OF EXERCISE. This Warrant is exercisable at any time or from time to time on or after the date on which this Warrant is issued and before 5:00 p.m., New York City time on the fifth (5th) anniversary of the date of issuance (the "Exercise Period").

3. CERTAIN AGREEMENTS OF THE COMPANY. The Company hereby covenants and agrees as follows:

(a) SHARES TO BE FULLY PAID. All Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be validly issued, fully paid, and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof.

(b) RESERVATION OF SHARES. During the Exercise Period, the Company shall at all times have authorized, and reserved for the purpose of issuance upon exercise of this Warrant, a sufficient number of shares of Common Stock to provide for the exercise of this Warrant.

(c) LISTING. The Company shall promptly secure the listing of the shares of Common Stock issuable upon exercise of the Warrant upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of this Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock from time to time issuable upon the exercise of this Warrant; and the Company shall so list on each national securities exchange or automated quotation system, as the case may be, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of this Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or automated quotation system.

(d) CERTAIN ACTIONS PROHIBITED. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or

seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of

this Warrant in order to protect the exercise privilege of the holder of this Warrant consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(e) SUCCESSORS AND ASSIGNS. This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation, or acquisition of all or sub stantially all the Company's assets.

4. ANTIDILUTION PROVISIONS. During the Exercise Period, the Exercise Price and the number of Warrant Shares shall be subject to adjustment from time to time as provided in this Paragraph 4.

In the event that any adjustment of the Exercise Price as required herein results in a fraction of a cent, such Exercise Price shall be rounded up to the nearest cent.

(a) ADJUSTMENT OF EXERCISE PRICE UPON ISSUANCE OF COMMON STOCK. Except as otherwise provided in Paragraphs 4(c) and 4(e) hereof, if and whenever on or after the date of issuance of this Warrant, the Company issues or sells, or in accordance with Paragraph 4(b) hereof is deemed to have issued or sold, any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Market Price (as hereinafter defined) on the date of issuance of such shares of Common Stock (a "Dilutive Issuance"), then effective immediately upon the Dilutive Issuance, the Exercise Price will be reduced to a price determined by multiplying the Exercise Price in effect immediately prior to the Dilutive Issuance by a fraction, (i) the numerator of which is an amount equal to the sum of (x) the aggregate number of shares of Common Stock actually outstanding (as hereinafter defined) immediately prior to the Dilutive Issuance, plus (y) the aggregate consideration, calculated as set forth in Section 4(b) hereof, received by the Company upon such Dilutive Issuance, divided by the Market Price in effect immediately prior to the Dilutive Issuance, and (ii) the denominator of which is the aggregate number of shares of Common Stock Deemed Outstanding immediately after the Dilutive Issuance.

(b) EFFECT ON EXERCISE PRICE OF CERTAIN EVENTS. For purposes of determining the adjusted Exercise Price under Paragraph 4(a) hereof, the following will be applicable:

(i) ISSUANCE OF RIGHTS OR OPTIONS. If the Company in any manner issues or grants any warrants, rights or options, whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock ("Convertible Securities") (such warrants, rights and options to purchase Common Stock or Convertible Securities are hereinafter referred to as "Options") and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Market Price on the date of issuance, then the maximum total number of shares of Common Stock issuable upon the exercise of all such Options will, as of the date of the issuance or grant of such Options, be deemed to be outstanding and to have been issued and sold by the Company for such price per share. For purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon the exercise of such Options" is determined by dividing (i) the total amount, if any, received or receivable by the Company as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the

minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of Convertible Securities, if applicable). No further adjustment to the Exercise Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

(ii) ISSUANCE OF CONVERTIBLE SECURITIES. If the Company in any manner
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issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options) and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Market Price on the date of issuance, then the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities will, as of the date of the issuance of such Convertible Securities, be deemed to be outstanding and to have been issued and sold by the Company for such price per share. For the purposes of the preceding

sentence, the "price per share for which Common Stock is issuable upon such conversion or exchange" is determined by dividing (i) the total amount, if any, received or receivable by the Company as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Exercise Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(iii) CHANGE IN OPTION PRICE OR CONVERSION RATE. If there is a
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change at any time in (i) the amount of additional consideration payable to the Company upon the exercise of any Options; (ii) the amount of additional consideration, if any, payable to the Company upon the conversion or exchange of any Convertible Securities; or (iii) the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock (other than under or by reason of provisions designed to protect against dilution), the Exercise Price in effect at the time of such change will be readjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(iv) TREATMENT OF EXPIRED OPTIONS AND UNEXERCISED CONVERTIBLE

SECURITIES. If, in any case, the total number of shares of Common Stock
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issuable upon exercise of any Option or upon conversion or exchange of any Convertible Securities is not, in fact, issued and the rights to exercise such Option or to convert or exchange such Convertible Securities shall have expired or terminated, the Exercise Price then in effect will be readjusted to the Exercise Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination (other than in respect of the actual number of shares of Common Stock issued upon exercise or conversion thereof), never been issued.

(v) CALCULATION OF CONSIDERATION RECEIVED. If any Common Stock,
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Options or Convertible Securities are issued, granted or sold for cash, the consideration received therefor for purposes of this Warrant will

be the amount received by the Company therefor, before deduction of reasonable commissions, underwriting discounts or allowances or other reasonable expenses paid or incurred by the Company in connection with such issuance, grant or sale. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration part or all of which shall be other than cash, the amount of the consideration other than cash received by the Company will be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company will be the Market Price thereof as of the date of receipt. In case any Common Stock, Options or Convertible Securities are issued in connection with any merger or consolidation in which the Company is the surviving corporation, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving corporation as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities will be determined in good faith by the Board of Directors of the Company.

(vi) EXCEPTIONS TO ADJUSTMENT OF EXERCISE PRICE. No adjustment to the Exercise Price will be made (i) upon the exercise of any warrants, options or convertible securities issued and outstanding on October 11, 1996; (ii) upon the grant or exercise of any stock or options which may hereafter be granted or exercised under any employee benefit plan of the Company now existing or to be implemented in the future, so long as the issuance of such stock or options is approved by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose; or (iii) upon the exercise of the Warrants or issuance or conversion of the Notes.

(c) SUBDIVISION OR COMBINATION OF COMMON STOCK. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a greater number of shares, then, after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a smaller number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased.

(d) [Intentionally Omitted.]

(e) CONSOLIDATION, MERGER OR SALE. In case of any consolidation of the Company with, or merger of the Company into any other corporation, or in case of any sale or conveyance of all or substantially all of the assets of the Company other than in connection with a plan of complete liquidation of the Company, then as a condition of such consolidation, merger or sale or conveyance, adequate provision will be made whereby the holder of this Warrant will have the right to acquire and receive upon exercise of this Warrant in lieu of the shares of Common Stock immediately theretofore acquirable upon the exercise of this Warrant, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for the number of shares of Common Stock immediately theretofore acquirable and receivable upon exercise of this Warrant had such consolidation, merger or sale or conveyance not taken place. In any such case, the Company will make appropriate provision to insure that the provisions of this Paragraph 4 hereof will thereafter be applicable as nearly as may be in relation to any shares of stock or securities thereafter deliverable upon the exercise of this Warrant. The Company will not effect any consolidation, merger or sale or conveyance unless prior to the consummation thereof, the successor corporation (if other than the Company) assumes by written instrument the obligations under this Paragraph 4 and the obligations to deliver to the holder of this Warrant such shares of stock, securities or assets as, in accordance with the foregoing provisions, the holder may be entitled to acquire.

(f) DISTRIBUTION OF ASSETS. In case the Company shall declare or make any distribution of its assets to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise, then, after the date of record for determining stockholders entitled to such distribution, but prior to the date of distribution, the holder of this Warrant shall be entitled upon exercise of this Warrant for the purchase of any or all of the shares of Common Stock subject hereto, to receive the amount of such assets which would have been payable to the holder had such holder been the holder of such shares of Common Stock on the record date for the determination of stockholders entitled to such distribution.

(g) NOTICE OF ADJUSTMENT. Upon the occurrence of any event which requires any adjustment of the Exercise Price, then, and in each such case, the Company shall give notice thereof to the holder of this Warrant, which notice shall state the Exercise Price resulting from such adjustment and the increase or decrease in the number of Warrant Shares purchasable at such price upon exercise, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such calculation shall be certified by the chief financial officer of the Company.

(h) MINIMUM ADJUSTMENT OF EXERCISE PRICE. No adjustment of the Exercise Price shall be made in an amount of less than 1% of the Exercise Price in effect at the time such adjustment is otherwise required to be made, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which, together with any adjustments so carried forward, shall amount to not less than 1% of such Exercise Price.

(i) NO FRACTIONAL SHARES. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but the Company shall pay a cash adjustment in respect of any fractional share which would otherwise be issuable in an amount equal to the same fraction of the Market Price of a share of Common Stock on the date of such exercise.

(j) OTHER NOTICES. In case at any time:

(i) the Company shall declare any dividend upon the Common Stock payable in shares of stock of any class or make any other distribution (other than dividends or distributions payable in cash out of retained earnings) to the holders of the Common Stock;

(ii) the Company shall offer for subscription pro rata to the holders of the Common Stock any additional shares of stock of any class or other rights;

(iii) there shall be any capital reorganization of the Company, or reclassification of the Common Stock, or consolidation or merger of the Company with or into, or sale of all or substantially all its assets to, another corporation or entity; or

(iv) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, in each such case, the Company shall give to the holder of this Warrant (a) notice of the date on which the books of the Company shall close or a record shall be taken for determining the holders of Common Stock entitled to receive any such dividend, distribution, or subscription rights or for determining the holders of Common Stock entitled to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up and (b) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, notice of the date (or, if not then known, a reasonable approximation thereof by the Company) when the same shall take place. Such notice shall also specify the date on which the holders of Common Stock shall be entitled to receive such dividend, distribution, or subscription rights or to exchange their Common Stock

for stock or other securities or property deliverable upon such reorganization, reclassification, consolidation,

merger, sale, dissolution, liquidation, or winding-up, as the case may be. Such notice shall be given at least fifteen (15) days prior to the record date or the date on which the Company's books are closed in respect thereto. Failure to give any such notice or any defect therein shall not affect the validity of the proceedings referred to in clauses (i), (ii), (iii) and (iv) above.

(k) INTENTIONALLY OMITTED

(l) CERTAIN DEFINITIONS.

(i) "Common Stock Deemed Outstanding" shall mean the number of
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shares of Common Stock actually outstanding (not including shares of Common Stock held in the treasury of the Company), plus (x) in the case of Paragraph 4(b)(i) hereof, the maximum total number of shares of Common Stock issuable upon the exercise of the Options issued in the transaction for which the adjustment is required under this Section 4, calculated as of the date of such issuance or grant of such Options, if any, and (y) in the case of Paragraph 4(b)(ii) hereof, the maximum total number of shares of Common Stock issuable upon conversion or exchange of the Convertible Securities issued in the transaction for which the adjustment is required under this Section 4, calculated, as of the date of issuance of such Convertible Securities, if any.

(ii) "Market Price," as of any date, (i) means the average of the
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last reported sale prices for the shares of Common Stock as reported by the NASDAQ National Market ("NASDAQ") for the ten (10) trading days immediately preceding such date, or (ii) if NASDAQ is not the principal trading market for the shares of Common Stock, the average of the last reported sale prices on the principal trading market for the Common Stock during the same period, or (iii) if market value cannot be calculated as of such date on any of the foregoing bases, the Market Price shall be the average fair market value as reasonably determined in good faith by the Board of Directors of the Company. The manner of determining the Market Price of the Common Stock set forth in the foregoing definition shall apply with respect to any other security in respect of which a determination as to market value must be made hereunder.

(iii) "Common Stock," for purposes of this Paragraph 4, includes
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the Common Stock, par value $.50 per share, and any additional class of stock of the Company having no preference as to dividends or distributions on liquidation, provided that the shares purchasable pursuant to this Warrant shall include only shares of Common Stock, par value $.50 per share, in respect of which this Warrant is exercisable, or shares resulting from any subdivision or combination of such Common Stock, or in the case

of any reorganization, reclassification, consolidation, merger, or sale of the character referred to in Paragraph 4(e) hereof, the stock or other securities or property provided for in such Paragraph.

5. ISSUE TAX. The issuance of certificates for Warrant Shares upon the
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exercise of this Warrant shall be made without charge to the holder of this Warrant or such shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the holder of this Warrant.

6. NO RIGHTS OR LIABILITIES AS A SHAREHOLDER. This Warrant shall not
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entitle the holder hereof to any voting rights or other rights as a shareholder of the Company. No provision of this Warrant, in the absence of affirmative action by the holder hereof to purchase Warrant Shares, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

7. TRANSFER, EXCHANGE, AND REPLACEMENT OF WARRANT.

(a) RESTRICTION ON TRANSFER. This Warrant and the rights granted to the holder hereof are transferable, in whole or in part, upon surrender of this Warrant, together with a properly executed assignment in the form attached hereto, at the office or agency of the Company referred to in Paragraph 7(e) below, provided, however, that any transfer or assignment shall be subject to the conditions set forth in Paragraph 7(f) hereof and to the applicable provisions of the Securities Purchase Agreement. Until due presentment for registration of transfer on the books of the Company, the Company may treat the registered holder hereof as the owner and holder hereof for all purposes, and the Company shall not be affected by any notice to the contrary. Notwithstanding anything to the contrary contained herein, the registration rights described in Paragraph 8 are assignable only in accordance with the provisions of that certain Registration Rights Agreement, dated as of October 11, 1996, by and among the Company and the other signatories thereto (the "Registration Rights Agreement").

(b) WARRANT EXCHANGEABLE FOR DIFFERENT DENOMINATIONS. This Warrant is exchangeable, upon the surrender hereof by the holder hereof at the office or agency of the Company referred to in Paragraph 7(e) below, for new Warrants of like tenor of different denominations representing in the aggregate the right to purchase the number of shares of Common Stock which may be purchased hereunder, each of such new Warrants to represent the right to purchase such number of shares as shall be designated by the holder hereof at the time of such surrender.

(c) REPLACEMENT OF WARRANT. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an affidavit of loss and indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

(d) CANCELLATION; PAYMENT OF EXPENSES. Upon the surrender of this Warrant in connection with any transfer, exchange, or replacement as provided in this Paragraph 7, this Warrant shall be promptly canceled by the Company. The Company shall pay all taxes (other than securities transfer taxes) and all other expenses (other than legal expenses, if any, incurred by the Holder or transferees) and charges payable in connection with the preparation, execution, and delivery of Warrants pursuant to this Paragraph 7.

(e) REGISTER. The Company shall maintain, at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.

(f) EXERCISE OR TRANSFER WITHOUT REGISTRATION. If, at the time of the surrender of this Warrant in connection with any exercise, transfer, or exchange of this Warrant, this Warrant (or, in the case of any exercise, the Warrant Shares issuable hereunder), shall not be registered under the

Securities Act and under applicable state securities or blue sky laws, the Company may require, as a condition of allowing such exercise, transfer, or exchange, (i) that the holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel, which opinion and counsel are reasonably acceptable to the Company, to the effect that such exercise, transfer, or exchange may be made without registration under said Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act; provided that no such opinion, letter or status as an "accredited investor" shall be required in connection with a transfer pursuant to Rule 144 under the Securities Act; provided further, however, that no "Subject Holder" (as defined below) may sell or otherwise transfer the Warrants, except (i) to the Company or to a stockholder or a group of stockholders who immediately prior to the sale control a majority of the Company's voting shares (a "Controlling Stockholder" or "Controlling Group", as applicable); (ii) to an affiliate of such

Holder; (iii) in connection with any merger, consolidation, reorganization or sale of more than 50% of the outstanding Common Stock of the Company (a "Reorganization"); (iv) in a registered public offering or a public sale pursuant to Rule 144 or other applicable exemption from the registration requirements of the Securities Act (or any successor rule or regulation); or (v) in a private sale (otherwise than to the Company, to a Controlling Stockholder or a Controlling Group, to an affiliate of such Holder, or in a Reorganization), provided that the Holder shall not sell or otherwise transfer during any ninety (90) day period a portion(s) of the Warrants which, if converted into Common Stock, would represent, at the time of the transfer, in the aggregate (together with any other shares of Common Stock the beneficial ownership of which is transferred), beneficial ownership by the transferee(s) of more than 4.9% percent of the Common Stock then outstanding. Subject Holder means any Holder who, but for the provisions contained in the last paragraph of Section 1, would beneficially own 5% or more of the outstanding Common Stock of the Borrower. The first holder of this Warrant, by taking and holding the same, represents to the Company that such holder is acquiring this Warrant for investment and not with a view to the distribution thereof. For the purposes of this paragraph, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934. Any transfer of this Warrant is subject to the provisions of Section 4(k) of the Securities Purchase Agreement.

8. REGISTRATION RIGHTS.

The initial holder of this Warrant (and certain assignees thereof) is entitled to the benefit of such registration rights in respect of the Warrant Shares as are set forth in Section 2 of the Registration Rights Agreement (including, without limitation, Section 2(c) thereof).

9. NOTICES. All notices, requests, and other communications required or
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permitted to be given or delivered hereunder to the holder of this Warrant shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to such holder at the address shown for such holder on the books of the Company, or at such other address as shall have been furnished to the Company by notice from such holder, and shall be effective five (5) days after being placed in the mail, if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier. All notices, requests, and other communications required or permitted to be given or delivered hereunder to the Company shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to the office of the Company at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217-3935, Attention: Chief Executive Officer, or at such other address as shall have been furnished to the holder of this Warrant by notice from the Company. Any such notice, request, or other communication may be sent by facsimile, but shall in such case be subsequently

confirmed by a writing personally delivered or sent by certified or registered mail or by recognized overnight mail courier as provided above.

10. GOVERNING LAW. THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE BODY OF LAW CONTROLLING CONFLICTS OF LAW. THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES FEDERAL COURTS LOCATED IN PHILADELPHIA, PENNSYLVANIA WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS WARRANT.

11. MISCELLANEOUS.

(a) AMENDMENTS. This Warrant and any provision hereof may only be amended by an instrument in writing signed by the Company and the holder hereof.

(b) DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs of this Warrant are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions hereof.

(c) CASHLESS EXERCISE. Notwithstanding anything to the contrary contained in this Warrant, if the resale of the Warrant Shares by the holder is not then registered pursuant to an effective registration statement under the Securities Act, this Warrant may be exercised at any time after February 15, 1997 by presentation and surrender of this Warrant to the Company at its principal executive offices with a written notice of the holder's intention to effect a cashless exercise, including a calculation of the number of shares of Common Stock to be issued upon such exercise in accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, in lieu of paying the Exercise Price in cash, the holder shall surrender this Warrant for that number of shares of Common Stock determined by multiplying the number of Warrant Shares to which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Market Price per share of the Common Stock and the Exercise Price, and the denominator of which shall be the then current Market Price per share of Common Stock.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

OXIS INTERNATIONAL, INC.

Warrant No. ___

By: _____
Name:_____
Title:_____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers all the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock covered thereby set forth hereinbelow, to:

Name of Assignee	Address	No of Shares
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, and hereby irrevocably constitutes and appoints_____ _____

_____ as agent and attorney-in-fact to transfer said Warrant on the books of the within-named corporation, with full power of substitution in the premises.

Dated: _____, ____,

In the presence of

_____

Name: _____

Signature: _____
Title of Signing Officer or Agent (if any):
_____
Address: _____
_____

Note: The above signature should correspond exactly with the name on the face of the within Warrant.

Exhibit 99.5

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT"), dated as of October 11, 1996 by and among OXIS INTERNATIONAL, INC., a Delaware corporation, with headquarters located at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217-3935 (the "COMPANY"), and each of the undersigned (together with their respective affiliates, the "INITIAL INVESTORS").

WHEREAS:

A. In connection with the Securities Purchase Agreement of even date herewith by and among the Company and the Initial Investors (the "SECURITIES PURCHASE AGREEMENT"), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue and sell to the Initial Investors (i) secured convertible term notes ("NOTES") in the aggregate principal amount of One Million Dollars ($1,000,000) due June 8, 1997, that are (a) convertible into shares (the "CONVERSION SHARES") of the Company's common stock (the "COMMON STOCK") and (b) subject to extension at the Company's option (and thereafter at the Initial Investor's option) in exchange for a fee payable in warrants (the "EXTENSION WARRANTS") to purchase up to 150,000 shares of the Company's Common Stock (subject to adjustment as provided therein), upon the terms and subject to the conditions set forth in the Notes and (ii) warrants (the "CLOSING WARRANTS") to acquire 300,000 shares of Common Stock (together with the shares of Common Stock issuable upon exercise of the Extension Warrants, the "WARRANT SHARES") (the Extension Warrants and the Closing Warrants are sometimes hereinafter collectively referred to as the Warrants); and

B. To induce the Initial Investors to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "1933 ACT"), and applicable state securities laws;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the Initial Investors hereby agree as follows:

1. DEFINITIONS.

a. As used in this Agreement, the following terms shall have the following meanings:

(i) "INVESTORS" means the Initial Investors and any transferees or assignees who agree to become bound by the provisions of this Agreement in accordance with Section 9 hereof.

(ii) "REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the 1933 Act and pursuant to Rule 415 under the 1933 Act or any successor rule providing for offering securities on a continuous basis ("RULE 415"), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the "SEC").

(iii) "REGISTRABLE SECURITIES" means the Conversion Shares, the Warrant Shares and the Damages Shares (as defined in the Notes) issued or issuable and any shares of capital stock issued or issuable as a dividend on or in exchange for or otherwise with respect to any of the foregoing.

(iv) "REGISTRATION STATEMENT" means a registration statement of the Company under the 1933 Act.

b. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

2. REGISTRATION.

a. Mandatory Registration. The Company shall prepare, and, on or prior to November 30, 1996, file with the SEC a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of the Registrable Securities, subject to the consent of the Initial Investors (as determined pursuant to Section 11(j) hereof), which consent will not be unreasonably withheld) covering the resale of the Registrable Securities (including the Registrable Securities underlying the Warrants), which Registration Statement, to the extent allowable under the 1933 Act and the Rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of the Notes and exercise of the Warrants (i) to prevent dilution resulting from stock splits, stock dividends or similar transactions or (ii) by reason of changes in the Conversion Price of the Notes or the Exercise Price of the Warrants in accordance with the terms thereof. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided to (and subject to the prior review of) the Initial Investors and their counsel prior to its filing or other submission.

b. INTENTIONALLY OMITTED

c. Payments by the Company. The Company shall use its best efforts to obtain effectiveness of the Registration Statement as soon as practicable. If (i) the Registration Statement(s) covering the Registrable Securities required to be filed by the Company pursuant to Section 2(a) hereof is not declared effective by the SEC on or prior to February 15, 1997 (the "DEADLINE") (other than by reason of any act or failure to act in a timely manner by the Investors or Investors counsel, or if the delay relates to issues raised by the SEC arising from the transaction contemplated by the Securities Purchase Agreement or is due to a change in the policy, procedures, interpretations, positions, practice or rules of the SEC made public after the date hereof so long as the Company is using all commercially reasonable efforts to achieve the effectiveness of such Registration Statement) or if, after the Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to the Registration Statement (by reason of stop order, or the Company's failure to update the Registration Statement), or (ii) the Common Stock is not listed or included for quotation on the NASDAQ National Market System (the "NASDAQ-NMS"), NASDAQ Small Cap, the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX"), then the Company will make payments to the Investors in such amounts and at such times as shall be determined pursuant to this Section 2(c) as partial relief for the damages to the Investors by reason of any such delay in or reduction of their ability to sell the Registrable Securities (which remedy shall not be exclusive of any other remedies available at law or in equity). The Company shall pay to each holder of Registerable Securities an amount equal to the aggregate "Purchase Price" (as defined below) of the Notes held by such Investors (including, without limitation, any portion of the Notes that have been converted into Conversion Shares then held by such Investors) (the "AGGREGATE SHARE PRICE") multiplied by two and one-half hundredths (.025) times the sum of: (i) the number of months (prorated for partial months) after the Deadline and prior to the date the Registration Statement is declared effective by the SEC, provided, however, that there shall be excluded from such period any delays which are solely attributable to changes required by the Investors in the Registration Statement with respect to information relating to the Investors, including, without limitation, changes to the plan of distribution, or to the failure of the Investors to conduct their review of the registration statement pursuant to Section 2(a) above in a reasonably prompt manner; (ii) the number of months (prorated for partial months) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective; and (iii) the number of months (prorated for partial months) that the Common Stock is not listed or included for quotation on the NASDAQ-NMS, NASDAQ Small Cap, NYSE or AMEX after the Registration Statement has been declared effective. (For example, if the Registration Statement becomes effective one (1) month after the Deadline, the Company would pay $25,000 for each $1,000,000 of Aggregate Share Price and would continue to pay $25,000 for each 1,000,000 of Aggregate Share Price until the

Registration Statement becomes effective.) Such amounts shall be paid in cash or, at each Investor's option (but subject to the limitations contained in Article IV of the Notes), may be convertible into Common Stock at the "CONVERSION PRICE" (as defined in the Notes). Any shares of Common Stock issued upon conversion of such amounts shall be Registrable Securities. If the Investor desires to convert the amounts due hereunder into Registrable Securities

it shall so notify the Company in writing within two (2) business days of the date on which such amounts are first payable in cash and such amounts shall be so convertible (pursuant to the mechanics set forth under Section 2.4 of the Notes), beginning on the last day upon which the cash amount would otherwise be due in accordance with the following sentence. Payments of cash pursuant hereto shall be made within ten (10) days after the end of each period that gives rise to such obligation, provided that, if any such period extends for more than thirty (30) days, interim payments shall be made for each such thirty (30) day period. The term "PURCHASE PRICE" means the purchase price paid by the Investors for the Notes and Closing Warrants (as defined in the Securities Purchase Agreement).

d. Piggy-Back Registrations. If at any time prior to the expiration of
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the Registration Period (as hereinafter defined) the Company shall file with the SEC a Registration Statement relating to (i) a firm underwritten offering for its own account or the account of others under the 1933 Act of any of its equity securities or (ii) any other offering for its own account or the account of others under the 1933 Act of any of its equity securities (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans) at a time when the Registration Statement contemplated by Section 1(a) hereof is not effective, the Company shall send to each Investor who is entitled to registration rights under this Section 2(d) written notice of such determination and, if within fifteen (15) days after the effective date of such notice, such Investor shall so request in writing, the Company shall include in such Registration Statement all or any part of the Registrable Securities such Investor requests to be registered, except that if, in connection with any underwritten public offering for the account of the Company the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' reasonable judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which such Investor has requested inclusion hereunder as the underwriter shall permit. Any exclusion of Registrable Securities shall be made pro rata among the Investors seeking to include Registrable Securities, in proportion to the number of Registrable Securities sought to be included by such Investors; provided, however, that the
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Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not entitled to inclusion of such securities in such Registration Statement or are not entitled to pro rata inclusion with the Registrable Securities; and provided,
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further, however, that, after giving effect to the immediately preceding
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proviso, any exclusion of Registrable Securities shall be made pro rata with holders of other securities having the right to include such securities in the Registration Statement other than holders of securities entitled to inclusion of their securities in such Registration Statement by reason of demand registration rights. No right to registration of Registrable Securities under this Section 2(d) shall be construed to limit any registration required under Section 2(a) hereof. If an offering in connection with which an Investor is entitled to registration under this Section 2(d) is an underwritten offering, then each Investor whose Registrable Securities are included in such Registration Statement shall, unless otherwise agreed by the Company, offer and sell such

Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms

and conditions as other shares of Common Stock included in such underwritten offering.

e. Eligibility for Form S-3. The Company represents and warrants that it meets the requirements for the use of Form S-3 for registration of the sale by the Initial Investors and any other Investor of the Registrable Securities and the Company shall file all reports required to be filed by the Company with the SEC in a timely manner so as to maintain such eligibility for the use of Form S-3.

3. OBLIGATIONS OF THE COMPANY.

In connection with the registration of the Registrable Securities, the Company shall have the following obligations:

a. The Company shall prepare promptly, and file with the SEC not later than November 30, 1996, a Registration Statement with respect to the number of Registrable Securities provided in Section 2(a), and thereafter use its best efforts to cause such Registration Statement relating to Registrable Securities to become effective as soon as possible after such filing, and keep the Registration Statement effective pursuant to Rule 415 at all times until such date as is the earlier of (i) the date on which all of the Registrable Securities have been sold and (ii) the date on which the Registrable Securities (in the opinion of counsel to the Initial Investors) may be immediately sold without registration (the "REGISTRATION PERIOD"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein and all documents incorporated by reference therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading.

b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement. In the event the number of shares available under a Registration Statement filed pursuant to this Agreement is insufficient to cover all of the Registrable Securities issued or issuable upon conversion of the Notes and exercise of the Warrants, the Company shall amend the Registration Statement, or file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover all of the Registrable Securities, in each case, as soon as practicable, but in any event within fifteen (15) days after the necessity therefor arises (based on the market price of the Common Stock and other relevant factors on which the Company reasonably elects to rely). The Company shall use its best efforts to

cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. The provisions of Section 2(c) above shall be applicable with respect to such obligation, with the Deadline being that date which is ninety (90) days after the date on which the Company reasonably first determines (or reasonably should have determined) the need therefor.

c. The Company shall furnish to each Investor whose Registrable Securities are included in the Registration Statement and its legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of the Registration Statement and any amendment thereto each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of the Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a

prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor.

d. The Company shall use reasonable efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as the Investors who hold a majority in interest of the Registrable Securities being offered reasonably request, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that

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the Company shall not be required in connection therewith or as a condition thereto to (a) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (b) subject itself to general taxation in any such jurisdiction, (c) file a general consent to service of process in any such jurisdiction, (d) provide any undertakings that cause the Company undue expense or burden, or (e) make any change in its charter or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its stockholders.

e. INTENTIONALLY OMITTED

f. As promptly as practicable after becoming aware of such event, the Company shall notify each Investor of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and use its best efforts promptly to

prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver such number of copies of such supplement or amendment to each Investor as such Investor may reasonably request.

g. The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest possible moment and to notify each Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance of such order and the resolution thereof.

h. The Company shall permit a single firm of counsel designated by the Initial Investors to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to their filing with the SEC, and not file any document in a form to which such counsel reasonably objects.

i. The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

j. At the request of any Investor, the Company shall use its best efforts to furnish, on the date that Registrable Securities are delivered to an underwriter, if any, for sale in connection with the Registration Statement or, if such securities are not being sold by an underwriter, on the date of effectiveness of the Registration Statement, (i) an opinion, dated as of such date, from counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the underwriters, if any, and the Investors and (ii) a letter, dated such date, from the Company's independent

certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and the Investors.

k. The Company shall make available for inspection by (i) any Investor, (ii) any underwriter participating in any disposition pursuant to the Registration Statement, (iii) one firm of attorneys and one firm of accountants or other agents retained by the Initial Investors, (iv) one firm of attorneys and one firm of accountants or other agents retained by all other Investors, and (v) one firm of attorneys retained by all such underwriters (collectively, the "INSPECTORS") all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "RECORDS"), as shall be reasonably deemed necessary by each Inspector to enable each Inspector to exercise its due diligence responsibility, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request for purposes of such due diligence; provided, however, that
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each Inspector shall hold in confidence and shall not make any disclosure (except to an Investor) of any Record or other information which the

Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement, (b) the release of such Records is ordered pursuant to a subpoena or other order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company shall not be required to disclose any confidential information in such Records to any Inspector until and unless such Inspector shall have entered into confidentiality agreements (in form and substance satisfactory to the Company) with the Company with respect thereto, substantially in the form of this Section 3(k). Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein shall be deemed to limit the Investors' ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

l. The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to such Investor prior to making such disclosure, and allow the Investor, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

m. The Company shall use its best efforts either to (i) cause all the Registrable Securities covered by the Registration Statement to be listed on the NYSE or the AMEX or another national securities exchange and on each additional national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure the designation and quotation, of all the Registrable Securities covered by the Registration Statement on the NASDAQ-NMS or, if not eligible for the NASDAQ-NMS on the NASDAQ Small Cap and, without limiting the generality of the foregoing, to arrange for or maintain at least two market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with respect to such Registrable Securities.

n. The Company shall provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement.

o. The Company shall cooperate with the Investors who hold Registrable Securities being offered and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the managing underwriter or underwriters, if any, or the Investors may reasonably request and registered in such names as the managing underwriter or underwriters, if any, or the Investors may request, and, within three (3) business days after a Registration Statement which includes Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel selected by the Company to deliver, to the transfer agent for the Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) an instruction in the form attached hereto as EXHIBIT 1 and an opinion of such counsel in the form attached hereto as EXHIBIT 2.

4. OBLIGATIONS OF THE INVESTORS.

In connection with the registration of the Registrable Securities, the Investors shall have the following obligations:

a. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least three (3) business days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Investor of the information the Company requires from each such Investor if such Investor elects to have any of such Investor's Registrable Securities included in the Registration Statement.

b. Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement.

c. INTENTIONALLY OMITTED

d. Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(f) or 3(g), such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(f) or 3(g) and, if so directed by the Company,

such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

e. No Investor may participate in any underwritten registration hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions and any expenses in excess of those payable by the Company pursuant to Section 5 below.

5. EXPENSES OF REGISTRATION.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company, and the reasonable fees and disbursements (not to exceed $15,000) of one counsel selected by the Initial Investors pursuant to Section 2(b) hereof shall be borne by the Company.

6. INDEMNIFICATION.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. To the extent permitted by law, the Company will indemnify, hold harmless and defend (i) each Investor who holds such Registrable Securities, and (ii) the directors, officers, partners, employees, agents and each person who controls any Investors within the meaning of the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 ACT"), if any, (each, an "INDEMNIFIED PERSON"), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, "CLAIMS") to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including,

without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii) being, collectively, "VIOLATIONS"). Subject to the restrictions set forth in Section 6(c) with respect to the number of legal counsel, the Company shall reimburse the Investors and each such underwriter or controlling person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto; (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld; and (iii) with respect to any preliminary prospectus, shall not inure to the benefit of any Indemnified Person if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented, if such corrected prospectus was timely made available by the Company pursuant to Section 3(c) hereof, and the Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a Violation and such Indemnified Person, notwithstanding such advice, used it. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9.

b. In connection with any Registration Statement in which an Investor

is participating, each such Investor agrees severally and not jointly to indemnify, hold harmless and defend, to the same extent and in the same manner set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act, and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder or underwriter within the meaning of the 1933 Act or the 1934 Act (collectively and together with an Indemnified Person, an "INDEMNIFIED PARTY"), against any Claim to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and subject to Section 6(c) such Investor will reimburse any legal or other expenses (promptly as such expenses are incurred and are due and payable) reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this
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Section 6(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the
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Investor shall be liable under this Agreement (including this Section 6(b) and Section 7) for only that amount as does not exceed the net proceeds to such Investor as a result of the sale of Registrable

Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided,
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however, that an Indemnified Person or Indemnified Party shall have the right to
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retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. The indemnifying party shall pay for only one separate legal counsel for the Indemnified Persons or the Indemnified Parties, as applicable, and such legal counsel shall be selected by Investors holding a majority-in-interest of the Registrable Securities included in the Registration Statement to which the Claim relates (with the approval of the Initial Investors if they hold Registrable Securities included in such Registration Statement), if the Investors are entitled to indemnification hereunder, or the Company, if the Company is entitled to indemnification hereunder, as applicable. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is actually prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is

incurred and is due and payable.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6, (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f)

of the 1933 Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. REPORTS UNDER THE 1934 ACT.

With a view to making available to the Investors the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration ("RULE 144"), the Company agrees to:

a. make and keep public information available, as those terms are understood and defined in Rule 144;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company's obligations under Section 4(c) of the Securities Purchase Agreement) and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

c. furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

9. ASSIGNMENT OF REGISTRATION RIGHTS.

The rights to have the Company register Registrable Securities pursuant to this Agreement shall be automatically assignable by the Investors to any transferee of all or any portion of Registrable Securities if: (i) the Investors agree in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment, the further disposition of such securities by the transferee or assignee is restricted under the 1933 Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein, (v) such transfer shall have been made in accordance with the applicable

requirements of the Securities Purchase Agreement, and (vi) such transferee

shall be an "ACCREDITED INVESTOR" as that term defined in Rule 501 of Regulation D promulgated under the 1933 Act.

10. AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with written consent of the Company, the Initial Investors (to the extent the Initial Investors still own Registrable Securities) and Investors who hold a majority interest of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company.

11. MISCELLANEOUS.

a. A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

b. Notices required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given when personally delivered (by hand, by courier, by telephone line facsimile transmission or other means) or sent by certified mail, return receipt requested, properly addressed and with proper postage pre-paid,

if to the Company:

OXIS International, Inc.
6040 N. Cutter Circle
Suite 317
Portland, Oregon 97217-3935
Attention: Chief Executive Officer
Telecopy: (503) 283-4058

with copy to:

Richard Scudellari, Esquire
Jackson Tufts Cole & Black LLP
60 South Market Street
San Jose, California 95113-2336
Telecopy (408) 998-4889

if to Capital Ventures International,

Capital Ventures International
c/o Bala International, Inc.
401 City Line Avenue, Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707
Attention: Andrew Frost

with copy to:

Joel Greenberg, Esq.
c/o Bala International, Inc.
401 City Line Avenue, Suite 220
Bala Cynwyd, PA 19004
Telecopy: (610) 617-2707

and:

Klehr, Harrison, Harvey, Branzburg & Ellers
1401 Walnut Street
Philadelphia, PA 19102
Telecopy: (215) 568-6603

Attention: Stephen T. Burdumy, Esq.

If to S.R. One:

S.R. One, Limited
c/o Smith Kline Beecham
One Franklin Plaza
Philadelphia, PA 19102
Telecopy: (215) 751-3935
Attention: Brenda Gavin and Donald Parman

and if to any other Investor, at such address as such Investor shall have provided in writing to the Company, or at such other address as each such party furnishes by notice given in accordance with this Section 11(b), and shall be effective, when personally delivered, upon receipt and, when so sent by certified mail, four days after deposit with the United States Postal Service.

c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. This Agreement shall be enforced, governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such State. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof. The parties hereto hereby submit to the exclusive jurisdiction of the United States Federal Courts located in Philadelphia, Pennsylvania with respect to any dispute arising under this Agreement or the transactions contemplated hereby.

e. This Agreement and the Securities Purchase Agreement (including all schedules and exhibits thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Securities Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

f. Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

h. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

i. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

j. All consents and other determinations to be made by the Investors pursuant to this Agreement shall be made by the Investors holding a majority of the Registrable Securities (determined as if all Notes and Warrants then outstanding had been converted into or exercised for Registrable Securities).

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

OXIS INTERNATIONAL, INC.

By: /s/ Ray R. Rogers

Name: Ray R. Rogers
Its: Chairman

INITIAL INVESTORS:

CAPITAL VENTURES INTERNATIONAL

By: Bala International, Inc., as authorized agent

By: /s/ Andrew Frost

Name: Andrew Frost
Its: Director

S.R. One, Limited

By: /s/ Donald F. Parman

Name: Donald F. Parman
Its: Vice President

EXHIBIT 1
TO
REGISTRATION
RIGHTS
AGREEMENT

[Company Letterhead]

[Date]

[Name and address of Transfer Agent]

Ladies and Gentlemen:

This letter shall serve as our irrevocable authorization and direction to you (1) to transfer or re-register the certificates for the shares of Common Stock, $.50 par value (the "COMMON STOCK"), of OXIS INTERNATIONAL, INC., a Delaware corporation (the "COMPANY"), represented by certificate number(s) _____ for an aggregate of _____ shares (the "OUTSTANDING SHARES") of Common Stock presently registered in the name of [Name of Investor] (which shares were previously issued upon conversion or exercise of the Company's secured convertible term notes, in the aggregate principal amount of $1,000,000, due June __, 1997 (the "NOTES"), or Warrants (as hereinafter defined) upon surrender of such certificates to you (or evidence of loss, theft or destruction thereof), notwithstanding the legend appearing on such certificates, and (2) to issue shares (the "CONVERSION SHARES") of Common Stock to or upon the order of the registered holder from time to time of the Notes upon surrender to you of a properly completed and duly executed Conversion Notice and such Notes, notwithstanding the legend appearing on such Notes and (3) to issue shares (the "WARRANT SHARES") of Common Stock to or upon the order of the registered holder from time to time of the Warrants of the Company issued (i) pursuant to the terms of the Securities Purchase Agreement by and between the Company and the other signatories thereto, dated as of October __, 1996 and (ii) if applicable, upon the Company's extension of the Notes (the "WARRANTS") upon surrender to you of a properly completed and duly executed Exercise Agreement and such Warrants (or evidence of loss, theft or destruction thereof) notwithstanding the legend appearing on such Warrants. The transfer or re-registration of the certificates for the Outstanding Shares by you should be made at such time as you are requested to do so by the record holder of the Outstanding Shares. The certificate issued upon such transfer or re-registration should be registered in such name as requested by the holder of record of the certificate surrendered to

you and should not bear any legend which would restrict the transfer of the shares represented thereby. In addition, you are hereby directed to remove any stop-transfer instruction relating to the Outstanding Shares. Certificates for the Conversion Shares and Warrant Shares should not bear any restrictive legend and should not be subject to any stop-transfer restriction.

Contemporaneous with the delivery of this letter, the Company is delivering to you an opinion of _____ as to registration of the Outstanding Shares, the Conversion Shares and the Warrant Shares under the Securities Act of 1933, as amended.

Should you have any questions concerning this matter, please contact me.

Very truly yours,

OXIS INTERNATIONAL, INC.

By: _____
Name:
Title:

Enclosures:
cc: [Name of Investor]

EXHIBIT 2
TO
REGISTRATION
RIGHTS
AGREEMENT

[Date]

[Name and address
of transfer agent]

RE: OXIS INTERNATIONAL, INC.

Ladies and Gentlemen:

We are counsel to OXIS INTERNATIONAL, INC., a Delaware corporation (the "COMPANY") , and we understand that [Name of Investor] (the "HOLDER") has purchased from the Company secured convertible term notes, in the aggregate principal amount of $_____, due June __, 1997 (the "NOTES") that are convertible into the Company's Common Stock, par value $.50 (the "Common Stock"). The Notes were purchased by the Holder pursuant to a Securities Purchase Agreement, dated as of October __, 1996, between the Holder and the Company (the "AGREEMENT"). Pursuant to a Registration Rights Agreement, dated as of October __, 1996, between the Company and the Holder (the "REGISTRATION RIGHTS AGREEMENT"), the Company agreed with the Holder, among other things, to register the Registrable Securities (as that term is defined in the Registration Rights Agreement) under the Securities Act of 1933, as amended (the "SECURITIES ACT"), upon the terms provided in the Registration Rights Agreement. In connection with the Company's obligations under the Registration Rights Agreement, on _____ __, 1996, the Company filed a Registration Statement on Form S-___ (File No. 333-_____) (the "REGISTRATION STATEMENT") with the Securities and Exchange Commission (the "SEC") relating to the Registrable Securities, which names the Holder as a selling stockholder thereunder.

[Other introductory and scope of examination language to be inserted]

Based on the foregoing, we are of the opinion that the Registrable Securities have been registered under the Securities Act.

[Other appropriate language to be included.]

Very truly yours,

cc: [Name of investor]

EXHIBIT 99.6

SECURITY AGREEMENT

This Security Agreement (this "Agreement") made this 11th day of October, 1996, between OXIS International, Inc. ("Debtor"), a Delaware corporation having its chief executive office at 6040 North Cutter Circle, Suite 317, Portland, Oregon 97217-3985, and Capital Ventures International ("Secured Party "), a Cayman Islands corporation with offices c/o Bala International, Inc. 401 City Line Avenue, Suite 220, Bala Cynwyd, Pennsylvania 19004, the address from which information concerning Secured Party's security interests hereunder may be obtained, for itself and as Secured Party for each of the parties who have executed the Purchase Agreement (as defined below) (collectively, the "Buyers").

BACKGROUND

A. Reference is made to that certain Securities Purchase Agreement of even date herewith among the Debtor, the Secured Party and the other Buyers (the "Purchase Agreement").

B. Pursuant to the Purchase Agreement, Debtor has issued to each of the Buyers, Debtor's Secured Convertible Term Notes due June 8, 1997 in the aggregate principal amount (collectively, together with any and all renewals, replacements, renewals, extensions, modifications and rearrangements thereof, the "NOTES").

C. Pursuant to and in accordance with the Purchase Agreement, Debtor is required to grant to Secured Party, as agent for the Buyers, a security interest in and continuing liens on certain assets of Debtor.

NOW, THEREFORE, with the foregoing Background incorporated herein by this reference, the parties hereto, intending to be legally bound, covenant and agree as follows:

SECTION 1. CERTAIN DEFINITIONS.

1.1 "Account", "Account Debtor", "Chattel Paper", "Contracts", "Document", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instrument", "Inventory", "Proceeds" and "Purchase Money Security Interest" shall have the same respective meanings as are given to these terms in or for the purposes of the Uniform Commercial Code as enacted in the State of Delaware ("UCC").

1.2 "Books and Records" means all present and future books of account of every nature, correspondence, memoranda, invoices, ledger cards, bills of lading and other shipping evidence, tapes, disks, diskettes and other software storage media and devices, papers,

books and other documents, or transcribed information of any type, whether expressed in ordinary or machine language, and whether on or off the premises of Debtor.

1.3 "Collateral" means the property of Debtor described in Section 2 of this Agreement.

1.4 "Event of Default" shall have the meaning ascribed to such term in the Purchase Agreement and/or the Notes.

1.5 "Obligations" means the obligations of Debtor (a) to pay the principal of and the interest on the Notes in accordance with the terms hereof and thereof, and to satisfy all other existing and future debts, liabilities and obligations of Debtor in favor of the Buyers, whether matured or unmatured, direct or indirect, absolute or contingent, or joint or several including, without limitation, any liabilities of Debtor to others which the Buyers may obtain by assignment or otherwise, (b) to repay Secured Party or any Buyer for all amounts advanced by Secured Party or any Buyer hereunder or otherwise to or for the benefit of Debtor including, without limitation, advances for principal or interest payments to prior secured parties, mortgagees or other lienors, or

for taxes, levies, insurance, rent, repairs to or maintenance or storage of any of the Collateral, (c) to repay Secured Party for its costs of curing any Event of Default which Secured Party, in its sole discretion, elects to cure, (d) all of the obligations, covenants and agreements of Debtor under and pursuant to the Purchase Agreement, the Warrants (as defined in the Purchase Agreement), and the Registration Rights Agreement (as defined in the Purchase Agreement), and (e) to repay Secured Party for its fees, expenses and costs (including the reasonable fees and expenses of Secured Party's counsel) in connection with the preparation, negotiation, administration, amendment, modification or enforcement of this Agreement, the Purchase Agreement, the Notes and any and all instruments, agreements or documents executed and/or delivered in modification, renewal, extension, rearrangement or replacement hereof and thereof, and Secured Party's rights hereunder, thereunder and under the instruments, agreements and documents required pursuant to this Agreement, and in connection with any proceeding brought or threatened to enforce payment of any of the Obligations including, without limitation, any bankruptcy and other insolvency proceeding, whether instituted by or against Debtor and/or any endorser, surety or guarantor of any Obligations .

1.6 "Permitted Liens" means the liens, claims or encumbrances, if any, described on Exhibit A attached hereto, incorporated herein by this reference and hereby made a part hereof.

1.7 "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, joint venture, court or government or political subdivision or agency thereof.

SECTION 2. COLLATERAL SECURITY.

As security for the prompt payment, performance and satisfaction of all Obligations, Debtor hereby assigns, pledges, hypothecates, transfers and sets over to Secured Party, as agent for the Buyers, all of Debtor's right, title and interest in and to, and hereby grants to Secured Party a continuing lien on and security interest in and to, all of the property described on Exhibit B attached hereto wherever located, whether now owned or existing or hereafter acquired or arising, together with all replacements, accessions, parts, additions and substitutions therefor and thereof.

SECTION 3. OBLIGATIONS SECURED.

The Collateral secures all of the Obligations and the liens and security interests granted pursuant to this Agreement may be retained by Secured Party, as agent for the Buyers, until all such Obligations have been paid and satisfied in full.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

Debtor hereby represents and warrants, which representations and warranties shall be deemed continuing until all Obligations have been paid and satisfied in full, as follows:

4.1 Debtor is a corporation duly organized and in good standing under the laws of its state of formation and is duly qualified as a foreign corporation and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on Debtor's financial condition, results of operation or business or the rights of Secured Party in or to any of the Collateral.

4.2 The execution, delivery and performance of this Agreement, the Purchase Agreement and the transactions contemplated hereunder and thereunder are all within Debtor's corporate powers, have been duly authorized by Debtor and will not violate any provision of any applicable law, rule or regulation, judgment, order, writ or decree, or of any contract, agreement, indenture or

instrument to which Debtor is a party or by which Debtor or its assets (including the Collateral) are or may be bound including, without limitation, any rule or regulation of the U.S. Food and Drug Administration (the "FDA") or any comparable foreign agency or regulatory authority;

4.3 This Agreement, the Obligations and all related instruments, agreements and documents, when executed and/or delivered by Debtor, will represent the legal, valid and binding Obligations of Debtor, enforceable against Debtor in accordance with their respective terms;

4.4 No Event of Default or event which, with the passage of time or the giving of notice, or both, will result in an Event of Default has occurred;

4.5 Debtor follows and is in compliance with the FDA good manufacturing procedures (as defined and described in the applicable FDA rules and regulations) and Debtor has received no notice of any deficiency, violation or default of the rules and regulations of the FDA or any other applicable domestic or foreign federal, state or local agency or regulatory authority with respect to Debtor's business including, without limitation, the manufacture, distribution or sale any of the Assays (as defined on Exhibit B attached
----
hereto);

4.6 Other than as stated in Schedule 3(e) to the Purchase Agreement, Debtor is not in default in any respect under, or in violation in any respect of, any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound, and Debtor is in compliance in all respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, federal, state or local governmental authority, except to the extent such default, violation or non-compliance would not result in or cause a material adverse change in the assets, business or prospects of Debtor, or have an adverse effect on the legality, validity or enforceability of this Agreement or the Purchase Agreement or priority of the security interests or liens of Secured Party in the Collateral, or would impair the ability of Debtor to perform its obligations under this Agreement or under any of the other financing agreements, or of Secured Party to enforce any Obligation or realize upon any Collateral;

4.7 Other than as stated in Schedules 3(f) and 3(h) to the Purchase Agreement, there are no judgments or judicial or administrative orders or proceedings pending, or to the knowledge of Debtor threatened, against or affecting Debtor in any court or before any governmental authority or arbitration board or tribunal which may adversely affect the condition (financial or otherwise) of Debtor or the assets (including the Collateral) of Debtor, or the ability of Debtor to perform under this Agreement, the Obligations or any related instruments, agreements or documents;

4.8 The security interests and liens granted to Secured Party under this Agreement constitute valid and, upon the filing of a UCC-1 financing statement with the Office of the Oregon Secretary of State, perfected first priority liens and security interests in and upon the Collateral, subject only to Permitted Liens;

4.9 Debtor has good and marketable title in fee simple (or its equivalent under applicable law) to all of the properties and assets it purports to own, free from liens, claims and encumbrances of any third Person, except for Permitted Liens;

4.10 Debtor's chief executive office and the address at which the Books and Records relating to the Collateral are located, is as set forth on the first page of this Agreement, and all other locations of the Collateral, if any, are shown on Exhibit C attached hereto,
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incorporated herein by this reference and hereby made a part hereof. Exhibit C
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correctly identifies any Collateral locations which are not owned by Debtor and

sets forth the owners and/or operators thereof, and to the best of Debtor's knowledge, the holders of any mortgages on such location; and

4.11 There are no patents, trademarks, third party licenses or other third party rights required for the commercial exploitation of the Assays including, without limitation, for the manufacture, distribution, and sale thereof.

SECTION 5. COVENANTS.

Debtor covenants and agrees with Secured Party that, so long as any of the Obligations remain unpaid or unsatisfied, it will comply with the following covenants:

5.1 Simultaneously with Debtor's receipt of the proceeds of the Notes Debtor shall pay the entire outstanding principal balance and accrued and unpaid interest indebtedness owing to Silicon Valley Financial Services ("SVFS") under and pursuant to that certain Factoring Agreement dated September 6, 1996 between Debtor and SVFS (the "Factoring Agreement"), and thereafter Debtor shall not borrow or incur any indebtedness under the Factoring Agreement without the prior written consent of Secured Party;

5.2 Debtor shall use its best efforts to obtain, as soon as practicable after the execution of this Agreement, the written consent of SVFS to the granting of the liens and security interest granted pursuant to this Agreement and, upon request of Secured Party, shall provide to Secured Party written evidence of Debtor's efforts to obtain such consent;

5.3 Debtor shall, within five (5) Business Days after the date hereof, provide written notice to United States National Bank of Oregon to the granting of the liens and security interest granted pursuant to this Agreement and shall provide to Secured Party written evidence of such notice;

5.4 Debtor will immediately notify Secured Party, in writing at Secured Party's address set forth on the first page of this Agreement, of any prospective change of business location or of any additions or changes to the locations of Collateral shown on the first page of this Agreement or on Exhibit C;

5.5 Debtor will execute and deliver to Secured Party all such further instruments and do all such further acts and things as Secured Party may request or as may be necessary or desirable to effectuate the purposes of this Agreement, or for filing financing or continuation statements or other instruments or records necessary or proper for perfection of the security interest of Secured Party. Secured Party may execute on behalf of any Debtor and file or record any such documents in such manner as Secured Party may see fit to effectuate the purposes hereof;

5.6 Debtor shall keep complete and accurate Books and Records and make all necessary entries therein to reflect the quantities, costs and location of the Collateral. Debtor shall permit Secured Party or any other holder of Notes, its officers, employees, agents and representatives at any time and from time to time, to have full access to all of the Books and Records and any other records pertaining to Debtor's business or the Collateral which Secured Party may reasonably request, and shall cause all Persons to make all such Books and Records in their possession reasonably available to Secured Party, its officers, employees, agents and representatives and, if deemed necessary by Secured Party, in its sole discretion, permit Secured Party, its officers, employees, agents and representatives to remove the Books and Records, for a reasonable period of time, from Debtor's place(s) of business or any other place where they may be found for the purpose of examining, auditing and/or reproducing the same. Subject to the terms and conditions of this Agreement, any of Debtor's Books and Records so removed by Secured Party, its officers, employees, agents or representatives, shall be returned to Debtor as soon as Secured Party shall have completed its inspection, audit and/or reproduction thereof. Secured Party's right to take possession of the Books and Records shall be enforceable at law by an action of replevin or by any other appropriate remedy at law or in equity;

5.7 Without limiting the generality of any provision of this

Agreement, Debtor shall maintain the master device files for each Assay at the chief executive office of Debtor, all in accordance with the rules and regulations of the FDA; and, upon reasonable prior notice, shall permit Secured Party and Secured Party's authorized representatives to inspect such master device files;

5.8 If the manufacture or distribution of any Assay now or hereafter requires a patent, trademark or third party license, Debtor shall immediately notify Secured Party and thereafter Debtor shall take such actions and execute such documents and instruments as Secured Party may require to perfect the lien of Secured Party in such patent, trademark or license agreement;

5.9 Debtor shall promptly pay, when due, all taxes, assessments and impositions upon the Collateral or for its use or operation or upon this Agreement or the Obligations including, without limitation, any and all documentary stamp and intangible taxes, and shall promptly furnish to Secured Party the receipted bills therefor; provided, however, Debtor shall have the
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right to contest the payment of taxes, assessments and impositions, if (a) such contest will not have a material adverse effect on the Collateral, (b) Debtor prosecutes such contest in good faith and with due diligence, and (c) Debtor has established reserves for such taxes, assessments or impositions in accordance with generally accepted accounting principles, consistently applied. At its option, Secured Party may (without obligation) discharge taxes, liens or security interests, or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party, on demand, together with interest at the highest rate set forth in the Notes, for any payment made, or any expense incurred by Secured Party, pursuant to the foregoing authorization;

5.10 Debtor shall at any time and from time to time allow Secured Party, by or through any of its officers, employees, agents or representatives, to examine or inspect the Collateral, wherever located;

5.11 If the Collateral includes any property for which a Document, Instrument, or certificate of title is issuable, Debtor shall, subject to any reasonable limitations imposed by the holder of a Permitted Lien, within ten (10) business days after Debtor obtains possession of such Collateral, submit to Secured Party an appropriate Document, Instrument, or certificate of title for such Collateral and shall, at Debtor's sole expense, execute and deliver all forms and applications so as to cause a notation of the lien on and security interest in and to such Collateral granted to Secured Party pursuant to this Agreement to be made, noted and/or recorded on any such Document, Instrument, or certificate of title. If any such Collateral is subject to a prior encumbrance, the Document, Instrument, or certificate of title relating to such Collateral shall nevertheless reflect a lien on and security interest in and to such Collateral in favor of Secured Party and possession of such Document, Instrument, or certificate of title shall be given to Secured Party after release or satisfaction of such prior encumbrance. Debtor hereby authorizes such prior encumbrance holder to deliver such Document, Instrument, or certificate of title directly to Secured Party (and not to Debtor) and such prior encumbrance holder may rely on a copy of this Agreement for the purpose of relinquishing and delivering possession of such Document, Instrument, or certificate of title directly to Secured Party;

5.12 If any of the Collateral or any of the Books and Records are, at any time, to be located on premises leased by Debtor or on premises owned by Debtor subject to a mortgage or other lien, Debtor shall obtain and deliver, or cause to be obtained and delivered to Secured Party, prior to delivery of any Collateral or Books and Records to such premises, an agreement, in form and substance satisfactory to Secured Party and its counsel, pursuant to which such landlord, mortgagee or other lien holder waives its rights, if any, to enforce any claims against Debtor for monies due under a landlord's lien, mortgagee's mortgage or other lien by levy or distraint, or similar proceeding against the Collateral or the Books and Records, and assuring Secured Party's ability to have access to the Collateral and the Books and Records in order to exercise Secured Party's rights to take possession thereof and to remove the same from such premises and/or to prepare for disposition and dispose of the same at or about such premises;

5.13 If the Collateral or any part of the Collateral is purchased or

to be purchased by Debtor with the Proceeds of any loan, advance or extension of credit made by Secured Party to or for the benefit of Debtor, Debtor shall join with Secured Party in executing and/or delivering all notices or other instruments, agreements and documents deemed necessary to enable Secured Party to perfect a Purchase Money Security Interest in and to such Collateral;

5.14 If any of Debtor's Accounts or Contracts arise out of a Contract with the United States of America or any department, agency or instrumentality thereof, Debtor shall immediately notify Secured Party thereof in writing and execute any and all instruments, agreements and documents, and take such other and further steps as may be required by Secured

Party, in order that the liens on and security interests in and to such Collateral, and in the Proceeds thereof, shall be protected under the provisions of the Federal Assignment of Claims Act;

5.15 If any of Debtor's Accounts or Contracts are or become evidenced by a promissory note, trade acceptance or any other negotiable or non-negotiable Instrument, Debtor shall promptly deliver any such Instruments to Secured Party appropriately endorsed to Secured Party's order, and regardless of the form of such endorsement, Debtor hereby waives presentment, demand, dishonor, notice of dishonor, protest, notice of protest and all other notices with respect thereto;

5.16 Debtor shall immediately notify Secured Party, in writing, of (a) any event causing a material loss or decline in the value of the Collateral (whether or not covered by insurance) and of the amount of such loss or depreciation, (b) the inability or unwillingness of any Account Debtor to pay or preserve the Collateral, and of any defense, set-off or counterclaim asserted by any Account Debtor, and (c) any Collateral having been returned by any Account Debtor to Debtor for any reason. Debtor agrees not to return any Inventory to the supplier thereof, or to sell or otherwise dispose of Goods returned or repossessed from Buyers, lessees or consignees thereof, without Secured Party's prior written consent;

5.17 Debtor shall, at its sole cost and expense, (a) preserve the Collateral and Debtor's rights against any Person free and clear of all liens, claims and encumbrances, except for Permitted Liens and liens, claims and encumbrances created pursuant to this Agreement, (b) defend its right, title and interest in and to the Collateral and (c) defend the Collateral against any and all claims and demands of all Persons at any time or from time to time claiming the same or any interest therein. Debtor will not grant to any Person, other than Secured Party, any lien on or security interest in and to the Collateral, nor allow any Person other than Secured Party to obtain a lien on or security interest in and to or levy upon the Collateral;

5.18 Debtor shall, at its sole cost and expense, maintain the Collateral in good condition and repair at all times and shall not waste, abuse or destroy, or use in violation of any applicable laws, any of the Collateral;

5.19 Debtor shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Secured Party as to form, amount and insurer. Debtor shall furnish such certificates, policies or endorsements to Secured Party as Secured Party shall require as proof of such insurance, and, if Debtor fails to do so, Secured Party is authorized, but not required, to obtain such insurance at the expense of Debtor. All policies shall provide for at least thirty (30) days prior written notice to Secured Party of any cancellation or reduction of coverage and that Secured Party may act as attorney for Debtor in obtaining, and at any time an

Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Debtor shall cause Secured Party to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Debtor shall obtain non-contributory Buyer's loss payable endorsements to all insurance policies in form and substance satisfactory to Secured Party. Such Buyer's loss payable

endorsements shall specify that the proceeds of such insurance shall be payable to Secured Party as its interest may appear and further specify that Secured Party shall be paid regardless of any act omission by Debtor or any of its affiliates. At its option, Secured Party may apply any insurance proceeds received by Secured Party at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Secured Party may determine or hold such proceeds as cash collateral for the Obligations;

5.20 Debtor shall furnish to Secured Party such data and information as Secured Party may at any time or from time to time require including, without limitation, (a) financial statements, (b) schedules, in form and detail satisfactory to Secured Party, reflecting the names and addresses of Account Debtors, lessees and consignees, together with the amounts due under all outstanding Accounts, Chattel Paper, Instruments, leases and consignment agreements. Secured Party may also require Debtor to submit to Secured Party copies of all invoices pertaining to any and all such Accounts, Chattel Paper, Instruments, leases and consignment agreements, with evidence of performance of services or the shipment of Goods, the sale, consignment or leasing of which have given rise to the same, and Debtor hereby agrees, at Secured Party's request, to notify all such Account Debtors, lessees and consignees to pay to Secured Party directly all amounts due Debtor;

5.21 Debtor will collect its Accounts and sell its Inventory only in the ordinary course of its business; and

5.22 Debtor shall, upon request of Secured Party or, after the occurrence of an Event of Default Secured Party itself may in the name of Secured Party or Debtor and without notice to Debtor, at any time or from time to time, notify Account Debtors and other obligors of debts, liabilities and obligations to Debtor that are included in the Collateral of Secured Party's interest in the Collateral pursuant to this Agreement and direct all payments to be made to Secured Party with respect to such Collateral. After the occurrence of an Event of Default, Secured Party shall have the right at any time and from time to time, in Secured Party's name or in the name of a nominee of Secured Party, to verify the validity, amount or any other matter relating to any Account or Collateral, by mail, telephone, facsimile transmission or otherwise. Secured Party may demand, sue for, collect or receive any money or property payable or receivable on any Accounts, Contracts, and General Intangibles, and settle, release, compromise, adjust, sue upon, foreclose, realize upon or otherwise enforce any Accounts, Contracts, or rights in General Intangibles as Secured Party may determine (whether or not Debtor is in default of this Agreement).

SECTION 6. SIGNATORY AUTHORIZATION/POWER-OF-ATTORNEY.

Debtor hereby appoints any employee, officer, agent or representative of Secured Party as Debtor's true and lawful attorney-in-fact with the following powers:

6.1 To sign and endorse the name of Debtor upon any Instrument, Chattel paper, financing statements and continuations thereof, and upon any other Instruments or Documents required by Secured Party to perfect and continue perfected liens on and security interests in and to the Collateral, and all other notes, checks, drafts, money orders or other Instruments of payment or regarding sale or other disposition of any Collateral which comes into possession of Secured Party;

6.2 After the occurrence of an Event of Default, to sign and endorse the name of Debtor upon any invoices and Documents including, without limitation, freight or express bills, bills of lading or storage or warehouse receipts relating to the Collateral;

6.3 After the occurrence of an Event of Default, to give written notices and request verifications and execute assignments with respect to Accounts, Contracts and rights in General Intangibles;

6.4 After the occurrence of an Event of Default, to give written notice to such officers and officials of the United States Post Office to effect such change or changes of address so that all mail may be delivered directly to

Secured Party (all mail not related to the Obligations or the Collateral shall be returned to Debtor);

6.5 After the occurrence of an Event of Default, to receive all mail addressed to Debtor, to open all such mail and to endorse the name of Debtor upon any draft, check or other Instrument(s) which may be payable to Debtor in payment of, arising from or relating to, the Collateral;

Granting unto said attorney full power to do any and all things necessary to be done with respect to the foregoing and such other authorizations as are granted to Secured Party herein as fully and effectively as Debtor might or could do, and hereby ratifying all its said attorney shall lawfully do or cause to be done by virtue hereof. This power-of-attorney, being coupled with an interest, shall be deemed irrevocable until all of the Obligations to Secured Party are paid and satisfied in full.

SECTION 7. SECURED PARTY'S RIGHTS UPON DEFAULT.

Upon the occurrence of an Event of Default, the Obligations shall be immediately due and payable without notice or demand and Secured Party shall have, in addition to any and all rights and remedies that Secured Party may then have under the instruments, agreements and

documents evidencing the Obligations, the UCC or at law or in equity, at its option, and without further action, the unconditional right to do any one or more of the following:

7.1 Exercise any or all rights, remedies, benefits and privileges available to Secured Party under this Agreement, the Purchase Agreement, the Notes, and those available to a secured party under the UCC, as well as those under any other applicable agreement with respect to any of the Collateral, and to apply such monies and the net Proceeds of the Collateral to any of the Obligations in such order as Secured Party, in its sole discretion, may elect;

7.2 Require Debtor to assemble all or part of the Collateral as Secured Party may in its sole discretion request or demand and make the same available to Secured Party in a place to be designated by Secured Party which is reasonably convenient to Secured Party and Debtor;

7.3 Without limiting the generality of the foregoing, Secured Party may immediately, without demand of performance and without other notice (except as specifically required by this Agreement or the Collateral Documents) or demand whatsoever to Debtor, all of which are hereby expressly waived, sell at public or private sale or otherwise realize upon, in Portland, Oregon or elsewhere, the whole or, from time to time, any part of the Collateral, or any interest which Debtor may have therein, in one or more parcels at public sale or sales, at any exchange, broker's board or elsewhere, at such price and on such terms as Secured Party may deem best, for or on credit, or for future delivery without assumption of any credit risk. Notice of any sale or other disposition shall be given to Debtor at least ten (10) days before the time of any intended public sale or of the time after which any intended private sale or other disposition of the Collateral is to be made, which Debtor hereby agrees shall be reasonable notice of such sale or other disposition. Debtor agrees to assemble, or to cause to be assembled at its expense, the Collateral at such place or places as Secured Party shall designate. At any such sale or other disposition, Secured Party may, to the extent permissible under applicable laws, purchase the whole or any part of the Collateral, free from any right or equity of redemption on the part of Debtor, which right or equity is hereby waived and released.

7.4 The proceeds of any disposition of the Collateral or other action by Secured Party shall be applied as follows:

(a) First, the costs and expenses incurred in connection therewith or incidental thereto or to the care or safekeeping of any of the Collateral or in any way relating to the rights of Secured Party hereunder, including reasonable attorneys' fees and legal expenses;

(b) Second, to the satisfaction of the Obligations;

(c) Third, to the payment of any other amounts required by applicable law (including, without limitation, Section 9-504(a)(3) of the UCC); and

(d) Fourth, to Debtor, to the extent of any surplus proceeds, absent the agreement of the parties to the contrary.

7.5 Without limiting the generality of any of the rights and remedies conferred upon Secured Party under this paragraph, Secured Party may, to the full extent permitted by applicable laws:

(a) Enter upon the any of Debtor's premises and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court of competent jurisdiction, using all necessary force to do so;

(b) At Secured Party's option, use, operate, manage and control the Collateral in any lawful manner;

(c) Exercise rights of set-off in accordance with applicable law;

(d) Maintain, repair, renovate, alter, remove, abandon or relinquish rights in and to the Collateral as Secured Party may determine in its discretion;

(e) Cure any default in any reasonable manner and add the cost of any such cure to the Obligations and accrue interest thereon at the highest rate of interest then being charged to Debtor on any of the Obligations;

(f) Notwithstanding any outstanding commitment of any Buyer to Debtor to make additional and further loans, advances or extensions of credit to or for the benefit of Debtor, declare any such commitment null and void and of no further force and effect whatsoever; and

(g) Retain all of Debtor's Books and Records relating to the Collateral.

SECTION 8. MISCELLANEOUS.

8.1 This Agreement shall inure to the benefit of, and is and shall continue to be binding upon, the parties hereto, the Buyers and their respective heirs, personal representatives, successors and assigns, including, without limitation, receivers, trustees and debtors-in-possession, but nothing contained herein shall be construed to permit Debtor to assign this Agreement or any of Debtor's rights or obligations hereunder without Secured Party's prior written consent, which consent may be withheld in Secured Party's sole and absolute discretion. It is expressly intended by the parties hereto that the Buyers be deemed third party beneficiaries of the representations, warranties, covenants and other agreements contained in this Agreement.

8.2 This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. The parties to this Agreement agree to the jurisdiction of the

federal courts located in Philadelphia, Pennsylvania for resolution of controversies arising out of or relating to this Agreement, the Notes and any related instruments, agreements or documents.

8.3 Debtor agrees to pay upon demand, all expenses (including reasonable fees and expenses of attorneys, experts and agents) incurred in any way in connection with the exercise, defense or assertion of any rights or interests of Secured Party hereunder or the enforcement of any provisions hereof, or the management, preservation, use, operation, maintenance, collection, possession, disposition or enforcement of any of the Collateral (all such expenses to be Obligations hereunder), plus interest thereon at the highest rate specified in the documents and agreements evidencing the Obligations. Debtor agrees to defend, indemnify and save Secured Party and its directors, officers, employees, and agents harmless from and against any and all claims,

losses, liabilities, costs and expenses, arising out of or resulting from this Security Agreement (including, without limitation, enforcement of this Agreement) or Secured Party's interest in the Collateral, including claims for the return or disgorgement of amounts paid to Secured Party, whether or not ultimately successful, whether brought by Debtor or any other party, and in connection therewith to indemnify it against all costs, reasonable counsel fees, expenses and liabilities incurred in or about the defense of any such claims, actions or proceedings brought or threatened thereon, whether brought by Debtor or any other party, except claims, losses or liabilities resulting from Secured Party's gross negligence or willful misconduct.

8.4 If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

8.5 The rights, powers and remedies of Secured Party hereunder are cumulative, concurrent and not alternative, and shall not be exhausted by the single assertion or exercise thereof, and the failure of Secured Party to exercise any such right, power or remedy will not be deemed a waiver thereof nor preclude any further or additional assertion or exercise of such right, power or remedy. The waiver of any default, violation or Event of Default hereunder shall not be a waiver of any subsequent default, violation or Event of Default hereunder.

8.6 No modifications or amendments of this Agreement shall be binding or enforceable unless in writing and signed by duly authorized representatives of Debtor and Secured Party.

SECTION 9. AGENCY PROVISIONS.

This Section sets forth the relative rights and duties of Secured Party and the Buyers respecting the Obligations and does not (a) confer any enforceable rights on Debtor against the Buyers or create on the part of any Buyer any duties or obligations to the Debtor or (b) create any obligations of Debtor to Secured Party or the Buyers.

9.1 Application of Payments. Secured Party shall apply all payments
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of principal, interest, or other amounts hereunder made to Secured Party by or on behalf of Debtor, to the Buyers on the basis of their Pro Rata Share. As used herein, "Pro Rata Share" means, with respect to a Buyer, as of the date of determination, a fraction the numerator of which is equal to the outstanding principal balance evidenced by a Buyer's Note and the denominator of which is equal to the outstanding principal balance of all Notes.

9.2 Modifications and Waivers. No modification or amendment hereof,
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consent hereunder or waiver of Event of Default shall be effective except by written consent of the Buyers holding a majority of the outstanding indebtedness evidenced by the Notes (the "Required Buyers"). Each Buyer hereby agrees to execute such further documents, and certificates and deliver such opinions as the Secured Party and its counsel shall so request to implement any termination or replacement contemplated hereby. Any amendment or waiver made pursuant to this Section 9.2 shall apply to and bind all of the Buyers and any future holder of any Notes. No modification or waiver of any provision of this Agreement or any Note, nor any consent to any departure by the Debtor herefrom or therefrom, shall in any case be effective unless the same be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Debtor in any case shall entitle the Debtor to any other or further notice or demand in any similar or other circumstances.

9.3 Obligations Several. The obligations of each Buyer hereunder are
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several, and each Buyer hereunder shall not be responsible for the obligations of the other Buyers hereunder, nor, will the failure of one Buyer to perform any of its obligations hereunder relieve the other Buyers from the performance of their respective obligations hereunder.

9.4 Buyer's Representations. Each Buyer represents and warrants to the other Buyers and to the Secured Party that (a) it has been furnished all information it has requested for the purpose of evaluating its proposed participation under this Agreement and the Purchase Agreement; (b) it has decided to enter into this Agreement on the basis of its independent review and credit analysis of Debtor, this Agreement, the Purchase Agreement and the documentation in connection therewith and has not relied for such analysis on any information or analysis provided by any other Buyer or the Secured Party; and (c) it is participating herein for its own account as a commercial transaction and not with a view to the distribution, disposition or participation of its interest herein, and it has no present intention of making any such distribution, disposition or participation.

9.5 Investigation. No Buyer shall have any obligation to the others to investigate the condition of the Debtors or any of the Collateral or any other matter concerning the Obligations.

9.6 Powers of Secured Party. Secured Party shall have and may exercise those powers specifically delegated to Secured Party herein, together with such powers as are reasonably incidental thereto.

9.7 General Duties of Secured Party, Immunity and Indemnity. In performing its duties as agent for the Buyer, Secured Party will take the same care as it takes in connection with loans in which it alone is interested, subject to the limitations on liabilities contained herein; provided that Secured Party shall not be obligated to ascertain or inquire as to the performance of any of the terms, covenants or conditions hereof by Debtor. Neither Secured Party nor any of its directors, officers, agents or employees shall be liable for any action or omission by any of them hereunder or in connection herewith except for gross negligence or willful misconduct. Subject to such exception, each of the Buyers hereby indemnifies Secured Party on the basis of such Buyer's Pro Rata Share, against any such liability, claim, loss or expense.

9.8 No Responsibility for Representations or Validity, Etc. Each Buyer agrees that Secured Party shall not be responsible to any Buyer for any representations, statements, or warranties of Debtor herein. Neither Secured Party nor any of its directors, officers, employees or agents shall be responsible for the validity, effectiveness, sufficiency, perfection or enforceability of this Agreement and any collateral security therefor, or any documents relating thereto or for the priority of any of Buyer's security interests in any such collateral security.

9.9 Action on Instruction of Buyer; Right to Indemnity. Secured Party shall in all cases be fully protected in acting or refraining from acting hereunder in accordance with written instructions to it signed by Required Buyers unless the consent of all Buyers are expressly required hereunder in which case Secured Party shall be so protected when acting in accordance with such instructions from all Buyers. Such instructions and any action taken or failure to act pursuant thereto shall be binding on all Buyers, provided that except as otherwise provided herein, Secured Party may act hereunder in its own discretion without requesting such instructions. Secured Party shall be fully justified in failing or refusing to take any action hereunder unless it shall first be specifically indemnified to its satisfaction by the Buyers on the basis of their respective Pro Rata Shares, against any and all liability and expense which Secured Party may incur by reason of taking or continuing to take any such action.

9.10 Employment of Agents. In connection with its activities hereunder, Secured Party may employ Agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized Agents, for the default or misconduct of Agents or attorneys-in-fact selected with reasonable care.

9.11 Reliance on Documents. Secured Party shall be entitled to rely upon (a) any paper or document believed by it to be genuine and correct and to have been signed or sent

by the proper person or persons and (b) upon the opinion of its counsel with respect to legal matters.

9.12 Expenses. Each Buyer shall reimburse Secured Party, from time to time at the request of Secured Party, for its Pro Rata Share of any expenses incurred by Secured Party in connection with the performance of its functions hereunder; provided, however, that if any Buyer shall reimburse Secured Party for expenses for which Debtor subsequently reimburses Secured Party, Secured Party shall remit to such Buyer the respective amount received from such Buyer against such expenses.

9.13 Resignation of Secured Party. Secured Party may at any time resign its position as agent for the Buyers by giving written notice to the Buyers and Debtor. Such resignation shall take effect upon the appointment of a successor Secured Party in accordance with this Paragraph. In the event Secured Party shall resign, the Buyers shall appoint a Buyer as successor Secured Party. If within thirty (30) days of the Secured Party's notice of resignation no successor Secured Party shall have been appointed by Buyer and accepted such appointment, then Secured Party, in its discretion may appoint any other Buyer as a successor Secured Party.

9.14 Successor Agent. The successor agent appointed pursuant to Paragraph 9.13 shall execute and deliver to its predecessor and Buyer an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the properties, rights, duties and obligations of its predecessor Agent. The predecessor Agent shall deliver to its successor Agent forthwith all collateral security, documents and moneys held by it as agent for the Buyers, if any, whereupon such predecessor Agent shall be discharged from its duties and obligations as agent for the Buyers under this Agreement.

9.15 Collateral Security. Secured Party will hold, administer and manage any collateral security pledged from time to time hereunder either in its own name or as agent for the Buyers, but each Buyer shall hold a direct, undivided pro-rata beneficial interest therein, on the basis of its Pro Rata Share, by reason of and as evidenced by this Agreement.

9.16 Enforcement by Secured Party. All rights of action under this Agreement, the Purchase Agreement and under the Notes and all rights to the collateral security, if any, hereunder may be enforced by Secured Party and any suit or proceeding instituted by Secured Party in furtherance of such enforcement shall be brought in its name as agent for the Buyers without the necessity of joining as plaintiffs or defendants any Buyer, and the recovery of any judgment shall be for the benefit of the Buyers subject to the expenses of Secured Party.

IN WITNESS WHEREOF, the parties have hereunto caused this Security Agreement to be duly executed as of the day and year first above written.

ATTEST: OXIS INTERNATIONAL, INC.

By: /s/ Jon Pitcher By: /s/ Ray R. Rogers

Name: Jon S. Pitcher Name: Ray R. Rogers

Title: Chief Financial Officer Title: Chairman

[Corporate Seal]

CAPITAL VENTURES INTERNATIONAL,
for itself and as agent for the Buyers

By Bala International, Inc. as authorized
agent

By: /S/ Andrew Frost

Name: Andrew Frost
Title: Director

The undersigned are executing this Security Agreement only for the purpose of acknowledging and agreeing to the provisions of Section 9 hereof.

CAPITAL VENTURES INTERNATIONAL
By Bala International, Inc. as authorized agent

By: /s/ Andrew Frost

Name: Andrew Frost
Title: Director

S.R. ONE, LIMITED

By: /s/ Donald F. Parman

Name: Donald F. Parman
Title: Vice President

EXHIBIT A

Permitted Liens

Liens on substantially all of the assets of Debtor (excluding patents and trademarks) in favor of Silicon Valley Financial Services pursuant to that certain Factoring Agreement dated September 6, 1996 between Debtor and Silicon Valley Financial Services.

EXHIBIT B

Collateral

All of Debtor's clinical diagnostics products described hereinbelow and all Related Contract and Other Rights (including, without limitation, any and all patents, trademarks, inventory, equipment and general intangibles), now owned or hereafter acquired and necessary or used by Debtor to exploit such clinical diagnostics products (each, an "Assay" and collectively, the "Assays"):

Innofluor Reagent and Calibrator Sets with the following FDA numbers:

Amikacin: Calibrator K903101; Reagent K903100
Carbamazepine: Calibrator K893506; Reagent K893507
Digitoxin: Calibrator K913186; Reagent K913187
Digoxin: Calibrator K895826; Reagent K895828
Gentamicin: Calibrator K872462; Reagent K955569
Phenobarbital: Calibrator K872461; Reagent K841707
Phenytoin: Calibrator K872142; Reagent K955562

Quinidine: Calibrator K892212; Reagent K955568
Theophylline: Calibrator K872463; Reagent K850629
Tobramycin: Calibrator K872349; Reagent K872562
Vancomycin: Calibrator K872644; Reagent K872579
Valproic Acid: Calibrator K911466; Reagent K911688

"Related Contract and Other Rights" includes the following: all assets, rights and interests of Debtor that uniquely reflect or embody the associated goodwill (i.e., all goodwill of Debtor and its business, products and services appurtenant to, associated with or symbolized by the trademarks and the use thereof), including, without limitation, the following:

A. The master device file and the FDA (or comparable foreign agency or regulatory authority) registration for each Assay;

B. All patents, inventions, copyrights, trade secrets, confidential information, formulae, methods or processes, compounds, recipes, know-how, methods and operating systems, drawings, descriptions, formulations, manufacturing and production and delivery procedures, quality control procedures, product and service specifications, catalogs, price lists, and advertising materials relating to the manufacture, production, delivery, provision and sale of goods or services under or in association with any of the trademarks; and

C. The following documents and things in the possession or under the control of Debtor, or subject to its demand for possession or control, related to the production, delivery, provision and sale by Debtor, or any affiliate, franchisee, licensee or contractor, of products or services sold by or under the authority of Debtor in connection with the trademarks, whether prior to, on or subsequent to the date hereof:

1. all lists, contracts, ancillary documents and other information that identify, describe or provide information with respect to any customers, dealers or distributors of Debtor, its affiliates or franchisees or licensees or contractors, for products or services sold under or in connection with the trademarks, including all lists and documents containing information regarding each customer's dealer's or distributor's name and address, credit, payment, discount, delivery and other sale terms, and history, pattern and total of purchases by brand, product, style, size and quantity including, without limitation, with respect to the distributors listed below;

2. all agreements (including franchise agreements), products and service specification documents and operating, production and quality control manuals relating to or used in the design, manufacture, production, delivery, provision and sale of products or services under or in connection with the trademarks; and

3. all documents and agreements relating to the identity and locations of all sources of supply, all terms of purchase and delivery, for all materials, components, raw materials and other supplies and services used in the manufacture, production, provision, delivery and sale of products or services under or in connection with the trademarks.

D. For purposes of this Financing Statement, reference to "trademarks" refers to Debtor's only diagnostics-related trademark, "INNOFLUOR", for which registration is pending with the United States Patent and Trademark Office. Upon registration of the aforementioned trademark, Debtor shall take all steps and measures requested by the Secured Party to perfect Secured Party's lien and security interest in such trademark.

Distributors

Biostat Diagnostics Ltd.
United Kingdom

Biomedical Diagnostics S.A.
France

Biomedical Diagnostics N.V.
Belgium

Immucor Canada Inc.
Canada

Immuno Diagnostics
Australia

Ingelheim Diagnostica y Technolojica S.A. Spain

Quatro Biosystems Ltd.
United Kingdom

Rolf Greiner BioChemica GmbH
Germany

TEMA ricerca s.r.l.
Italy

EXHIBIT C

Locations of Collateral

6040 North Cutter Circle
Suite 317
Portland, Oregon 97217-3985