SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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) June 28, 1999

OXIS INTERNATIONAL, INC.

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	97217-3935

(Address of Principal Executive Offices)

Registrant's telephone number, including area code. (503) 283-3911

(Former Name or Former Address if Changes Since Last Report)

Item 2. Acquisition or Disposition of Assets

Effective June 28, 1999, OXIS Health Products, Inc. ("OHPI"), a wholly-owned subsidiary of OXIS International, Inc., entered into an Asset Purchase Agreement ("the Purchase Agreement") with Opus Diagnostics, Inc., a Delaware corporation ("Opus") pursuant to which OHPI sold to Opus the intellectual property, contract rights and finished goods inventory relating to its therapeutic drug monitoring products. The purchase price paid by Opus consisted of $500,000 cash, a secured promissory note in the amount of $565,000 (to be adjusted based upon the closing inventory) payable on November 30, 1999, and a warrant granting OHPI the right to acquire up to 10% equity interest in Opus, exercisable after six months for a period of five years ("the Warrant"). Sales of therapeutic drug monitoring products by OHPI were approximately $1,440,000 for the year ended December 31, 1998 and $940,000 for the six months ended June 30, 1999. Copies of the Purchase Agreement, note and Warrant are filed herewith as Exhibits 10.1, 10.2, and 10.3, respectively.

Pursuant to a Services Agreement entered into by OHPI and Opus at the same time as the Purchase Agreement, OHPI has agreed to manufacture the therapeutic drug monitoring products and perform certain other services for Opus through September 30, 2000. A copy of the Services Agreement is filed herewith as Exhibit 10.4.

OXIS International, Inc. has been informed by Opus that, coincident with the closing of the Purchase Agreement, Opus was acquired by Caprius, Inc., a Delaware corporation ("Caprius"), and that upon the acquisition of Opus by Caprius, the Warrant became exercisable for 617,898 shares of Caprius common stock at an exercise price equal to 80% of the average bid and asked prices for the Caprius common stock for the five trading days immediately preceding December 28, 1999. Caprius common stock, which is traded as an Over the Counter Bulletin Board stock, closed at $.21875 on July 9, 1999.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

Exhibit 10.1 Asset Purchase Agreement

Exhibit 10.2 Secured Promissory Note

Exhibit 10.3 Warrant to Purchase Shares of Common Stock

Exhibit 10.4 Services Agreement

SIGNATURE

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.

July 13, 1999 OXIS INTERNATIONAL, INC.
(Registrant)

s/ Jon S. Pitcher
Chief Financial Officer and
Vice President

EXHIBIT INDEX

Exhibit		Page Number
Exhibit 10.1	Asset Purchase Agreement	
Exhibit 10.2	Secured Promissory Note	
Exhibit 10.3	Warrant to Purchase Shares of Common Stock	
Exhibit 10.4	Services Agreement	

Execution Copy

EXHIBIT 10.1

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement") is made as of June 28, 1999, between OPUS DIAGNOSTICS, INC., a Delaware corporation ("Buyer"), and OXIS HEALTH PRODUCTS, INC. a Delaware corporation ("Seller" or "OXIS"). Seller desires to sell, and Buyer desires to buy, Seller's TDM Business as described herein. OXIS International, Inc., a Delaware corporation, and the parent corporation of OXIS ("OXIS International") is also executing this agreement for the sole purpose of agreeing to the terms of Article 10 hereof.

NOW, THEREFORE, Buyer and Seller hereby agree as follows:

ARTICLE 1
TRANSFER OF ASSETS

1.1 Agreement to Sell. Upon the terms and subject to all of the conditions contained herein, Seller hereby agrees to sell, assign, transfer and deliver to Buyer on the Closing Date (as defined in Article 3), and Buyer hereby agrees to purchase from Seller on the Closing Date, the Assets (as defined in Section 1.2) comprising Seller's therapeutic drug monitoring assay business as described in Schedule 1.1 hereto (the "TDM Business").

1.2 Description of Assets. For purposes of this Agreement, the term "Assets" shall include, without limitation, all of the following assets:

1.2.1 All rights, title and interest of Seller in and to the contracts and agreements listed on Schedule 4.5 attached hereto (collectively,
---
the "Contracts") relating to the operation of the TDM Business;

1.2.2 All of Seller's finished goods inventory (but not raw materials or work-in-process) relating solely to the TDM Business as of the Closing Date (the "Inventory"). Schedule 4.4 sets forth a list of the Inventory
---
as of the date hereof;

1.2.3 All patents, patent applications, software, product designs, trademarks, trademark applications, service marks, service mark applications, trade and other marks and names (either registered, common law or registration applied for), copyrights, copyright applications, mask works, inventions, trade secrets, proprietary information, know-how, processes, manufacturing or marketing procedures, recipes, formulae, drawings, schematics and patterns, and all documentation and other media ("Intellectual Property") relating to the TDM Business owned by Seller or with respect to which Seller has a license, interest or other right to use (all such Intellectual Property, collectively, the "Seller Intellectual Property"). The Seller Intellectual Property includes, without limitation, the Intellectual Property listed on Schedule 4.8. Without limitation of the foregoing, the Assets shall be deemed to
- ---
further include all drawings, documentation, schematics, labeling, manuals or other materials, whether in written or magnetic form that describe, disclose or otherwise set forth any of the Seller Intellectual Property, and all correspondence relating thereto (which Seller possesses); and

1.2.4 All goodwill, marketing materials, research materials, quality control documents used in the manufacture of the Products, licenses, permits, FDA files and grant applications specifically relating to the TDM Business.

1.3 Excluded Assets. The following assets of Seller are not included in the definition of Assets for purposes of Section 1.2 and will not be purchased by Buyer (the "Excluded Assets"): (a) all accounts receivable, and (b) all equipment and other tangible assets (including raw materials and work-in-

process) related to the manufacturing and production of the assays and other products comprising the TDM Business.

1.4 Liabilities. Any and all liabilities of or related to the TDM Business incurred prior to the Closing shall remain liabilities of the Seller, which shall be paid or otherwise satisfied by the Seller when such liabilities become due. The Buyer is not assuming or otherwise becoming liable for liabilities of or related to the TDM Business incurred prior to the Closing. Notwithstanding the foregoing, Buyer shall be assuming the obligations under the Contracts with respect to future performance thereunder.

ARTICLE 2
PURCHASE PRICE

2.1 Purchase Price. As full consideration for the sale, assignment, transfer and delivery of the Assets by Seller to Buyer, upon the terms and subject to all of the conditions contained herein (and the performance by each of the parties hereto of their respective obligations hereunder), the purchase price will consist of the following (collectively, the "Purchase Price"):

2.1.1 Cash in the amount of Five Hundred Thousand Dollars ($500,000.00) to be paid in immediately available funds at the Closing (the "Cash Purchase Price");

2.1.2 A secured promissory note in the principal amount of Five Hundred Sixty-Five Thousand Dollars ($565,000.00), (subject to (i) reduction in an amount equal to the difference between $135,000 minus the value of the Inventory as of Closing, in the event the value of the Inventory as of Closing is less than $135,000 or (ii) increase in an amount equal to the difference between the value of the Inventory as of Closing minus $135,000, in the event the value of the Inventory as of Closing is greater than $135,000), due and payable on November 30, 1999, subject to prepayment without penalty, executed by Buyer to the order of Seller, substantially in the form of Exhibit A attached
----
hereto (the "1999 Note");

2.1.3 A warrant (the "Warrant") evidencing Seller's right to acquire up to a ten percent (10%) equity interest in Buyer pursuant to the terms and conditions set forth in the Warrant, a copy of which is attached hereto as Exhibit B.
- ---------

2.2 Security. Repayment of the 1999 Note will be secured by a security interest (the "Security Interest") granted by Buyer in favor of Seller in the Assets which Security Interest will be a perfected, first priority security interest in favor of Seller. Buyer represents and warrants that the Security Interest when properly filed will be a first perfected security interest prior to any

and all other claims, liens, encumbrances or security interests of any kind with respect to the Assets.

ARTICLE 3
CLOSING

3.1 Closing. The transactions contemplated by this Agreement shall close (the "Closing") on the date hereof (the "Closing Date"). The Closing shall occur upon the satisfaction of all the conditions set forth in this Article 3 and Article 8 and shall be held in the offices of Morrison & Foerster LLP, 755 Page Mill Road, Palo Alto, California 94304-1018.

3.2 Documents Delivered by Seller at Closing. Seller will cause good and marketable title to all of the Assets to be transferred to Buyer at the Closing, free and clear of all liens, encumbrances, charges, security interests, claims, restrictions or rights of others (collectively, "Liens"). Without limiting the foregoing, Seller will take or cause to be taken any and all actions necessary or otherwise reasonably required by Buyer to ensure that at the Closing Buyer acquires possession of and good and marketable title to all of the Assets, free and clear of all Liens. At the Closing, Seller will deliver to Buyer the following documents (collectively, the "Seller Closing Documents"), executed by Seller, where applicable, and in form satisfactory to Buyer:

(a) a Bill of Sale in substantially the form of Exhibit C
----
attached hereto;

(b) an Assignment of Intangible Property in substantially the form of Exhibit D attached hereto;

(c) the Services Agreement in substantially the form of Exhibit E attached hereto;
- ---------

(d) an itemization of the Inventory as of Closing (the value of such Inventory for purposes of Section 2.1.2 hereof shall be deemed to be the book value of such Inventory as set forth in Seller's books and records, as determined under generally accepted accounting principles applied consistently with Seller's past practices);

(e) a schedule of Seller's accounts receivable relating to the TDM Business, as of the Closing Date;

(f) resolutions of the Board of Directors of Seller authorizing the consummation of the transactions contemplated hereby, certified by the Secretary of Seller;

(g) all third-party consents (including, without limitation, from parties to the Contracts) necessary for the consummation of the transactions contemplated hereby;

(h) an opinion from Morrison & Foerster LLP, counsel to the Seller dated the Closing Date in a form reasonably acceptable to Buyer;

(i) a certificate from the Seller's President in a form reasonably acceptable to Buyer; and

(j) any other documents reasonably required by Buyer to transfer the Assets in accordance with the terms of this Agreement.

3.3 Documents Delivered by Buyer at Closing. At the Closing, Buyer will deliver to Seller the following executed documents or consideration ("Buyer Closing Documents"):

(a) the Cash Purchase Price;

(b) the 1999 Note;

(c) the Warrant;

(d) resolutions of the Board of Directors of Buyer authorizing the consummation of the transactions contemplated hereby, certified by the Secretary of Buyer;

(e) UCC-1 Financing Statement to be filed with the New Jersey and Oregon Secretary of State and any other documents necessary for perfecting the Security Interest;

(f) an Assignment of Intangible Property in substantially the form of Exhibit D attached hereto;

(g) the Services Agreement in substantially the form of Exhibit E attached hereto;
- ---------

(h) an opinion from Thelen Reid & Priest L.L.P., counsel to the Buyer dated the Closing Date in a form reasonably acceptable to Seller;

(i) a certificate from the Buyer's President in a form reasonably acceptable to Seller; and

(j) any other documents reasonably required by Seller to transfer the Assets in accordance with the terms of this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer that the following facts and circumstances are true and correct as of the date of this Agreement, except as set forth on the schedule of exceptions attached hereto as Schedule 4 (the "Seller Disclosure Schedule"):

4.1 Organization. Seller: (a) is a corporation duly organized, validly existing and in good corporate standing under the laws of the State of Delaware and duly qualified as a foreign corporation in the State of Oregon; and (b) has all necessary corporate power and authority to

own and lease its properties, to carry on its business as now being conducted and to enter into and perform this Agreement and all of the other documents and agreements contemplated hereby.

4.2 Authority and Consents. The execution and performance of this Agreement and the other documents to be executed by Seller pursuant to the terms hereof will not result in a violation of Seller's Certificate of Incorporation or Bylaws. Seller has full power and authority (corporate and otherwise) to enter into this Agreement and the other documents to be executed by Seller pursuant to the terms hereof and to carry out the transactions contemplated by this Agreement and such other documents. This Agreement and the other documents to be executed by Seller pursuant to the terms hereof and their execution and delivery to Buyer have been duly authorized by the Board of Directors of Seller and no further corporate action prior to the Closing is necessary on the part of Seller or its shareholders to make this Agreement and the other documents to be executed by Seller pursuant to the terms hereof and the transactions contemplated by the Agreement and such other documents valid and binding upon Seller. This Agreement and the other documents to be executed by Seller pursuant to the terms hereof do and will constitute a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with their respective terms, subject as to enforcement only: (a) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally; and (b) to general principles of equity. Unless listed on Schedule 4, no consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on the part of the Seller to permit the consummation of the transactions contemplated by this Agreement.

4.3 Title to Assets. Seller has good and marketable title to all of the Assets and all of the Assets are free and clear of all Liens and upon transfer of the Assets to Buyer, pursuant to this Agreement, the Buyer will have good and marketable title to all of the Assets free and clear of all Liens except to the extent provided herein or except that may arise due to Buyer's activities.

4.4 Inventory. Schedule 4.4 sets forth a true, correct and complete list of the Inventory of Seller which is being sold to Buyer hereunder including an itemization of the value thereof. All of such Inventory is in good and merchantable condition and salable or useable in the ordinary course of the TDM Business.

4.5 Contracts. Schedule 4.5 constitutes a true, correct and complete list of all Contracts. The Contracts comprise all contracts and agreements (written or oral) relating to the TDM Business to which the Seller is a party or otherwise bound. Each Contract is valid and enforceable in accordance with its respective terms, Seller is not in default in the performance of any of its obligations thereunder, no event of default has occurred which (whether with or without notice, lapse of time, or both, or the happening or the occurrence of

any other event) would constitute such a default thereunder and, to Seller's knowledge, all other parties thereto are not in default thereunder and have no counterclaims, offsets and defenses with respect thereto and the Contracts are assignable to Buyer under the terms thereof without the prior consent of the other parties thereto (except as otherwise indicated on Schedule 4.5). Also set forth on Schedule 4.5 is a list of all suppliers from which Seller has made significant purchases of TDM

raw materials since January 1, 1997. The Seller shall make available (upon reasonable notice) to the Buyer at Seller's premises (during business hours) copies of all correspondence received since January 1, 1998 from distributors of the products of the TDM Business (which Seller possesses).

4.6 Agreement Will Not Cause Breach or Violation. Neither the execution nor delivery of this Agreement or the other documents contemplated hereby by the Seller, nor performance by Seller of the terms and provisions of this Agreement or such other documents will (a) conflict with or result in a breach of or default under any of the terms, conditions or provisions of any judgment, order, injunction, decree, regulation or ruling of any court or governmental authority to which Seller is subject or of any Contract or any other agreement, contract, or commitment to which Seller is a party or by which it is bound, or (b) give any "Person" (which term includes any individual, partnership, joint venture, corporation, trust, unincorporated organization, any other entity and any government or any department or agency thereof, whether acting in an individual, fiduciary, or other capacity) the right to terminate or modify any Contract, or accelerate any obligation or indebtedness of Seller thereunder.

4.7 Financial Statements. Seller has delivered to Buyer a statement of revenues and expenses of the TDM Business for the years ended December 31, 1996, 1997 and 1998 and the fiscal quarters ended March 31, 1998 and 1999 (the "Statement of Revenues and Expenses"). The Statement of Revenues and Expenses was prepared from the accounts of the Seller and OXIS International, Inc., the owner of the TDM Business prior to April 1, 1998, which accounts have been prepared and maintained in accordance with generally accepted accounting principles applied consistently during the period. Costs and expenses reported in the Statement of Revenues and Expenses do not include amortization of purchase price adjustments from business combinations. Cost and expenses include all other costs directly attributable to the TDM Business and a reasonable allocation of other costs incurred in carrying out the TDM Business. Seller is not insolvent, bankrupt or subject to any insolvency procedure. Seller will assist Buyer with questions or issues relating to the Statement of Revenues and Expenses which arise after the Closing in connection with the preparation of Buyer's financial statements, including providing access to Seller's independent accountants, upon reasonable notice given and at the cost of Buyer.

4.8 Intellectual Property.

4.8.1 Seller owns and has good and marketable title to each item of Seller Intellectual Property listed on Schedule 4.8, free and clear of any Liens. No Seller Intellectual Property or product and/or technology of Seller is subject to any outstanding decree, order, judgment, stipulation, license or agreement restricting in any material manner the use or licensing thereof by Seller.

4.8.2 The operation of Seller's TDM Business as it currently is conducted, including its design, development, manufacture, use and sale of its products and/or technology, and provision of services, does not, to the knowledge of Seller, infringe the Intellectual Property of any other Person. Seller has not received notice from any Person that the operation of Seller's

TDM Business, including its design, development, manufacture and sale of its products and/or technology (including with respect to products and/or technology currently under development) and provision of services, infringes the Intellectual Property of any Person.

4.8.3 To the knowledge of Seller, no Person is infringing or misappropriating any of the Seller Intellectual Property.

4.8.4 Seller has the unrestricted right to transfer and assign the Seller Intellectual Property to Buyer.

4.8.5 To the knowledge of Seller, the Seller Intellectual Property includes all Intellectual Property necessary to operate the TDM Business (including the manufacture, marketing, commercialization (to the extent necessary) and selling of the products comprising the TDM Business) to the same extent and in the same manner as currently operated by Seller.

4.9 Litigation. To the best of Seller's knowledge, the Assets are not the subject of any litigation, proceedings or controversies that are pending, threatened or anticipated by or against Seller before any court, government agency or any other administrative body.

4.10 Accounts Receivable. Seller's accounts receivable relating to the TDM Business arose from valid sales in the normal course of business and are collectible in the normal course of business at the aggregate recorded amount thereof, less a reserve for doubtful accounts as shown in the Seller's general ledger, and are not subject to any right of set-off by any customer of Seller. Schedule 4.10 sets forth a complete and correct list of the top ten customers of
- ----------
Seller's TDM Business for the year ended December 31, 1998 and the three months ended March 31, 1999 showing the amount of revenues by product for each such customer. No customer listed on Schedule 4.10 has informed Seller that it plans to reduce or discontinue the amount of purchases of products it purchases from Seller, although Seller makes no representation or warranty with respect to the amount of products that such customers will purchase in the future.

4.11 Compliance with Laws. All business and operations of the TDM Business has been and is being conducted materially in accordance with all applicable laws, rules and regulations of all Federal, state, local and governmental authorities. Schedule 4.11 sets forth a complete and correct list
----
of all permits, licenses and other authorizations, including all clearances from the US Food & Drug Administration and similar agencies in states or foreign jurisdictions (collectively, the "Authorizations") obtained by or on behalf of Seller in connection with the TDM Business. Seller holds all Authorizations required by governmental authorities as may be necessary for the conduct of the TDM Business, except where the failure to obtain any such permits, licenses or other authorizations would not have a material adverse effect on the TDM Business. To Seller's knowledge, Seller is not a party to any governmental proceeding pending or threatened which might result in a suspension, limitation or revocation of any Permit.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that the following facts and circumstances are true and correct:

5.1 Authorization; Etc. Buyer: (a) is a corporation duly organized, validly existing and in good corporate standing under the laws of the State of Delaware; and (b) has all necessary corporate power to own and lease its properties, to carry on its business as now being conducted and to enter into and perform this Agreement and all of the other documents and agreements contemplated hereby. Buyer has full power and authority (corporate and otherwise) to enter into this Agreement and the other documents to be executed by Buyer pursuant to the terms hereof and to carry out the transactions contemplated hereby and thereby. Buyer has taken all required action by law to authorize the execution and delivery of this Agreement and the other documents contemplated hereby and the transactions contemplated hereby and thereby, and this Agreement and the other documents contemplated hereby is a valid and binding obligation of Buyer, enforceable against it in accordance with their respective terms, subject as to enforcement only: (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally; and (ii) to general principles of equity.

5.2 No Violation. Neither the execution and delivery of this Agreement or

the other documents contemplated hereby by Buyer, nor the performance by Buyer of the terms and provisions of this Agreement or such other documents will (a) violate any provisions of the Certificate of Incorporation of Buyer, or (b) violate, or be in conflict with, or constitute a default under, breach of, or cause the acceleration of the maturity of any debt or obligation pursuant to, any agreement or commitment to which Buyer is a party or by which Buyer is bound, or (c) violate any statute or law or any judgment, decree, order, regulation, or rule of any court or governmental authority.

5.3 Valid Issuance. The Warrant is a valid and binding obligation of Buyer enforceable against it in accordance with its terms subject, as to enforcement only, to: (a) bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally; and (b) general principles of equity. The common stock of Buyer to be issued upon exercise of the Warrant has been reserved for issuance and, upon due exercise of the Warrant, will be duly authorized, validly issued, fully paid and nonassessable.

5.4 Consents and Approvals of Government Authorities. No consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority is required in connection with the execution, delivery and performance of this Agreement or the other documents contemplated hereby by Buyer and the consummation of the transactions contemplated hereby or thereby.

5.5 Capitalization of Buyer. Buyer has authorized 1,000,000 shares of Common Stock, $0.01 par value, of which 20,000 shares are issued and outstanding, and except for the

Warrant, Buyer has no authorized or outstanding options or securities convertible into or exercisable for shares of its Common Stock.

5.6 Information. Buyer has concluded its due diligence review of the TDM Business and acknowledges that it has had ample opportunity to visit with and ask questions of Seller's management regarding the TDM Business and any information Buyer has received related thereto. Notwithstanding such due diligence review, Buyer is relying only upon the representations and warranties of Seller herein in making its decision to purchase the TDM Business. The foregoing due diligence review shall not limit, qualify or modify the representations and warranties of Seller or the indemnities by Seller under this Agreement, irrespective of the knowledge and information received by Buyer.

ARTICLE 6
COVENANTS

6.1 Consents. On or prior to the Closing Date, Seller shall (a) notify all persons required to be notified pursuant to applicable law or any of the Contracts of the transactions contemplated hereunder, in the form and manner required thereunder, except as set forth on Schedule 4.5, and (b) obtain the
---
consent of all persons whose consent is required pursuant to applicable law or any of the Contracts in connection with the consummation of the transactions contemplated hereby, in the form and manner required thereunder.

6.2 Notification of Certain Matters. On or prior to the Closing Date, Seller shall give prompt notice to Buyer of the occurrence or non-occurrence of any event which would likely cause any representation or warranty made by Seller herein to be untrue or inaccurate or any covenant, condition or agreement contained herein not to be complied with or satisfied (provided, however, that any such disclosure shall not in any way be deemed to (a) amend, modify or in any way affect the representations, warranties and covenants made by such party in or pursuant to this Agreement, or (b) alter or waive any rights of Buyer with respect to the breach thereof).

6.3 Continuing Operation of Business. Seller agrees to manufacture and produce all requirements of Buyer with regard to the TDM Business, solely for the benefit of Buyer in accordance with the Services Agreement substantially in the form of Exhibit E attached hereto.

6.4 Rights of First Refusal. Seller will provide Buyer a right of first

refusal for a period of one year from the Closing Date to purchase Seller's Automated Fluorescence Technology in the event Seller determines to sell such technology and receives a bona fide offer, or Seller makes a sale proposal to a third party, related thereto. In such event, Seller shall notify Buyer in writing of the terms and conditions of such offer and within fifteen (15) business days of the receipt of such Notice, Buyer shall inform Seller in writing whether it agrees to purchase the Automated Fluorescence Technology on the same terms and conditions set forth in such Notice. If Buyer fails to agree to purchase such technology within such fifteen (15) business day period, Seller shall be free to sell such technology pursuant to the terms and conditions set forth in the bona fide offer received. In the event the third party does not purchase such technology or

there are any changes in the terms and conditions of such sale, this right of first refusal shall be reinstated, but in all events expires one year from the Closing Date.

ARTICLE 7
COVENANTS

7.1 Existing Customers. Until the 1999 Note is paid in full, Buyer will use commercially reasonable efforts to continue to meet the needs of existing TDM Business customers of Seller as of the Closing Date with regard to product development, quality and support in accordance with good industry practices subject to Seller fulfilling its obligations under the Services Agreement.

7.2 Seller's Development Resources. During the term of the Services Agreement, Buyer will, whenever possible and provided that Seller is reasonably competitive, utilize Seller's development resources for all of its development of therapeutic drug monitoring assays using fluorescent polarization for use on the Abbott Laboratories TDX and other technologies in which Seller has proven skills and capabilities, provided, however, that Buyer has the right to seek competitive bids from other providers for such assignments.

7.3 Cooperation in Collection of Receivables. Buyer will reasonably cooperate and assist Seller with the collection of Seller's accounts receivable relating to the TDM Business on the Closing Date as set forth in the schedule referred to in Section 3.2(e) and Seller will instruct customers to make payments to Buyer following the Closing. Buyer agrees to remit all receipts of Seller's accounts receivable within three business days of receipt. Seller will provide Buyer with a schedule for such accounts receivable at the Closing. Until all of Seller's accounts receivable are paid in full excluding receivables subject to a bona fide dispute documented in writing as of the Closing Date, Buyer will follow Seller's existing credit policies and Seller (in connection with its responsibilities under the Services Agreement) shall have the right to refuse shipment of any products to any customer which has not paid an accounts receivable on a timely basis consistent with the credit terms established by seller relating to such accounts receivable. However, once a customer's balance owed to Seller has been reduced to ten percent (10%) or less of that customers' balance as of the Closing, Buyer may require Seller to ship products to that customer regardless of any past due amount. Buyer shall have the option to purchase any accounts receivable (at 100% of the stated amount) in order to allow for the shipment of products to customers who have not paid accounts receivable owed to Seller.

7.4 Change of Distributors. Prior to payment in full of the 1999 Note, Buyer will not terminate any agreements with distributors that have been assigned by Seller to Buyer without Seller's prior written approval, provided that such approval shall not be unreasonably withheld. If Seller fails to notify Buyer that it does not approve of the termination within seven business days of receiving notice from Buyer that Buyer intends to terminate, Seller's approval shall be deemed given.

7.5 Price Increases. Prior to payment in full of the 1999 Note, Buyer will not increase prices to any former customer of Seller by more than ten percent (10%) in the aggregate

without Sellers' prior written approval, provided that such approval shall not be unreasonably withheld.

7.6 Continuing Operation of Business. Buyer will sublicense to Seller any and all rights necessary to enable Seller to fulfill its obligations under the Services Agreement.

ARTICLE 8
CONDITIONS TO CLOSING

8.1 Conditions to Buyer's Obligations at the Closing. Buyer's obligations to consummate the transactions contemplated by this Agreement shall be subject to the full satisfaction of the following conditions, each of which conditions may be waived in writing by Buyer:

(a) Instruments. Seller shall have delivered all of the Seller Closing Documents at the Closing.

(b) Representations and Warranties True; Performance of Covenants. The representations and warranties of Seller contained in this Agreement shall be true in all material respects at the Closing as though made at such time. Seller shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Services Agreement. Buyer and Seller shall have entered into the Services Agreement, in substantially the form of Exhibit E attached hereto.

(d) Consents. All consents or approvals required for the consummation of the transactions contemplated hereby, including any required consents of the parties to any Contract, shall have been obtained.

8.2 Conditions to Seller's Obligations at the Closing. Seller's obligations to consummate the transactions contemplated by this Agreement shall be subject to the full satisfaction of the following conditions, each of which conditions may be waived in writing by Seller:

(a) Instruments. Buyers shall have delivered all of the Buyer Closing Documents at the Closing.

(b) Representations and Warranties True; Performance of Covenants. The representations and warranties of Buyer contained in this Agreement shall be true in all material respects at the Closing as though made at such time. Buyer shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date.

(c) Consents. All material consents or approvals required for the consummation of the transactions contemplated hereby shall have been obtained

(d) Services Agreement. Buyer and Seller shall have entered into the Services Agreement, in substantially the form of Exhibit E attached hereto.

ARTICLE 9
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

9.1 Survival. The representations and warranties of Seller and Buyer contained in this Agreement or in any document, certificate or schedule or instrument contemplated hereby or delivered pursuant hereto, shall survive the Closing Date for a period of eighteen (18) months after the Closing Date.

9.2 Indemnification by Seller. Seller agrees to indemnify Buyer and each of its affiliates and officers, directors, employees and agents against,

and agrees to hold each of them harmless from, any and all losses, damages or expenses, including reasonable attorney's fees, suffered or incurred by them arising out of or relating to any of the following:

(a) any breach of any representation or warranty made by Seller in this Agreement;

(b) any breach of or failure by Seller to perform any covenant or obligation of Seller set out or contemplated in this Agreement or in any schedule hereto;

(c) any products or other activities of the TDM Business produced or services performed by Seller prior to the Closing Date;

(d) any liabilities of the TDM Business incurred by Seller prior to the Closing Date; and

(e) any claims by or liabilities with respect to any employee of Seller with respect to his or her employment or termination of employment on or prior to the Closing Date by Seller.

9.3 Indemnification by Buyer. Buyer agrees to indemnify Seller and each of its affiliates and officers, directors, employees and agents against, and agrees to hold each of them harmless from, any and all losses, damages or expenses, including reasonable attorney's fees, suffered or incurred by them arising out of or relating to any of the following;

(a) any breach of any representation or warranty made by Buyer in this Agreement;

(b) any breach of or failure by Buyer to perform any covenant or obligation of Buyer set out or contemplated in this Agreement;

(c) any products produced or services performed by Buyer on or after the Closing Date relating to the TDM Business (excluding claims arising from services performed by Seller under the Services Agreement);

(d) any liabilities of the TDM Business incurred by Buyer on or after the Closing date; and

(e) any claims by or liabilities with respect to any employee of Buyer with respect to his or her employment by the Buyer.

9.4 Notice of Claims. Procedure for Indemnification. Upon becoming aware of a claim for indemnification hereunder, the indemnified party shall promptly give notice of such claim to the indemnifying party, providing reasonable details of how the claim has arisen and an estimate of the amount the indemnified party reasonably anticipates that it will be entitled to on account of indemnification by the indemnifying party. If the indemnifying party does not object to such indemnification claim within fifteen (15) calendar days of receiving notice thereof, the indemnified party shall be entitled to recover promptly the amount of such claim but such recovery shall not limit the amount of any additional indemnification to which the indemnified party may be entitled to pursuant to Section 9.2 or 9.3 hereof. If, however, the indemnifying party advises the indemnified party that it disagrees with the indemnified party's claim, the parties shall, for a period of thirty (30) calendar days after the indemnifying party advised the indemnified party of such disagreement, attempt to resolve the difference and, failing to do so in such time, either party may unilaterally submit the matter to dispute resolution pursuant to Section 12.5 hereof.

9.5 Third Party's Claims. Claims asserted by a third party, which Buyer or Seller has determined may give rise to claim indemnification pursuant to Section 9.2 or 9.3 hereof, shall be subject to the following additional procedure and conditions:

(a) The indemnified party shall give notice to the indemnifying party of the occurrence of any event or the institution of any claim, action, investigation, suit or proceeding asserted by a third party which the indemnified party has determined has given, or may give, rise to claim indemnification under Section 9.2 or 9.3 hereof. Such notice shall be given promptly after the indemnified party becomes aware of the event or claim so as

to allow the indemnifying party to present to the indemnified party any argument that the indemnifying party may wish to raise in connection with the defense of such claim, provided, however, that where a defense or answer to the asserted claim must be submitted within a specified period, failing which shall preclude the indemnified party from asserting such defense or giving such answer, notice of the claim shall be given to the indemnifying party no later than at the expiration of one-half (1/2) of such specified period. Any failure by an indemnified party to give notice of a third party claim shall not affect its right to indemnification hereunder except to the extent the indemnifying party can show it was adversely affected by the failure to receive timely notification and such limitation shall be only to the extent it was so adversely affected.

(b) The indemnifying party shall, upon receipt of the notice referred to in Section 9.5(a) above, be entitled to conduct the defense, appeal or settlement of such claim, with counsel elected by it, by giving notice to the indemnified party of its election to do so within ten (10) calendar days following receipt by it of the notice of the claim, and the indemnified party shall thereupon provide the indemnifying party access to the documents relevant to such defense,

appeal or settlement. In the event that the indemnifying party elects not to conduct the defense, appeal or settlement of such claim, the indemnified party shall have the right to conduct the defense thereof or reach a settlement in connection therewith on behalf of and on the account and risk of the indemnifying party.

9.6 Limitations. Notwithstanding any provision of this Agreement to the contrary, an indemnifying party shall not be liable for indemnification to the other party until the aggregate of all losses, liabilities and damages (including expenses) incurred by such other party exceed US $25,000, and then the obligation of the indemnifying party shall be for all such losses of the indemnified party. In no event shall Seller's liability hereunder exceed the amount of the Purchase Price that Seller has received in cash (including cash amounts received under the 1999 Note).

ARTICLE 10

NON-COMPETITION

10.1 Non-Compete. Each of Seller and OXIS International agrees that it will not, directly or indirectly (including, but not limited to, through any parent company, subsidiary or affiliate), for a period of three (3) years from the Closing Date, own, operate, engage in (which includes consulting and manufacturing) or, except as provided below, have any interest, financial or otherwise, in any person, firm, partnership, association, cooperative, corporation, company, entity or business that engages or is involved in (including researching, manufacturing, producing or selling) the therapeutic drug monitoring assay business (except as necessary to fulfill obligations under the Services Agreement). Notwithstanding the foregoing, Seller and/or OXIS International may own, directly or indirectly, not more than a five percent (5%) beneficial interest in the outstanding stock of any such entity. Seller shall also not use for its own purposes the names related to the products being sold as part of the Assets, including but not limited to "Innofluor". Buyer and Seller agree that Seller is not selling to Buyer, and Buyer is not buying from Seller, hereunder the name "OXIS" (or any derivation thereof); provided, however that Buyer shall have a limited, non-exclusive, royalty-free license to use the name "OXIS" in connection with the sale to customers of the products being sold hereunder as part of the Assets for a period of 12 months following the Closing.

10.2 Injunctive Relief. Seller acknowledges it would be difficult to compensate Buyer fully for damages for any violation of this Article 10. Accordingly, Seller agrees that Buyer shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Article in addition to the right of Buyer to claim damages. Buyer acknowledges it would be difficult to compensate Seller fully for damages for any violation of this Article 10. Accordingly, Buyer agrees that Seller shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Article in addition to the right of Seller to claim damages.

ARTICLE 11

NONDISCLOSURE OF CONFIDENTIAL INFORMATION

11.1 Nondisclosure Agreement. Representatives of Seller and Buyer have previously signed an agreement dated November 10, 1998, limiting the distribution of confidential information. Except as otherwise provided in the Services Agreement, all information not previously disclosed to the public or generally known to persons engaged in the respective businesses of Buyer and Seller which shall have been furnished by Buyer to Seller or by Seller to Buyer as provided in this Agreement or otherwise in connection with the transactions contemplated hereby, shall not be disclosed by the party receiving such information to any person, other than its employees, legal counsel, financial advisers, accountants or agents in confidence, or used for any purpose other than as contemplated herein. In the event that the transactions contemplated by this Agreement shall not be consummated, all such information which shall be in writing shall promptly be returned to the party furnishing the same, including, to the extent reasonably practicable, all copies or reproductions thereof which may have been prepared.

ARTICLE 12

MISCELLANEOUS

12.1 Amendment, Waivers and Consents. This Agreement and the schedules and Exhibits hereto and that certain side letter between Buyer and Seller dated June 28, 1999 ("Side Letter") constitute the entire agreement between Seller and Buyer as to the subject matter herein, and supersedes all prior negotiations, proposals and representations (written or oral). To the extent any terms of this Agreement or Exhibits hereto are inconsistent or conflict with the terms of the Side Letter, the terms of the Side Letter shall govern. This Agreement shall not be changed or modified, in whole or in part, except by supplemental agreement signed by the parties. Any party may waive compliance by any other party with any of the covenants or conditions of this Agreement, but no waiver shall be binding unless executed in writing by the party granting the waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. Any consent under this Agreement shall be in writing and shall be effective only to the extent specifically set forth in such writing.

12.2 Successors and Assigns. Neither Seller nor Buyer may assign this Agreement except to their respective affiliates, or if they are acquired or merged with another party the assignment of this Agreement to the new successor entity shall be permitted. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.3 Governing Law. The rights and obligations of the parties shall be governed by, and this Agreement shall be construed and enforced in accordance with, the laws of the State of Oregon, excluding its conflict of laws rules to the extent such rules would apply the law of another jurisdiction.

12.4 Attorneys' Fees. If any party brings any suit, action, counterclaim, or arbitration proceeding to enforce the provisions of this Agreement (including without limitation enforcement of any award or judgment obtained with respect to this Agreement), the prevailing party shall be entitled to recover a reasonable allowance for attorneys' fees and litigation expenses in addition to court costs.

12.5 Dispute Resolution. Any dispute, controversy or claim between the parties relating to, or arising out of or in connection with, this Agreement (or any subsequent agreements or amendments thereto), including as to its existence, enforceability, validity, interpretation, performance, breach or damages, including claims in tort, whether arising before or after the termination of this Agreement, shall be settled only by binding arbitration pursuant to the Commercial Arbitration Rules, as then amended and in effect, of the American Arbitration Association (the "Rules"), subject to the following:

12.5.1 There shall be one arbitrator, who shall be selected under the normal procedures prescribed in the Rules.

12.5.2 Subject to legal privileges, each party shall be entitled to discovery in accordance with the Federal Rules of Civil Procedure.

12.5.3 At the arbitration hearing, each party may make written and oral presentations to the arbitrator, present testimony and written evidence and examine witnesses.

12.5.4 The arbitrator's decision shall be in writing, shall be binding and final and may be entered and enforced in any court of competent jurisdiction.

12.5.5 No party shall be eligible to receive, and the arbitrator shall not have the authority to award, exemplary or punitive damages.

12.5.6 Each party to the arbitration shall pay one-half of the fees and expenses of the arbitrators and the American Arbitration Association.

12.5.7 The arbitrator shall not have the power to amend this Agreement.

12.6 Payment of Fees and Expenses. Except as otherwise set forth in this Agreement, each of Seller and Buyer shall bear their own costs and expenses, including without limitation, attorneys' fees, incurred in connection with the negotiation and execution of this Agreement. Seller shall pay any applicable sales and income taxes on Assets being sold.

12.7 Rules of Construction. The parties acknowledge that each party has read and negotiated the language used in this Agreement. The parties agree that, because all parties participated in negotiating and drafting this Agreement, no rule of construction shall apply to this Agreement which construes ambiguous language in favor of or against any party by reason of that party's role in drafting this Agreement.

12.8 Additional Documents. Each of the parties agree, without further consideration, to execute and deliver such other documents and take such further action as may be reasonably required to effectuate the provisions of this Agreement.

12.9 Severability. If any provision of this Agreement, as applied to either party or to any circumstance, is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

12.10 Exhibits. All Exhibits and Schedules attached hereto shall be deemed to be a part of this Agreement and are fully incorporated in this Agreement by this reference.

12.11 Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given and effective immediately if delivered by hand, or three (3) business days after being mailed, postage prepaid, by first class or certified or registered mail, return receipt requested, and addressed as follows:

To Buyer at: Opus Diagnostics, Inc.
One Parker Plaza
Fort Lee, New Jersey 07024
Attn: President

To Seller at: OXIS Health Products, Inc.
6040 N. Cutter Circle, Suite 317
Portland, OR 97217
Attn: President

A notice of change of address shall be effective only when done in accordance with this Section 12.11.

12.12 Rights of Parties. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any party to this

Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.13 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Asset Purchase Agreement as of the date first written above.

SELLER BUYER

OXIS HEALTH PRODUCTS, INC. OPUS DIAGNOSTICS, INC.

By: _____ By: _____

Title: _____ Title: _____

OXIS INTERNATIONAL, INC.*

By: _____

Title: _____

*Solely for purpose of making the agreement set forth in Article 10. No other provision of the Agreement applies to OXIS International, Inc.

LIST OF SCHEDULES AND EXHIBITS

Schedule	Name
1.1	Description of Seller's Therapeutic Drug Monitoring Assay Business
4	Seller Disclosure Schedule
4.4	Inventory
4.5	Contracts
4.8	Seller Intellectual Property
4.10	Top Ten Customers
4.11	Compliance with Laws

Exhibit	Name
A	Form of 1999 Note
B	Form of Warrant
C	Form of Bill of Sale
D	Form of Assignment of Intangible Property
E	Form of Services Agreement

Execution Copy

EXHIBIT 10.2

EXHIBIT A

SECURED PROMISSORY NOTE

$565,000* June 28, 1999

FOR VALUE RECEIVED, OPUS DIAGNOSTICS, INC., a Delaware corporation ("Payor"), promises to pay to the order of OXIS HEALTH PRODUCTS, INC., a Delaware corporation ("Payee"), the principal sum of Five Hundred Sixty-Five Thousand Dollars ($565,000*), which amount will be due and payable on November 30, 1999 (the "Maturity Date"), in accordance with this Secured Promissory Note (the "Note").

1. Purchase Agreement. This Note is delivered pursuant to that certain Asset Purchase Agreement of even date herewith (the "Purchase Agreement") between Payor and Payee.

2. Interest. No interest will accrue on the principal sum of this Note unless and until a Default (as defined below) shall have occurred and be continuing, in which case interest shall immediately begin to accrue on the unpaid principal sum at the lesser of (i) the rate of two percent (2%) per month, or any part of a month or (ii) the maximum rate permitted by law, until such time as all amounts owed hereunder are paid in full.

3. Prepayment. Payor reserves the right to prepay the outstanding principal amount of this Note in full or in part at any time during the term of this Note without notice and without premium or penalty.

4. Payment. All payments of principal and interest, if any (and any costs and expenses owed hereunder, if any), shall be in lawful money of the United States of America to Payee, at Payee's principal office as set forth in the Purchase Agreement, or at such other office as may be specified from time to time by Payee as provided in the Purchase Agreement. All payments, including, without limitation, any prepayments, shall be applied first to any costs and expenses owed hereunder, then to accrued interest, if any, and thereafter to principal.

5. Security Agreement.

(a) Grant and Security Interest. Payor hereby grants to Payee a first priority security interest in all of Payor's interests whether presently existing or hereafter created or acquired, wherever located, in the following described property of the Payor (referred to collectively as the "Collateral"):

(i) the Assets as such term is defined in the Purchase Agreement;

* Principal amount to be increased or decreased pursuant to the terms of Section 2.1.2 of the Asset Purchase Agreement entered into by the Payor and Payee. This Note will be amended and restated in its entirety to incorporate such increase or decrease.

(ii) all accounts, accounts receivable, contract rights, choses in action, money, deposit accounts, certificates of deposit and general intangibles including tax refund claims, trademarks, trade names, trade styles, patents, copyrights, licenses, and rights thereunder and registrations thereof;

(iii) all inventory whether raw materials, work in process, or

finished goods including materials used or usable in the manufacturing, processing, packaging, shipping, or advertising or promotion of inventory, and including all returns and repossessions;

(iv) all goods, including, but not limited to, machinery, equipment, farm products, furniture, furnishings, fixtures, all motor vehicles, and all accessories, tools, fittings, and parts therefor;

(v) all documents, instruments, chattel paper, and letters of credit; and

(vi) all products thereof and all proceeds of the above whether due to voluntary or involuntary disposition, including insurance proceeds.

The terms used to describe such Collateral shall have the meanings assigned by the Uniform Commercial Code as presently enacted in Oregon (hereinafter called the "UCC"); provided, that the use of terms which represent only a broader category of collateral (or use of terms which are not defined in the UCC) shall not be deemed to directly or indirectly reduce the more expansive meaning of the terms used in the UCC to define broader categories of Collateral (referred to collectively as the "Collateral").

(b) Obligations Secured. The security interest granted hereby secures all indebtedness and obligations of Payor to Payee now existing or hereafter arising under this Note (the "Obligations").

(c) Perfection of Security Interest. Payor shall execute such financing statements and other documents necessary to perfect Payee's security interests in the Collateral including any filings required by the U.S. Patent and Trademark Office. Payor shall promptly notify Payee if Payor moves its principal place of business or the place where it keeps its records from the State of New Jersey.

(d) Representations, Warranties and Covenants. Payor represents, warrants and covenants that:

(i) Title. Apart from the security interest in the Collateral granted to Payee hereunder, Payor has good and valid title to the Collateral, free and clear of any and all liens, charges, claims, security interests or encumbrances of any kind whatsoever.

(ii) Transfer of Collateral. Payor shall not sell, assign, transfer, encumber or otherwise dispose of any of the Collateral or any interest therein without the

prior written consent of Payee (provided, however, Payor may sell Collateral comprising inventory in the ordinary course of business). If any such encumbrance is imposed, Payor shall give Payee immediate written notice.

(iii) Insurance. Payor shall keep the Collateral insured at all times against such risks, with such carriers, in such amount, as is customary for businesses similar to those of Payor.

(iv) Notice of Third Party Actions. Payor shall promptly notify Payee of any levy against the Collateral or any other event that affects the Collateral.

(e) Power of Attorney. Payor hereby appoints Payee as attorney-in-fact to execute and file financing statements in connection with the Collateral and, after the occurrence of an event of Default, to take any other actions that are appropriate to collect any proceeds of the Collateral. Payee is not obligated to take any such action.

6. Default. Upon the occurrence of any of the following events, Payor shall be deemed to be in default hereunder (a "Default"):

(a) commencement of any bankruptcy, insolvency, arrangement, reorganization or other debtor-relief proceedings by or against Payor, or the dissolution or termination of the existence of Payor;

(b) any material breach by Payor of its obligations, warranties and/or representations under the Purchase Agreement or under this Note (except for the payment of Obligations which are addressed below in this Section 6) which remains uncured for a period of ten (10) business days after notice of such breach has been given;

(c) failure by Payor to pay any of the Obligations (as defined in Section 5) or any other amounts due hereunder when such amounts become due and payable in accordance with the terms hereof; or

(d) Payor sells any of the Collateral other than permitted by the terms of this Note.

Upon a Default, Payee may (i) upon written notice to Payor, declare the entire principal sum and all accrued and unpaid interest hereunder immediately due and payable, and (ii) exercise any and all rights, powers and remedies provided under the Purchase Agreement, this Note and otherwise under applicable law, including the UCC.

In addition to exercising any other rights and remedies Payee may have under any agreement with Payor or applicable law, Payee may (a) enter Payor's premises and take possession of the Collateral, render it unusable, or complete any work in process secured by this Agreement using the employees and property of Payor, and store any Collateral all at Payor's expense; (b) upon written notice, require Payor to assemble the Collateral and make it available at a mutually convenient place designated by Payee; (c) operate, consume, sell or

dispose of the Collateral as Payee deems appropriate for the purposes of paying or performing the Obligations; (d) declare immediately due and payable all of the Obligations owing to the Payee; (e) apply any Collateral to the Obligations in such order as Payee may determine; (f) enter into any agreement relating to the Collateral; (g) make any settlement that Payee deems appropriate in respect to any of the Collateral; (h) collect all sums payable in connection with the Collateral; and (i) make, adjust and receive payment under insurance claims, claims for breach of warranty and the like in connection with the Collateral.

7. Invalidity. If any provision of this Note, or the application of such provision to any person or circumstance, is held invalid or unenforceable, the remainder of this Note, or the application of such provisions to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

8. No Waiver. No failure on the part of either party to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

9. Miscellaneous.

(a) Waiver. Payor waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note. No extension of time for the payment of this Note shall affect the original liability under this Note of Payor. The pleading of any statute of limitations as a defense to any demand against Payor is expressly waived by Payor to the full extent permitted by law.

(b) Setoff. The obligation to pay Payee shall be absolute and

------
unconditional and the rights of Payee shall not be subject to any defense, setoff, counterclaim or recoupment or by reason of any indebtedness or liability at any time owing by Payee to Payor whether pursuant to the Purchase Agreement, this Note or otherwise; provided, however, notwithstanding the foregoing, if the Payor has made a claim under Article 9 of the Purchase Agreement which either (i) Payee has not objected to on a timely basis as set forth in Section 9.4 of the Purchase Agreement or (ii) is arbitrated and the arbitrator finds in the favor of Payor, then Payor may setoff amounts owed hereunder equal to the amount of such claim..

(c) Amendment. This Note may be modified or amended only by a written
----
agreement executed by Payor and Payee.

(d) Governing Law; Venue. This Note shall be governed by the
----
internal, substantive laws of the State of Oregon without regard to conflict of laws provisions. Any dispute arising hereunder shall be resolved pursuant to the terms of Section 12.5 of the Purchase Agreement (except that the non-prevailing party shall pay all costs and expenses of the arbitration consistent with the terms of Section 9(h) hereof).

(e) Successors. This Note shall not be assignable by Payor except
----
with the prior written consent of Payee. The terms of this Note shall inure to the benefit of Payee and its successors and assigns.

(f) Time of Essence. Time is of the essence with respect to all
----
matters set forth in this Note.

(g) Replacement. If this Note is destroyed, lost or stolen, Payor
----
will deliver a new note to Payee on the same terms and conditions as this Note with a notation of the unpaid principal and accrued and unpaid interest in substitution of the prior Note. Payee shall furnish to Payor reasonable evidence that the Note was destroyed, lost or stolen and any security or indemnity that may be reasonably required by Payor in connection with the replacement of this Note.

(h) Attorney's Fees. The prevailing party shall be entitled to recover
----
a reasonable allowance for attorneys' fees and litigation expenses in addition to court costs in any suit, action, counterclaim or arbitration to enforce the Obligations or this Note. "Prevailing party" within the meaning of this paragraph includes without limitation a party who agrees to dismiss an action or proceeding upon the other's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought by it.

(i) Additional Actions and Documents. The parties shall execute and
----
deliver such further documents and instruments and shall take such other further actions as may be required or appropriate to carry out the intent and purposes of this Note.

By:_____

Title:_____

Execution Copy

EXHIBIT 10.3

EXHIBIT B

THE SECURITIES REPRESENTED BY THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON ITS EXERCISE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED OR OFFERED FOR SALE OR TRANSFER IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, OR AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAW IS NOT REQUIRED.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

The Transferability of this Warrant is
Restricted as Provided in Section 1

Void after June 28, 2004

Right to Purchase Shares of Common Stock
(subject to adjustment)

No. 1

PREAMBLE

OPUS DIAGNOSTICS, INC., a Delaware corporation (the "Company"), hereby certifies that, for value received, OXIS HEALTH PRODUCTS, INC. (hereinafter, the "Registered Holder"), is entitled, subject to and in accordance with the terms set forth below, to purchase from the Company at any time after December 28, 1999 and before 5:00 P.M. Oregon time, on June 28, 2004 (the "Expiration Time"), the number of shares of Common Stock, $0.01 par value (the "Shares") of the Company at the purchase price per Share (the "Purchase Price") as set forth in Section 17 hereof. The number and character of such Shares and the Purchase Price are subject to adjustment as provided herein. This Warrant may be exercised at any time, or from time to time, prior to the Expiration Time.

This Warrant is issued pursuant to an Asset Purchase Agreement (the "Purchase Agreement"), dated as of June 28, 1999, between the Company and the Registered Holder. The Purchase Agreement contains certain additional terms that are binding upon the Company and the Registered Holder of this Warrant. A copy of the Purchase Agreement may be obtained by

any registered holder of this Warrant from the Company upon written request. Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" includes any entity which shall succeed to or assume the obligations of the Company hereunder.

(b) The term "Other Securities" refers to any class of interests (other than Shares) and other securities of the Company or any other person (corporate or otherwise) which the holder of this Warrant at any time shall be entitled to receive, or shall have received, upon the exercise of this Warrant, in lieu of or in addition to the Shares, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of the Shares or Other Securities pursuant to Section 5 or otherwise.

(c) The term "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(d) The term "Share" means a Share of Company's Common Stock.

1. Restricted Shares; Transfer Restrictions.

If at the time of any transfer or exchange of this Warrant, such Warrant shall not be registered under the Securities Act, the Company may require, as a condition of allowing such transfer or exchange, that the Registered Holder or transferee of such Warrant furnish to the Company an opinion of counsel reasonably acceptable to the Company to the effect that such transfer or exchange may be made without registration under the Securities Act, or other evidence satisfactory to the Company. In the case of such transfer or exchange, and in any event upon exercise of this Warrant (unless the Shares issued thereupon are registered under the Securities Act), the Company may require a written statement that such Warrant or Shares, as the case may be, are being acquired for investment and not with a view to the distribution thereof. The certificates evidencing the Shares issued upon exercise of this Warrant shall bear a legend to the effect that the Shares evidenced by such certificates have not been registered under the Securities Act.

2. Exercise of Warrant.

2.1. Exercise. This Warrant is exercisable on and after December 28, 1999 with respect to all Shares issuable hereunder (less any Shares purchased upon any partial exercise hereof) and may be exercised at any time and from time to time. This Warrant may not be exercised while the Registered Holder is in material breach of the Purchase Agreement or the Services Agreement (as defined in the Purchase Agreement).

2.2. Partial Exercise. The Registered Holder may exercise this Warrant by surrendering this Warrant with the form of Election to Purchase attached as Annex A hereto (the "Election to Purchase"), duly executed by such holder, to the Company at its principal office. The surrendered Warrant shall be accompanied by payment, by certified or official bank check

payable to the order of the Company, in the amount obtained by multiplying (a) the number of Shares as shall be designated by the Registered Holder in the Election to Purchase by (b) the Purchase Price. On any partial exercise, the Company at its expense will forthwith issue and deliver to the Registered Holder a new Warrant of like tenor, in the name of the Registered Holder, calling on the face thereof for the number of Shares (after giving effect to any adjustment herein) equal to the number of such Shares called for on the face of this Warrant minus the number of such Shares designated by the Registered Holder in the applicable Election to Purchase.

2.3. Company Acknowledgment. The Company will, at the time of the exercise, exchange or transfer of this Warrant, upon the request of the Registered Holder, acknowledge in writing its continuing obligation to afford to such Registered Holder any rights to which such Registered Holder shall continue to be entitled after such exercise, exchange or transfer in accordance with the provisions of this Warrant, provided that if the Registered Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Registered Holder any such rights.

3. Delivery of Share Certificates upon Exercise.

Following the exercise of this Warrant, in full or in part, within the time periods and in the manner provided hereby, the Company, at its expense (including the payment by it of any applicable issue taxes), will cause to be issued in the name of and delivered to the Registered Holder hereof a certificate or certificates for the number of fully paid and nonassessable Shares to which such Registered Holder shall be entitled on such exercise.

4. Adjustment of Purchase Price and Number of Shares.

4.1. The Purchase Price shall be subject to adjustment from time to time as follows:

(a) In case the Company shall at any time after the Calculation Date

(i) subdivide its outstanding shares of capital stock or (ii) combine its outstanding shares of capital stock into a smaller number of shares of capital stock, then, in such an event, the Purchase Price in effect immediately prior thereto shall be adjusted proportionately so that the adjusted Purchase Price will bear the same relation to the Purchase Price in effect immediately prior to any such event as the total number of shares of capital stock outstanding immediately prior to any such event shall bear to the total number of shares of capital stock outstanding immediately after such event. An adjustment made pursuant to this Section 4.1(a) shall become effective immediately after the effective date in the case of a subdivision or combination. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein.

(b) In case the Company shall at any time after the Calculation Date distribute to any or all holders of its Shares, Other Securities, evidences of its indebtedness or assets (excluding cash dividends and distributions) or purchase rights, options or warrants to subscribe for or purchase Other Securities, then in each such case, the Purchase Price in effect thereafter shall be determined by multiplying the Purchase Price in effect immediately prior thereto by a fraction, of which the numerator shall be the total number of outstanding Shares multiplied by

the current market price per Share (as determined in accordance with the provisions of subdivision (c) below) on the record date mentioned below, less the fair market value as determined by the directors of the Company (which determination must be acceptable to the Registered Holder) of the Other Securities, assets or evidences of indebtedness so distributed or of such rights or warrants, and of which the denominator shall be the total number of outstanding Shares multiplied by such current market price per Share. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively immediately after the record date for the determination of holders of Shares entitled to receive such distribution.

(c) For the purpose of any computation under subdivision (b) above, the current market price per Share shall be deemed to be, if Shares are publicly traded, the average closing bid and asked prices for the then five (5) immediately preceding trading days, or if the Shares are not publicly traded, then the average fair market value shall be as determined by the directors of the Company (which determination must be reasonably acceptable to the Registered Holder).

(d) No adjustment of the Purchase Price shall be made if the amount of such adjustment shall be less than $.01 per Share but, in such case, any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to not less than $.01 per Share. In case the Company shall at any time subdivide or combine the outstanding Shares, said amount of $.01 per Share (as theretofore increased or decreased, if the same amount shall have been adjusted in accordance with the provisions of this subparagraph) shall forthwith be proportionately increased in the case of a combination or decreased in the case of such a subdivision so as to appropriately reflect the same.

4.2. Upon each adjustment of the Purchase Price pursuant to subdivisions (a) or (b) (in the case of an issuance of Other Securities) of Section 4.1, the number of Shares purchasable upon exercise of this Warrant shall be adjusted to the number of Shares, calculated to the nearest one hundredth of a Share, obtained by multiplying the number of Shares purchasable immediately prior to such adjustment upon the exercise of this Warrant by the Purchase Price in effect prior to such adjustment and dividing the product so obtained by the new Purchase Price.

4.3. At any time after the Calculation Date, in the event of any capital reorganization of the Company, or of any reclassification of the Shares, this Warrant shall be exercisable after such capital reorganization or reclassification upon the terms and conditions specified in this Warrant, for the number of shares of Common Stock or Other Securities which the Shares issuable (at the time of such capital reorganization or reclassification) upon exercise of this Warrant would have been entitled to receive upon such capital reorganization or reclassification if such exercise had taken place immediately prior to such action. The subdivision or combination of Shares at any time

outstanding into a greater or lesser number of Shares shall not be deemed to be a reclassification of the Shares for the purposes of this Section 4.3.

4.4. Whenever the Purchase Price is adjusted as herein provided, the Company shall compute the adjusted Purchase Price in accordance with Section 4.1 and the number of Shares in

accordance with Section 4.2 and shall prepare a certificate signed by the Chief Financial Officer of the Company setting forth the adjusted Purchase Price, and showing in reasonable detail the method of such adjustment and the fact requiring the adjustment and upon which such calculation is based, and such certificate shall forthwith be forwarded to the Registered Holder.

4.5. The form of this Warrant need not be changed because of any change in the Purchase Price or number of Shares pursuant to this Section 4.

5. Adjustment for Reorganization, Consolidation, Merger, Etc.

5.1. In case at any time or from time to time after the date of issuance of this Warrant and after the Calculation Date, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company within one (1) year from the date of such transfer (any such transaction being hereinafter sometimes referred to as a "Reorganization"), then, in each such case, the Registered Holder of this Warrant, upon the exercise hereof as provided in Section 2 at any time after the consummation or effective date of such Reorganization (the "Effective Date"), shall receive, in lieu of the Shares issuable on such exercise prior to such consummation or such Effective Date, the stock and other securities and property (including cash) to which such Registered Holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such Registered Holder had so exercised this Warrant, immediately prior thereto. The Company shall not effect a transaction of the type described in clause (a), (b) or (c) above unless upon or prior to the consummation thereof, the Company's successor entity, or if the Company shall be the surviving company in any such Reorganization but is not the issuer of the shares of stock, securities or other property to be delivered to the holders of the Company's outstanding Shares at the effective time thereof, then such issuer, shall assume in writing the obligation hereunder to deliver to the Registered Holder of this Warrant such shares of stock, securities, cash or other property as such holder shall be entitled to purchase in accordance with the provisions hereof.

5.2. Except as otherwise expressly provided in Section 5.1, upon any Reorganization referred to in this Section 5, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the shares of stock and other securities and property receivable on the exercise of this Warrant after the consummation of such Reorganization, and shall be binding upon the issuer of any such shares of stock or other securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant.

6. No Dilution or Impairment.

The Company will not, by amendment of its Certificate of Incorporation, 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 of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Registered Holders hereof, as specified herein.

7. Notice of Record Date.

In case of:

(a) any taking by the Company of a record of the holders of any class of its securities for the purpose of determining the holders thereof who are

entitled to purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all the assets of the Company to or consolidation or merger of the Company with or any voluntary or involuntary dissolution, liquidation or winding up of the Company, or

(c) any events which shall have occurred resulting in the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then and in each such event the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying (i) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, right to purchase or acquire, dissolution, liquidation or winding up is to take place, and the time, if any is to be fixed, as of which the holders of record of Shares (or Other Securities) shall be entitled to exchange their Shares (or Other Securities) for securities or other property deliverable on such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up, and (ii) the amount and character of any shares of stock or other securities, or rights or options with respect thereto, proposed to be issued or granted, the date of such proposed issue or grant and the persons or class of persons to whom such proposed issue or grant is to be offered or made. Such notice shall be mailed at the same time as notice is sent to the Company's stockholder, but in no event less than ten (10) business days prior to the date on which any such action is to be taken.

8. Exchange of Warrants.

On surrender or exchange of this Warrant, properly endorsed, to the Company, the Company at its expense will issue and deliver to the holder thereof a new Warrant of like tenor, in the name of such holder or as such holder (on payment by such holder or any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of Shares called for on the face or faces of the Warrant so surrendered.

9. Replacement of Warrants.

On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction of any Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company, at its expense, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

10. Warrant Agent.

The Company may, by written notice to each holder of this Warrant, appoint an agent for the purpose of issuing Shares on the exercise of this Warrant pursuant to Section 2, exchanging this Warrant pursuant to Section 8, and replacing this Warrant pursuant to Section 9, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

11. Negotiability, Etc.

This Warrant is issued upon the following terms, to all of which each Registered Holder or owner hereof by the taking hereof consents and agrees:

(a) this Warrant may be transferred by endorsement (by the Registered Holder hereof executing the form of assignment attached as Annex B hereto) and delivery in the same manner as in the case of a negotiable instrument transferable by endorsement and delivery;

(b) any person in possession of this Warrant properly endorsed is authorized to represent himself as absolute owner hereof and is empowered to transfer absolute title hereto by endorsement and delivery hereof to a bona fide purchaser hereof for value; each prior taker or owner waives and renounces all

of his equities or rights in this Warrant in favor of each such bona fide purchaser, and each such bona fide purchaser shall acquire absolute title hereto and to all rights represented hereby; and

(c) until this Warrant is transferred on the books of the Company, the Company may treat the Registered Holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

12. Waiver, Amendment.

Neither this Warrant nor any provisions hereof shall be modified, changed, discharged or terminated except by an instrument in writing, signed by the party against whom any waiver, change, discharge or termination is sought.

13. Applicable Law; Venue.

This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed entirely within such State. Any dispute arising out of or relating to this Warrant or any transactions contemplated hereby shall be resolved pursuant to the terms of Section 12.5 of the Purchase Agreement.

14. Attorneys' Fees.

If any party brings any suit, action, counterclaim, or arbitration proceeding to enforce the provisions of this Warrant (including, without limitation, enforcement of any award or judgment obtained with respect to this Warrant), the prevailing party shall be entitled to recover a reasonable allowance for attorneys' fees and litigation expenses in addition to arbitration or court costs. "Prevailing party" shall mean herein to include a party who agrees to dismiss an action or

proceeding upon the other's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought by it.

15. Section and Other Headings.

The section and other headings contained in this Warrant are for reference purposes only and shall not affect the meaning or interpretation of this Warrant.

16. Notices.

All notices and other communications provided for herein shall be in writing and shall be effective upon personal delivery, via facsimile (upon receipt of confirmation of actual receipt) or one business day following deposit of such notice with a recognized courier service, with postage prepaid and addressed, if to the Registered Holder of this Warrant, to OXIS HEALTH PRODUCTS, INC., 6040 N. Cutter Circle, Suite 317, Portland, OR 97217, Attn: President, or such other address as may have been furnished to the Company in writing by such Registered Holder or, until any such Registered Holder furnishes to the Company an address, then to, and at the address of, the last Registered Holder of this Warrant who has so furnished an address to the Company, and if to the Company, to OPUS DIAGNOSTICS, INC., One Parker Plaza, Fort Lee, New Jersey 07024, Attn: President.

17. Establishing the Purchase Price and Number of Shares

The number of Shares purchasable hereunder shall be 2,000 Shares (representing 10% of the issued and outstanding Common Stock of the Company), subject to adjustment pursuant to the terms hereof. The Purchase Price (or "exercise price") shall be calculated six (6) months after issuance of this Warrant (the "Calculation Date") as follows:

(i) If the Company's Common Stock is not publicly traded on the Calculation Date, the exercise price shall be equal to the per share purchase price on a placement (the "Placement") of the Company's Common Stock (or the conversion price on the sale of other securities of the Company convertible into Common Stock) where the placement proceeds first aggregate (aggregating all proceeds from the date hereof) $250,000.

(ii) In the event that the Company closes an initial public offering (an "IPO") of its equity securities at any time prior to the Calculation Date, the exercise price shall be equal to 80% of the per share offering price in the IPO.

(iii) If as of the Calculation Date the Company has not consummated a Placement or IPO, the exercise price shall equal the price per share paid by George Aaron and Jonathan Joels for the shares of Common Stock of the Company which they purchased nearest to the Calculation Date.

(iv) In the event that prior to the Calculation Date the Company is acquired (whether by merger, consolidation, stock purchase, asset purchase or other acquisition transaction) (an "Acquisition Transaction"), by another corporation, in a cash transaction, the exercise price shall be equal to 80% of the per share cash acquisition price received by the Company stockholders

and the Warrant shall become exercisable at least five (5) business days prior to the closing date of the Acquisition Transaction.

(v) In the event that prior to the Calculation Date the Company is acquired in an Acquisition Transaction by another corporation for securities which are publicly traded, the Warrant shall become the obligation of the acquiring corporation exercisable for securities of the acquiring corporation based upon the exchange ratio received by the Company stockholders for their shares of Company Common Stock and the exercise price shall be equal to 80% of the average bid and asked prices or the closing price per share of the acquiring corporation's common stock on the securities market (national securities market, Nasdaq, DTC Bulletin Board or "pink sheets") on which such common stock is so listed or traded for the five (5) trading days immediately preceding the Calculation Date. In the event that prior to the Calculation Date the Company is acquired in an Acquisition Transaction by another corporation for securities which are not publicly traded, the Warrant shall become the obligation of the acquiring corporation exercisable for securities of the acquiring corporation based upon the exchange ratio received by the Company stockholders for their shares of Company Common Stock and the exercise price shall be equal to the fair market value of the shares of the acquiring corporation which shall equal the price per share paid by a third party investor in the most recent financing transaction of such acquiring corporation within the last six months and if no such financing transaction took place, then the exercise price shall be agreed to by the acquiring corporation and Registered Holder.

18. Expiration.

The right to exercise this Warrant shall expire at the Expiration Time.

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of June 28, 1999.

By:_____
Name:
Title:

Attest:

By:_____
Name:
Title:

Annex A

FORM OF ELECTION TO PURCHASE

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase _____ Shares and herewith

tenders in payment for such securities a certified or official bank check payable to the order of _____, in the amount of U.S. $_____, all in accordance with the terms hereof. The undersigned requests that a certificate for such Shares be registered in the name of _____, whose address is _____ _____ and that such Certificate be delivered to _____, whose address is _____.

Dated:

Name:_____

Signature:_____

(Signature must conform in all respects to the name of the Registered Holder, as specified on the face of the Warrant.)

_____
(Insert Social Security or Other
Tax Identification Number of Holder)

Annex B

FORM OF ASSIGNMENT

(To be executed by the Registered Holder if such Holder desires to transfer the Warrant.)

FOR VALUE RECEIVED, _____

hereby sells, assigns and transfers unto

_____
(Please print name and address of transferee)

this Warrant, together with all right, title and interest therein, and does so hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Warrant on the books of the within-named Company, with full power of substitution.

Dated:

Name:_____

Signature:_____

(Signature must conform in all respects to the name of the Registered Holder, as specified on the Warrant.)

_____
(Insert Social Security or Other Tax Identification Number of Assignee).

Execution Copy

EXHIBIT 10.4

EXHIBIT E

SERVICES AGREEMENT

This SERVICES AGREEMENT (the "Agreement"), effective as of June 30, 1999 (the "Effective Date"), is made by and between OPUS DIAGNOSTICS, INC., a Delaware corporation ("OPUS"), and OXIS HEALTH PRODUCTS, INC., a Delaware corporation ("OXIS").

RECITALS

1. Contemporaneously with the execution of this Agreement, OPUS is purchasing from OXIS, and OXIS is selling to OPUS, OXIS' therapeutic drug monitoring assays business (the "TDM Business") as described in that certain Asset Purchase Agreement (the "Purchase Agreement") entered into by the parties and dated the date hereof.

2. In connection with the purchase and sale of the TDM Business, OPUS and OXIS wish to provide for certain covenants and agreements relating to manufacturing and other services to be provided by OXIS to OPUS with respect to the TDM Business.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

PROVISION OF SERVICES

1.1 Manufacturing Services to be Provided by OXIS. During the term of this Agreement, or for such shorter period as is specified on Article V, OXIS shall provide to OPUS, the OXIS manufacturing services described herein and in Exhibit A hereto (the "Manufacturing Services"); provided, however, that (a) OPUS provides a reasonable advance notice of its requirements for such Manufacturing Services specifying the type and amount of products OPUS requests OXIS to manufacture, and (b) OXIS shall have the right to designate and select its employees and facilities which will be used to provide such Manufacturing Services. Set forth on Exhibit C hereto is a list of the products which OXIS will manufacture for OPUS (the "Products"). OPUS shall provide the notice set forth in this Section 1.1 for each calendar quarter (commencing with the quarter starting on October 1, 1999) and shall deliver such notice to OXIS no later than thirty (30) days prior to the commencement of the calendar quarter to which such notice relates. Upon confirmation of such order (which shall be given within ten (10) business days of receipt thereof or the order shall not be deemed confirmed), OXIS will provide OPUS with information concerning the manufacturing and delivery schedule. Prior to the quarter starting on October 1, 1999, the parties shall endeavor to agree on the amounts, types and timing of the products to be manufactured hereunder.

1.2 Administrative Services to be Provided by OXIS. During the term of this Agreement, or for such shorter period as is specified on Exhibit B hereto, OXIS shall

provide to OPUS the administrative services described in Exhibit B hereto (the "Administrative Services" and, collectively with the Manufacturing Services, the "Services"); provided, however, that OXIS shall have the right to designate and

select its employees and facilities which will be used to provide such Administrative Services. All OPUS' requests for Administrative Services shall be made in a reasonably detailed writing to OXIS. OXIS shall notify OPUS within thirty (30) days whether it accepts or rejects OPUS' request for such Services.

1.3 Charges for Manufacturing Services. During the first year of the term of this Agreement, OPUS shall pay to OXIS a manufacturing fee per Product manufactured as set forth on Exhibit C hereto. It is intended that the fees set forth on Exhibit C will equal 115% of (i) all salary and benefits (excluding bonuses and other incentive payments) incurred by OXIS for personnel (which shall not include purchasing managers or persons occupying similar positions who are paid $50,000 or more in annual salary) time spent in providing Manufacturing Services to OPUS that are reasonably attributable to the Manufacturing Services, and (ii) all materials and other costs and expenses, (including but not limited to third-party charges, occupancy costs, supplies, insurance, equipment repairs and maintenance and depreciation of existing (and OPUS approved future acquired) equipment and leasehold improvements, but excluding any of OXIS' corporate overhead) incurred by OXIS in providing the Manufacturing Services to OPUS that are reasonably attributable to the Manufacturing Services, based on such methodologies consistent with generally accepted accounting principles and consistent with OXIS' past practices (the methodologies of calculating such costs and expenses are set forth on Exhibit D hereto). If during each of the first two six-month periods of the Agreement the total fees paid hereunder to OXIS (i) do not equal the amount set forth in the immediately preceding sentence calculated for such period (the "Period Shortfall"), then OPUS shall within thirty (30) days of conclusion of the applicable period pay to OXIS an amount equal to the Period Shortfall; or (ii) exceed the amount set forth in the immediately preceding sentence calculated for such period ("Period Excess"), then OXIS shall within thirty (30) days of conclusion of the applicable period pay to OPUS an amount equal to the Period Excess for the applicable six-month period. If there is a Period Shortfall or Period Excess for the first six-month period, the parties agree that they shall adjust the fee schedule set forth on Exhibit C for the second six-month period so that the total fees paid for the second six-month period shall be consistent with the intent set forth in the second preceding sentence. After the first year of this Agreement, the process set forth above shall be repeated (with the fee schedule being adjusted to reflect necessary changes) and at the conclusion of this Agreement or the delivery of Products ordered under Section 5.4, the parties shall calculate a Period Shortfall or Excess, as the case may be, and payments shall be made accordingly. OXIS agrees that it shall, during the term of this Agreement, continue to manufacture research assays at its Portland facility. Title and risk of loss shall pass to OPUS upon the completion and release of Products to OPUS' finished goods inventory (which OXIS may hold on behalf of OPUS). OXIS will, on behalf of OPUS, ensure that such Products held in OPUS' finished goods inventory are insured by third party insurers in amounts equal to the value of such Products with Opus named as a loss payee. Upon the request of OPUS, OXIS shall provide OPUS a copy of the endorsement of such insurance policy.

1.4 Charges for Administrative Services. During the term of this Agreement, OPUS shall pay to OXIS an amount equal to 115% of (i) all salary and benefits (less bonuses and other incentive payments), incurred by OXIS for personnel time spent in providing Administrative Services to OPUS that are separately identifiable, (ii) all salary and benefits (less bonuses and other incentive payments), incurred by OXIS for personnel time spent in providing Administrative Services to OPUS that are not separately identifiable, but are reasonably attributable to the Administrative Services, based on such methodology (consistent with generally accepted accounting principles and consistent with OXIS' past practices) as OXIS determines to be appropriate, and (iii) all other costs and expenses (including, but not limited to, third-party charges, occupancy costs, supplies, insurance, equipment repairs, and maintenance and depreciation of equipment and leasehold improvements, but excluding any of OXIS' corporate overhead)including third-party charges, incurred by OXIS in providing Administrative Services to OPUS that are separately identifiable or are reasonably attributable to the Administrative Services, based on such methodology (consistent with generally accepted

accounting principles and, OXIS' past practices) as OXIS determines to be appropriate.

1.5 Independent Contractor. OXIS will provide Services to OPUS under this Agreement as an independent contractor and not as an agent or employee. Employees of OXIS providing Services shall at all times remain employees of OXIS. OXIS shall have the exclusive right to determine and shall be solely responsible for the salaries, wages and benefits of its employees providing Services under this Agreement.

1.6 Limitation on Costs. For purposes of Sections 1.3 and 1.4 above, any increases in salary rates incurred by OXIS from one billing period to the next will be limited to the actual increase in such costs experienced by OXIS, provided OPUS was given notice of such increases.

ARTICLE II
PAYMENTS

2.1 Invoices and Payment. OXIS shall submit to OPUS monthly an invoice for all charges associated with Services for the preceding month and any adjustments for prior months. All invoices shall describe in reasonable detail (a) the Services provided during the preceding month and the charges (including third-party charges) associated therewith and (b) any prior months' adjustments. OPUS shall remit payment to OXIS in full within thirty (30) days after the date on which the invoice is received. OPUS shall pay to OXIS a penalty of one and one-half percent (1-1/2%) per month, or any part thereof, for which a payment is past due. Any payment that is sixty (60) days or more past due will be considered a breach of this Agreement, and such breach will give OXIS the right to terminate or suspend its services pursuant to this Agreement.

2.2 Method of Payment. Transfer of funds pursuant to this Agreement shall be made in U.S. dollars by wire transfer of immediately available funds to an account or accounts specified by the party receiving such payment.

2.3 Books and Records. OXIS shall keep complete and accurate books, records and accounts of all transactions pertaining to Services provided to OPUS pursuant to this Agreement, including the identity of employees providing Services, the amount of time devoted by such employees in performing such services, directly assignable expenses incurred in providing such Services and other matters reasonably necessary to calculate amounts to be paid for such Services pursuant to this Agreement, and OPUS shall have the right to inspect at OXIS' facilities such books, records and accounts relating to the provision of the Services upon reasonable notice and during reasonable business hours.

ARTICLE III

PERFORMANCE OF SERVICES

3.1 Degree of Care. OXIS shall perform the Services hereunder with the same degree of care, skill and prudence customarily exercised by it in respect of its own business, operations and affairs. All manufacturing services provided hereunder shall be performed in material conformance with all applicable regulations of the U.S. Food and Drug Administration (the "FDA") and other regulatory agencies covering Good Manufacturing Practices and Exhibit A.

3.2 Certain Information. OPUS shall provide any information, and access to to such facilities, reasonably needed by OXIS to perform the Services pursuant hereto. If the failure to provide such information renders the performance of any requested Service impossible or unreasonably difficult, OXIS may, upon reasonable notice to OPUS, refuse to provide such Services.

3.3 Proprietary Information.

(a) "Proprietary Information" means any and all information and material disclosed by either OPUS or OXIS (each a "Discloser," if disclosing) to the other party (each a "Recipient," if receiving) (whether in writing, or in oral, graphic, electronic or any other form) that is marked as (or provided under circumstances reasonably indicating it is) confidential or proprietary, or if disclosed orally or in other intangible form or in any form that is not so marked, that is identified as confidential at the time of such disclosure and summarized in writing and transmitted to the Recipient within thirty (30) days of such disclosure. Proprietary Information, includes, without limitation, any trade secret, know-how, idea, invention, process, technique, algorithm, program, design, schematic, drawing, formula, data, plan, strategy, forecast, and any technical, engineering, manufacturing, product, marketing, servicing, financial, personnel and other information and materials of Discloser and its employees, consultants, investors, affiliates, licensors, suppliers, vendors, customers, clients and other third parties.

(b) Recipient shall hold all Proprietary Information in strict confidence and shall not disclose any Proprietary Information to any third party. Recipient shall disclose the Proprietary Information only to its employees and agents who need to know such information and who are bound in writing by restrictions regarding disclosure and

use comparable to those set forth herein. Recipient shall not use any Proprietary Information for the benefit of itself or any third party or for any purpose other than the purposes contemplated by this Agreement or related hereto. Recipient shall take the same degree of care that it uses to protect its own confidential and proprietary information and materials of similar nature and importance (but in no event less than reasonable care) to protect the confidentiality and avoid the unauthorized use, disclosure, publication, or dissemination of the Proprietary Information. The obligations of this Section 3.3 with respect to any item of Proprietary Information shall survive and continue for five (5) years from the date of Recipient's receipt of such Proprietary Information.

(c) The foregoing restrictions on disclosure and use shall not apply with respect to any Proprietary Information to the extent such Proprietary Information: (i) was known by Recipient before receipt from Discloser; (ii) becomes known to Recipient without confidential or proprietary restriction from a source other than Discloser that does not owe a duty of confidentiality to Discloser with respect to such Proprietary Information; or (iii) is independently developed by Recipient without the use of the Proprietary Information of Discloser. In addition, Recipient may use or disclose Proprietary Information to the extent (a) approved by Discloser or (b) Recipient is legally compelled to disclose such Proprietary Information, provided, however, that prior to any such compelled disclosure, Recipient will give Discloser reasonable advance notice of any such disclosure and shall cooperate with Discloser in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of such disclosure and/or use of the Proprietary Information. This Section 3.3 will survive any termination or expiration of this Agreement.

3.4 Certain Representations. OXIS represents and warrants to OPUS, which representations and warranties shall remain in effect during the term of this Agreement, that:

(a) The Products to be supplied to OPUS, including the containerization and packaging therefor, shall at the time of delivery be of merchantable quality, free from material manufacturing defects and conform with the Product Specifications and the Manufacturing Specifications set forth in Exhibit A annexed hereto, and the requirements of the FDA and other regulatory agencies, in force at that time.

(b) OXIS shall notify OPUS on OXIS becoming aware of any intellectual property rights relevant to the manufacture and sale of the Products owned by OXIS which were inadvertently not included as part of the intellectual property included in the sale of the TDM Business under the Purchase Agreement.

(c) The Products to be supplied to OPUS and its customers shall, subject to any damage to the Products subsequent to delivery of the Products to OPUS' customers (including, without limitation, damage by reason of improper storage), conform in all material respects with the Product Specifications.

(d) OXIS shall not change the manufacturing process with respect to any Product if such change could affect the performance or registration of such Product, without the prior written consent of OPUS given after prompt notice to OPUS and consultation between the parties.

(e) The manufacturing of the Products by OXIS shall be performed in its facility which is an FDA approved facility.

(f) At the time finished Products are transferred to OPUS, such Products shall have a minimum shelf life (i.e., expiration date) of six months.

ARTICLE IV
LIMITATIONS ON LIABILITY

4.1 Limitations on Liability. OXIS shall not have any liability under this Agreement (including any liability for its own negligence) for damages, losses or expenses suffered by OPUS or its subsidiaries as a result of the performance or non-performance of OXIS' obligations hereunder, unless such damages, losses or expenses are caused by or arise out of the willful misconduct or gross negligence of OXIS or a breach by OXIS of any of the express provisions hereof; notwithstanding the foregoing to the extent OXIS has delivered non-conforming goods, or failed to deliver goods properly ordered hereunder, OXIS shall be responsible for promptly delivering conforming goods. Notwithstanding the foregoing, neither party shall be liable for, or considered to be in breach or default hereunder on account of, any delay or failure to perform as required by this Agreement as a result of any causes or conditions which are beyond such party's reasonable control (including acts of God, earthquakes, labor strife, and the ability to obtain necessary raw materials from suppliers). IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES THAT SUCH OTHER PARTY OR ITS SUBSIDIARIES OR ANY THIRD PARTY MAY INCUR OR EXPERIENCE ON ACCOUNT OF THE PERFORMANCE OR NON-PERFORMANCE OF SUCH PARTY'S OBLIGATIONS HEREUNDER. Furthermore, neither party shall be liable to the other party or to any third party with respect to obligations or liabilities incurred by either party in connection with their separate businesses unrelated to the matters related to this Agreement.

4.2 Product Recalls. In the event that any Product must be recalled from customers because of any error in manufacturing or quality control by OXIS, then OXIS will replace the Product and carry out the entire recall at OXIS' expense. In the event that any Product must be recalled from customers for any other reason, then the cost of carrying out the recall and replacing the Product shall be borne by OPUS.

ARTICLE V

TERM AND TERMINATION

5.1 Terms of Agreement. This Agreement shall become effective on the Effective Date and shall terminate on September 30, 2000; provided, however, that the term of this Agreement may be extended with respect to one or more Services with the mutual written agreement of the parties. During the term of this Agreement, OXIS shall be the exclusive provider of the Services hereunder to OPUS and OPUS shall not engage any other party to perform such Services subject to Exhibit A.

5.2 Termination for Default. Either party may terminate this Agreement and its obligations hereunder if the other party has failed to perform a material

obligation under this Agreement and has not corrected such failure within ninety (90) days after receipt of written notice from the non-defaulting party describing such failure.

5.3 Termination for Bankruptcy. Either party may terminate this Agreement upon written notice to the other party if the other party becomes involved in any voluntary or involuntary bankruptcy or other insolvency proceeding (including an assignment for the benefit of creditors) and such proceeding is not dismissed within sixty (60) days following its commencement.

5.4 Effect of Termination. Any termination of this Agreement shall not affect or discharge the obligation of any party to pay amounts owed to the other party prior to such termination. Nothing in this Agreement shall limit any remedies which either party may have concerning the default of the other, except in no event shall either party be liable to the other for any incidental or consequential damages or lost profits with respect to any failure to perform obligations pursuant to this Agreement. Upon termination, provided, that OPUS is not in default or breach of the terms of this Services Agreement, OXIS shall continue to provide OPUS with sufficient Products to honor all Product orders for up to one hundred twenty (120) days after the effective date of termination.

5.5 Survival or Provisions. The rights and obligations of the parties pursuant to Article IV and Section 3.3 shall survive termination of this Agreement.

ARTICLE VI

MISCELLANEOUS

This Agreement shall be subject to the terms and provisions of Article 12 of the Purchase Agreement, which are hereby incorporated into this Agreement to the extent applicable; provided, however, that OXIS' obligations with regard to the Manufacturing Services may not be assigned.

IN WITNESS WHEREOF, the parties hereto have caused this Services Agreement to be executed by their duly authorized representatives.

OXIS HEALTH PRODUCTS, INC.

By:_____

Name:_____

Title:_____

OPUS DIAGNOSTICS, INC.

By:_____

Name:_____

Title:_____