
**UNITED STATES
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 1, 2004

OXIS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-8092

(Commission File Number)

94-1620407

(I.R.S. employer identification No.)

**6040 N. Cutter Circle, Suite 317
Portland, OR 97217-3935**

(Address of Principal Executive Office, Including Zip Code)

(503) 283-3911

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Item 5. Other Events.

On June 3, 2004, OXIS International, Inc., a Delaware corporation (the “Company”), issued the attached press release announcing that it has secured a \$1.2 million loan from Axonyx Inc., its controlling stockholder. The loan transaction documents included a loan agreement, promissory note and security agreement, forms of which are attached hereto as exhibits.

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

(c) Exhibits.

- 99.1 Press Release, June 3, 2004.
- 99.2 Form of loan agreement, June 1, 2004.
- 99.3 Form of promissory note, June 1, 2004.
- 99.4 Form of security agreement, June 1, 2004.

SIGNATURES

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

OXIS INTERNATIONAL, INC.
(Registrant)

Date: June 9, 2004

By: /s/ Sharon Ellis

Sharon Ellis
Chief Operating and Financial Officer

Contacts:

Investor Relations:

Tony Schor/Kevin Dudley

Investor Awareness, Inc.

(847) 945-2222

www.investorawareness.com

Media Relations:

Will Anderson

Obidicut LLC

(503) 452-7621

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**OXIS RECEIVES \$1.2 MILLION LOAN FROM AXONYX
TO ACCELERATE OXIDATIVE STRESS PROGRAMS**

PORTLAND, Ore.—June 3, 2004 — OXIS International, Inc. (OTCBB:OXIS) (Nouveau Marche:OXIS) today announced that it had secured a \$1.2 million loan from its major investor, Axonyx Inc. (Nasdaq: AXYX). The loan, in the form of a one-year secured note, will be used to continue the advancement of the Company's leading oxidative stress programs and other working capital purposes.

Among the uses the working capital will advance the OXIS Cardiac Predictor Program, which received worldwide attention last October when the New England Journal of Medicine featured a study of an OXIS assay that enabled the prediction of early risk of cardiovascular diseases. In addition, the funds will be used to further OXIS' efforts to bring to market the powerful antioxidant Ergothioneine as a nutritional supplement. OXIS has developed a proprietary method for producing this naturally occurring antioxidant molecule in commercial quantities, and plans to expand beyond its current use as an anti-aging agent in skin care products into the nutritional supplement marketplace.

"This loan is a direct result of our Company's strong relationship with its major investor, Axonyx," stated Ray R. Rogers, chairman and CEO of OXIS. "Axonyx recognizes the tremendous potential of our oxidative stress technologies, as well as the aggressive programs we intend to undertake to advance our leading-edge technologies."

About Axonyx Inc.

Axonyx Inc. is a U.S.-based biopharmaceutical company engaged in the acquisition and development of proprietary pharmaceutical compounds and new technologies useful in the diagnosis and treatment of Alzheimer's disease, human memory disorders and prion-based illnesses such as Mad Cow disease. Its leading Alzheimer's disease drug candidate is Phenserine, a dual action acetylcholinesterase and beta-amyloid precursor protein (β-APP) inhibitor, which is currently in Phase IIB and Phase III clinical trials. A previously completed Phase II trial showed that Phenserine was well tolerated and effective in improving the memory of mild-to-moderate patients suffering from Alzheimer's disease.

About OXIS International

OXIS International Inc., headquartered in Portland, Oregon, focuses on developing technologies and products to research, diagnose, treat and prevent diseases associated with damage from free radical and reactive oxygen species – diseases of oxidative stress. The Company holds the rights to three therapeutic classes of compounds in the area of oxidative stress, and develops, manufactures and markets products and technologies to analyze and treat diseases caused by oxidative stress.

Corporate Headquarters

6040 N Cutter Circle, Suite 317 Portland, Oregon 97217-3935 (503) 283-3911 (800) 547-3686 Fax: (503) 283-4058

Website: www.oxis.com

Statements in this release that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, any statements regarding beliefs, plans, estimates, projections, expectations, goals or intentions regarding the future. Forward-looking statements in this release include statements regarding the advancement of the Company's oxidative stress programs, the advancement of the Cardiac Predictor Program, OXIS' efforts to bring to market the powerful antioxidant Ergothioneine as a nutritional supplement, and the potential of OXIS oxidative stress technologies. Factors that could cause actual results to differ materially from the forward-looking statements include risks and uncertainties such as the Company's ability to raise adequate funding, unforeseen difficulties related to the Company's oxidative stress and other diagnostic products; decreases in the rate of spending by the Company's customers; the development by the Company's competitors of new competing products; and other risks indicated in the Company's filings with the Securities and Exchange Commission. It is important to note that actual outcomes could differ materially from those in such forward-looking statements. Readers should also refer to the documents filed by the Company with the Securities and Exchange Commission, specifically the annual report on Form 10-KSB for the year ended December 31, 2003, filed with the Securities and Exchange Commission on March 26, 2004 and the Company's quarterly reports on Form 10-QSB filed thereafter.

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Corporate Headquarters

6040 N Cutter Circle, Suite 317 Portland, Oregon 97217-3935 (503) 283-3911 (800) 547-3686 Fax: (503) 283-4058
Website: www.oxis.com

AXONYX INC.
500 Seventh Avenue, 10th Floor
New York, NY 10018

June __, 2004
OXIS International Inc.
6040 N Cutter Circle, Suite 317
Portland, OR 97217
Attention: Mr. Ray R. Rogers

Ladies and Gentlemen:

We are pleased to offer a term loan (the "Term Loan") in the aggregate amount of \$1,200,000 (the "Maximum Loan Amount") on the following terms and conditions:

BORROWER: OXIS International, Inc. (the "Borrower").

LENDER: Axonyx Inc. ("AXONYX").

MATURITY

DATE: The Maximum Loan Amount, or such portion thereof as remains outstanding and unpaid, shall become due and payable on June __, 2005 (the "Maturity Date"), subject to earlier payment as provided herein.

PAYMENT

ACCELERATION: Notwithstanding the foregoing Maturity Date, if any of the following events shall occur prior to the Maturity Date, the Term Loan shall become immediately due and payable (each an "Acceleration Event"):

- (i) upon the closing of a Qualified Financing (as hereinafter defined);
- (ii) upon a sale of all or substantially all of the assets of the Borrower by means of a single transaction or a series of related transactions (it being understood that any transactions occurring within a six-month period shall presumptively be included as part of the same sale for purposes of this clause);
- (iii) upon a transfer, conveyance, sale or assignment (by means of a single transaction or a series of related transactions) to any third party(ies) of a majority of the Borrower's issued and outstanding capital stock (it being understood that any transactions occurring within a six-month period shall presumptively be included as part of the same sale for purposes of this clause); and
- (iv) upon any event or series of events whereby the members of the Borrower's Board of Directors that are nominated by AXONYX (currently, Gosse B. Bruinsma, M.D, S. Colin Neill, Steven H. Ferris, Ph.D., Gerard J. Vlak, Ph.D) do not collectively constitute a majority

of the Borrower's Board of Directors (it being understood that this provision shall not apply in the event of the death or voluntary resignation of any of such member).

A "Qualified Financing" shall mean any equity or convertible debt financing, approved by AXONYX (which shall not be unreasonably withheld) in a single transaction or a series of transactions, which results in net proceeds to the Borrower of not less than \$2 million.

PRINCIPAL
PREPAYMENT
PRIVILEGE:

The Borrower will have the right, at any time, to prepay the Term Loan, in whole or in part, without bonus or penalty upon 2 business days prior written notice to AXONYX.

INTEREST RATE:

All outstanding principal of the Term Loan will bear interest during the time which it remains outstanding and unpaid at the rate of 7% per annum, payable quarterly, commencing June 30, 2004.

USE OF
PROCEEDS

The Term Loan shall be used only for working capital purposes and, after a budget has been approved, as provided in a budget approved by the Borrower's Board of Directors and AXONYX (the "Budget"). A proposed Budget shall be submitted by the Borrower to AXONYX no later than June 15, 2004. Notwithstanding the foregoing, prior to the approval of the Budget, the Borrower shall not use any of the proceeds from the Term Loan for any individual obligation or expenditure (or series of related obligations or expenditures) which requires the payment, individually or in the aggregate, of more than \$50,000 without the prior approval of AXONYX.

EVIDENCE OF
INDEBTEDNESS:

To evidence the Term Loan, the Borrower shall execute a promissory note in favour of AXONYX substantially in the form of the promissory note attached hereto as Schedule "A" (the "Note").

SECURITY:

The Maximum Loan Amount, interest thereon and any other liabilities, obligations and indebtedness owed pursuant to the Term Loan by the Borrower to Axonyx shall be secured by a first-priority perfected lien on the scheduled and identified assets of the Borrower (the "Collateral") set forth in the security agreement attached hereto as Schedule "B" (the "Security Agreement"), which shall include, without limitation, a (a) collateral assignment of certain identified intellectual property and (b) a lien on specifically identified receivables, inventory and machinery and equipment, and all products, proceeds and replacements thereof. The parties hereto acknowledge and agree that the transactions contemplated herein, including the execution of the Security Agreement, are not intended to result in an unlawful "business combination" as defined in Section 203 of the Delaware General Corporation Law. The parties in good faith believe that the aggregate market value of the Collateral as of the date hereof does not equal or exceed 10% of the aggregate market value of the Borrower's assets or 10% of the aggregate market value of all of the outstanding stock of the

Borrower (the "Section 203 Maximum Value"). If it is later determined that the aggregate market value of the Collateral as of the date hereof is equal to or greater than the Section 203 Maximum Value, the parties agree that such Collateral will be released from the Security Agreement (with the specific Collateral to be determined by Lender and the Borrower) so that the aggregate market value of the Collateral will be reduced to less than the Section 203 Maximum Value.

REPRESENTATIONS
AND WARRANTIES:

The Borrower represents and warrants to AXONYX that:

- (i) the Borrower is a corporation validly formed and in good standing under the laws of the State of Delaware; the Borrower is duly qualified to carry on business in all jurisdictions which are required by the Borrower's business, except where the failure to be so qualified will not have a material adverse effect on the Borrower;
- (ii) the execution and delivery of this Agreement, the Note and the Security Agreement (together with any documents contemplated therein) have been duly authorized by all necessary actions of the Borrower and do or would not: (a) violate any law, regulation or rule by which the Borrower is bound; (b) violate any provision of the Borrower's certificate of incorporation or by-laws; or (c) result in a breach of, or a default under, any agreement or instrument to which the Borrower is a party, or by which the Borrower may be bound or affected;
- (iii) except as set forth in the most recent Report on Form 10-QSB filed by the Borrower with the Securities and Exchange Commission, there are no actions, suits or proceedings pending or threatened against the Borrower, before or by any federal, state, provincial, municipal or other governmental authority, department, commission, board, bureau, agency or instrumentality, domestic or foreign, whether or not insured, and which may involve the possibility of any judgment or liability against any of the Borrower that could reasonably be expected to have a material adverse effect on any of them; and
- (iv) the Collateral is owned by the Borrower free and clear of any liens or other encumbrances.

The Borrower acknowledges and agrees that the representations and warranties provided in this Agreement will survive all advances on account of the Maximum Loan Amount and shall continue in full force and effect while any portion of the Maximum Loan Amount remains outstanding.

CERTAIN
COVENANTS:

The Borrower covenants to AXONYX that so long as any Term Loan remains outstanding:

- (i) the Borrower shall use its reasonable best efforts to close a Qualified Financing before the Maturity Date and at or around September 30, 2004;

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- (ii) Borrower shall not cause or permit to be placed any lien or encumbrance on any of the Borrower's properties or assets, except for liens for taxes not yet due and payable, mechanics', materialmen's or similar liens;
 - (iii) except for those shares issuable upon exercise of the Borrower's currently existing stock options (or otherwise issued pursuant to awards that may be made under the Borrower's existing stock option plans) or other outstanding securities, Borrower shall not issue any additional shares of its capital stock without the approval of AXONYX;
 - (iv) After a Budget has been approved by the Board of Directors of the Borrower and Axonyx, Borrower shall not make any expenditure which is materially inconsistent with such Budget, except as approved in writing by Axonyx;
 - (v) Borrower shall not authorize any increases in the salary, compensation or benefits or bonuses or extensions of any term of any employee and/or persons providing services to the Borrower without the prior written consent of AXONYX (which may be provided for in the Budget); and
 - (vi) Borrower shall continue to comply with all applicable rules, regulations, statutes, ordinances applicable to it.

EVENTS OF
DEFAULT:

If any one or more of the following events (each an "Event of Default") has occurred and is continuing, including by the mere lapse of time for performance:

- (i) if the Borrower defaults in the payment of the Maximum Loan Amount, or any part thereof, when the same becomes due and payable;
- (ii) if the Borrower defaults in the payment of any interest payable hereunder, or any part thereof, when the same becomes due and payable;
- (iii) if the Borrower shall default in the performance or observance of any material covenant or provision to be performed or observed by it under this Agreement or any material covenant or provision contained in the Security Agreement;
- (iv) if any material representation made by the Borrower in this Agreement or the Security Agreement or in any certificate furnished pursuant hereto shall be false or misleading in any material respect as at any time that such representation is to be effective;

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- (v) if any of the Collateral becomes subject to any lien or encumbrance (except for liens for taxes not yet due and payable, mechanics', materialmen's or other similar liens); or
 - (vi) if the Borrower shall cease to carry on business in the manner authorized by the Borrower's Board of Directors or make expenditures which are not consistent with the Budget, except as approved by the Borrower's Board of Directors;

then AXONYX may, without notice (except in the case of clauses (ii), (iii) or (v) above, AXONYX agrees to provide Borrower with notice and opportunity to cure such default within ten (10) business days following such notice), declare all amounts of any nature payable under this Agreement to be due and payable, whereupon all such amounts shall become due and be payable forthwith, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower. The rights and remedies of AXONYX under this Agreement and any other agreement between the parties hereto are cumulative and are in addition to and not in substitution for any rights or remedies provided by law, and any single or partial exercise by AXONYX of any right or remedy for a default or breach of any term, covenant, condition or agreement contained herein shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy to which AXONYX may be lawfully entitled for the same default or breach, and any waiver by AXONYX of the strict observance, performance or compliance with any term, covenant, condition or agreement contained herein, or any indulgence granted by AXONYX shall be deemed not to be a waiver of any subsequent default.

CONDITIONS
TO AXONYX'S
OBLIGATIONS:

The obligation of AXONYX to make advances on account of the Maximum Loan Amount is subject to and conditional upon the receipt, in form and substance satisfactory to AXONYX and its counsel, of:

- (i) a duly executed copy of this Agreement;
- (ii) a duly executed copy of the Note;
- (iii) a duly executed copy of the Security Agreement; and
- (iv) all other resolutions, certificates, consents and supporting documents (including any UCC-1's or other documents required to perfect AXONYX'S security interest in the Collateral) relating to the authorization and completion of the transactions contemplated hereby, as AXONYX and its counsel reasonably require.

ENTIRE
AGREEMENT:

This Agreement, together with the Note, Security Agreement and the schedules and exhibit attached hereto and thereto, constitute the whole and entire agreement between the parties and supersede any prior agreements, written or verbal, in respect of the Term Loan, including, without limitation, all previous term sheets or proposals.

SEVERABILITY: If any provision of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction, nor shall it invalidate, affect or impair any of the remaining provisions hereof.

NOTICES: Any notice, demand or other communication required or permitted to be given to any party hereunder shall be in writing and shall be:

- (i) personally delivered to such party or a responsible officer of such party; or
- (ii) sent by registered mail, postage prepaid; or
- (iii) sent by confirmed facsimile transmission.

Any notices given pursuant to clauses (i), (ii) or (iii) above shall be sent to the parties at their respective addresses set out below:

- (a) in the case of a notice to the Borrower, addressed to it at:
6040 N. Cutter Circle, Suite 317
Portland, OR 97217

Attention: Ray R. Rogers, CEO
Telephone No: (503) 283-3911
Facsimile No: (503) 283-4058
- (b) in the case of a notice to AXONYX, addressed to it at:
500 7th Avenue, 10th Floor
New York, NY 10018
Attention: S. Colin Neill, CFO
Telephone No: (212) 645-7704
Facsimile No: (212) 989-1745

or at such other address as the party to whom such notice is to be given shall have last notified to the party giving the same in the manner provided in this subsection. Any notice given by personal delivery shall be deemed to be given and received on the date of delivery provided that if such day is not a business day, then the notice shall be deemed to have been given and received on the business day next following such day. Any notice given by mail as aforesaid shall be deemed to have been given and received on the third business day next following the date of its mailing.

FURTHER ASSURANCES: Each party hereto hereby agrees that it will do all such acts and execute all such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of all such acts and will cause the execution of all such further documents as are within its power as any other party hereto

may in writing from time to time reasonably request be done and/or executed, in order to consummate the transactions contemplated hereby or as may be reasonably necessary or desirable to effect the purpose of this Agreement or any document, agreement or instrument delivered pursuant hereto and to carry out their provisions or to better or give effect to the transactions contemplated hereby.

INUREMENT: This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors (including, without limitation, any successor by reason of the consolidation, merger or reorganization of any party) and permitted assigns.

EXPENSES: All expenses incurred by AXONYX in connection with the Term Loan, including, but not limited to, its reasonable legal fees and expenses, shall be for the account of and be paid by the Borrower.

GOVERNING LAW: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to agreement entered into and wholly performed within such State. The parties hereto agree that with respect to any claims which may arise under this Agreement, such claims shall be brought in the State or Federal courts residing in New York County, New York.

Please acknowledge your acceptance of the above terms and conditions by signing the attached copy of this letter in the space provided below and return it to us.

Yours truly,

AXONYX INC.

By: /s/ S. Colin Neill

Name: S. Colin Neill

Title: Chief Financial Officer

We acknowledge and accept the terms and conditions of this Agreement as of the date first above written.

OXIS INTERNATIONAL, INC.

By: /s/ Ray R. Rogers

Name: Ray R. Rogers

Title: Chairman and Chief Executive Officer

Schedule A
Promissory Note

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Schedule B
Security Agreement

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THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE PROVISIONS OF ANY APPLICABLE STATE SECURITIES LAWS, BUT HAS BEEN ACQUIRED BY THE HOLDER HEREOF FOR PURPOSES OF INVESTMENT AND IN RELIANCE OF STATUTORY EXEMPTIONS UNDER THE ACT AND UNDER ANY APPLICABLE STATE SECURITIES LAWS. THIS PROMISSORY NOTE MAY NOT BE SOLD, PLEDGED, TRANSFERRED OR ASSIGNED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER PROVISIONS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN THE CASE OF AN EXEMPTION, ONLY IF THE MAKER HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE MAKER THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION OF THIS PROMISSORY NOTE UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS.

OXIS INTERNATIONAL, INC.

June __, 2004

New York, New York
\$1,200,000

7% SECURED PROMISSORY NOTE

OXIS INTERNATIONAL, INC., a Delaware corporation with an address at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217 (the "Maker"), for value received, hereby promises to pay to AXONYX INC. (the "Holder") on the earliest of (a) June __, 2005 or (b) the receipt by the Maker, in one or more private equity or convertible debt offerings, of an aggregate amount of at least \$2,000,000 in net proceeds from one or more equity or convertible debt offerings of the Maker (the "Private Equity Placement"). The date in which this Promissory Note is payable is hereinafter referred to as the "Maturity Date." Principal and interest shall be payable on the Maturity Date in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts to the Holder at the office of the Maker as hereinafter set forth.

1. Transfers of Note to Comply with the Act

The Holder agrees that this Promissory Note may not be sold, transferred, pledged, hypothecated or otherwise disposed of except to a person to whom the Promissory Note may legally be transferred without registration and without delivery of a current prospectus under the Act with respect thereto and then only against receipt of an agreement of such person to comply with the provisions of this Section 1 with respect to any resale or other disposition of the Promissory Note.

2. Prepayment

Maker may prepay all or any part of the principal sum from time to time without penalty at its sole discretion, provided that any such principal prepayment shall be accompanied by all interest then accrued.

3. Interest

Interest on this Promissory Note shall accrue at the rate of 7% per annum and shall be payable quarterly commencing June 30, 2004.

4. Events of Default and Remedies

The entire unpaid principal sum and all accrued interest shall become immediately due and payable, without notice or demand or upon notice from Holder, upon the occurrence of any one or more of the following events of default ("Events of Default"):

- (a) Maker shall fail to make payment of principal when due;
- (b) Maker shall fail to make payment of interest when due, provided that Maker shall have ten (10) business days to make such payment upon notice from Holder than such payment of interest is due and outstanding;
- (c) Maker shall breach any of its obligations set forth in that certain Security Agreement or Loan Agreement each entered into on the date hereof between Maker and Holder, and such breach shall not be cured within any applicable cure period.

5. Miscellaneous

No delay on the part of Holder in exercising any option, power or right shall constitute a waiver thereof.

In the event this Promissory Note is turned over to an attorney for collection, Maker agrees to pay all costs of collection, including reasonable attorneys' fees, which amounts may, at Holder's option, be added to the principal sum hereof.

No recourse under or upon any obligation, covenant or agreement of this Promissory Note, or for any claim based thereon or in respect thereof, shall be had against any principal, or against any past, present, or future member, manager or economic interest holder as such, of Maker or of any incorporator, stockholder, officer

or director of any successor corporation, either directly or through Maker; it being expressly agreed that this Promissory Note and the obligations hereunder are solely organizational obligations of Maker and any successor corporation.

This Promissory Note shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the State of New York, as applied to agreements entered into and wholly performed within such State. Maker, and any endorsers, sureties and guarantors, agree that the state courts located in the State of New York shall have subject matter jurisdiction to entertain any action brought to enforce or collect upon this Promissory Note and, by execution hereof, voluntarily submit to personal jurisdiction of such courts; provided, however such jurisdiction shall not be exclusive and, at its option, Holder may commence such action in any other court which otherwise has jurisdiction.

Maker waives service of process upon it and consents that all service of process may be made by certified mail (return receipt requested) directed to it, and service so shall be completed ten (10) business days after the same shall have been deposited in the United States mail. Notice hereunder must be given as set forth in the Loan Agreement.

Maker waives demand for payment, presentment for payment, notice of nonpayment or dishonor, protest and notice of protest, and agrees to any extension of time of payment and partial payments before, at or after maturity. No renewal or extension of this Promissory Note, no release or surrender of any security for this Promissory Note, no release of any person liable hereon, no delay in the enforcement hereof and no delay or omission in exercising any right or power hereunder shall affect the liability of Maker. No delay or omission by Holder in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude any or full exercise thereof or the exercise of any other right or power. Each legal holder hereof shall have and may exercise all the rights and powers given to Holder herein. This Promissory Note may not be changed or terminated orally.

The execution and delivery of this Promissory Note has been authorized by the Board of Directors of the Maker.

This Promissory Note shall be binding upon the successors and assigns of Maker and more to the benefit of the Holder and its successors, endorses and assigns. If any term or provision of this Promissory Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

IN WITNESS WHEREOF, Maker has duly executed this Promissory Note on the date first above written.

OXIS INTERNATIONAL, INC.

By: ***SPECIMEN***

Ray R. Rogers
Chairman and Chief Executive Officer

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of June __, 2004, between Axonyx Inc., a Nevada corporation (“Lender”), having its principal place of business at 500 7th Avenue, 10th Floor, New York, New York 10018, and OXIS International, Inc., a Delaware corporation (“Borrower”), having its principal place of business at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217.

Preliminary Statements

Concurrently herewith, Borrower is issuing a Promissory Note (the “Note”) to the Lender in the original principal amount of \$1,200,000 pursuant to that certain Loan Agreement entered into between Lender and Borrower as of the date hereof (the “Loan Agreement”). Contemporaneously with Borrower’s and the Lender’s execution of the Loan Agreement, Borrower has agreed to secure its obligations to the Lender pursuant to the Note, by granting the Lender a security interest in all of the Collateral hereinafter referred to.

1. **Security Interest.** Borrower assigns, transfers and grants to Lender, as security for the payment, observance and performance of all Borrower’s obligations under the Loan Agreement, this Agreement and the Note (collectively the “Obligations”), a security interest in all of Borrower’s right, title and interest in and to all of the Borrower’s intellectual property identified and described in Schedule A attached hereto (the “Collateral”). Said security interest is given to secure equally and ratably the payment, observance and performance of the Obligations pursuant to and in accordance with the terms of the Note. The parties hereto acknowledge and agree that the transactions contemplated by the Loan Agreement and herein are not intended to result in an unlawful “business combination” as defined in Section 203 of the Delaware General Corporation Law. The parties in good faith believe that the aggregate market value of the Collateral as of the date hereof does not equal or exceed 10% of the aggregate market value of the Borrower’s assets or 10% of the aggregate market value of all of the outstanding stock of the Borrower (the “Section 203 Maximum Value”). If it is later determined that the aggregate market value of the Collateral as of the date hereof is equal to or greater than the Section 203 Maximum Value, the parties agree that such Collateral will be released from the Security Agreement (with the specific Collateral to be determined by Lender and Borrower) so that the aggregate market value of the Collateral will be reduced to less than the Section 203 Maximum Value.
2. **Representations and Warranties of Borrower.** Borrower represents and warrants to Lender as follows:

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The execution, delivery and performance of this Agreement are (i) within Borrower’s corporate powers and have been or will be duly authorized by such votes of the directors and

stockholders as applicable law requires, and (ii) not in contravention of law nor of the terms of Borrower's (x) charter or by-laws or (y) any material agreement or undertaking to which Borrower is a party or by which it is bound the effect of which would give rise to a material adverse effect on the Company.

(b) Borrower has good and merchantable title to the Collateral and, except for any existing liens for taxes not yet due and payable, mechanics, materialmen's or other similar liens, there are no claims, liens, charges, security interests or other encumbrances against the Collateral and Borrower will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(c) Borrower's principal place of business and chief executive office at 6040 N. Cutter Circle, Suite 317, Portland, Oregon 97217 (the "Premises").

(d) The records concerning the Collateral will at all times during the term of this Agreement be located at the Premises.

(e) Borrower will notify the Lender promptly of (i) any change in the location of its principal place of business or of its records concerning the Collateral or of the Equipment or Inventory, and (ii) the establishment of any new place where Inventory, Equipment or records of its Accounts are kept, or other new place of business.

3. Further Assurances. Borrower shall from time to time execute one or more financing statements and such other instruments as may be required to perfect the security interest created by this Agreement, including any continuations or amendments of such financing statements and Borrower shall pay the cost of filing or recording the same in the public offices deemed necessary or desirable by the Lender. Borrower shall do such other acts as the Lender may reasonably request to establish and maintain the security interest in the Collateral created by this Agreement.

4. Preservation and Protection of Collateral or Business of Borrower.

(a) Borrower will not waste or destroy the Collateral, nor sell, transfer, assign, pledge or otherwise dispose of the Collateral or any interest therein to any person, provided that Borrower may sell portions of the Inventory in the ordinary course of its business. Except as allowed herein or pursuant to this Agreement, Borrower shall not cause any lien or encumbrance to be placed on any of the Collateral without the prior consent of Lender, and Borrower shall not assign, convey, license, sublicense any Collateral or rights to any Collateral except in the ordinary course of business.

(b) At all times following the execution of this Agreement, the Equipment shall remain in Borrower's possession or control and at Borrower's risk of loss.

(c) The Inventory and Equipment will be kept at the Premises. Borrower will promptly notify the Lender of any change in the location of the Inventory and Equipment and will not remove the Inventory (except in the ordinary course of business) and Equipment from said site (except in the ordinary course of business) without the written consent of the Lender.

(d) Borrower will, at its own cost and expense, keep the Equipment and its other property in good order, condition and repair, ordinary wear and tear excepted.

5. Discharge of Liens. The Lender may, at its option, discharge all taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the preservation of the Collateral, and Borrower agrees to reimburse the Lender on demand for any payment made, or any expense reasonably incurred, by the Lender pursuant to this authorization.

6. Rights on Default. If Borrower shall fail to meet any payment Obligation or otherwise breaches an Obligation (after the passage of any applicable cure periods set forth herein, the Note or the Loan Agreement) (each, an "Event of Default"), the Lender shall have the following rights:

(a) It may, by notice to Borrower, declare the entire amount of the Obligations to be due and payable immediately, and upon any such declaration said amount shall become and be immediately due and payable.

(b) It shall have and may exercise all rights and remedies of a secured party under the Uniform Commercial Code of the State of New York or any other applicable jurisdiction.

(c) If any notification of intended disposition of the Collateral is required by law, such notification, if mailed, shall be deemed properly given if mailed at least ten (10) business days before such disposition in the manner for giving notices hereunder. Any proceeds of any disposition of the Collateral may be applied by the Lender to the payment of expenses of the Lender in connection with the exercise of its rights or remedies, including reasonable fees and disbursements of attorneys, and any balance of such proceeds may be applied by Lender to the payment of the Obligations in accordance with the terms of the Loan Agreement and any remaining proceeds shall be paid to the Borrower.

(d) It may take possession of the Collateral and for the purposes thereof enter the premises at which any Collateral is located. Borrower acknowledges that Lender may at its sole option exercise its rights of entry and possession under this and the following Section without resort to judicial process.

7. Remedies Cumulative, etc. No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedy and each such remedy shall be

cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission of Lender to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Agreement to the Lender may be exercised from time to time. Receipt by the Lender of any payment required to be made pursuant to the Obligations with knowledge of the breach of any provisions of this Agreement or the Note shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Agreement, the Lender shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Agreement, the Note or to a decree concerning performance of any of the provisions of this Agreement, the Loan Agreement or the Note or to any other remedy legally allowed to Lender.

8. Security Interest and Rights Not to Be Affected.

(a) Any portion of the Collateral may be released with the written consent of Lender, without affecting the security interest hereof against the remainder. The taking of additional security, or the extension or renewal of any Obligation, shall at no time release or impair the lien of this Agreement or improve the right of any permitted junior lienholder or any person acquiring an interest in the Collateral; and this Agreement shall be and remain a first priority security interest on all of the Collateral not expressly released as permitted hereby, until the Obligations shall be paid in full.

(b) Unless otherwise required by law, Borrower shall not have or assert any right, under any statute or rule of law pertaining to the marshalling of assets or other matter whatever, to defeat, reduce or affect the right of the Lender, under the provisions of this Agreement, to a sale of the Collateral for the collection of the Obligations secured hereby (without any prior or different resort for collection), or the right of the Lender, under the provisions of this Agreement, to require the payment of the Obligations out of the proceeds of sale of the Collateral or any portion thereof in preference to every other person.

9. Notices. All notices, consents, approvals and other communications (collectively, "Notices") to either party hereunder shall be in writing and shall be deemed properly given if sent as provided by the notice provisions of the Loan Agreement

10. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of New York, as applied to agreements entered into and wholly performed within such State.

11. Successors and Assigns. This Agreement shall inure to the benefit of and shall bind the successors and assigns of the parties hereto.

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12. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered, in its name and behalf.

BORROWER:

OXIS INTERNATIONAL, INC.

By: _____

Name:

Title:

LENDER:

AXONYX INC.

By: _____

Name:

Title:

STATE OF)
) ss.:
COUNTY OF)

On this __ day of June, 2004, before me, a Notary public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared _____, known to me to be the _____ of OXIS International, Inc., the corporation that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of said corporation, and he acknowledged to me that said corporation executed the within instrument pursuant to a resolution and/or approval of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public

[Notarial Seal]

My Commission Expires _____

Schedule A

The Collateral

The Collateral shall consist of such tangible assets that equal 9.9% in value of all the tangible assets of the Borrower and such patents that equal 9.9% in value of all the patents owned by the Borrower (but in no event shall the values exceed the aggregate values that are permitted by Section 203 of the Delaware General Corporation law), as agreed in good faith by the Borrower and the Lender, and which shall be appended to this Schedule A as soon as reasonably possible.