

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

X Quarterly report pursuant to Section 13 or 15(d) of the Securities

Exchange Act of 1934 for the quarterly period ended March 31, 1999.

_____ Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number O-8092

OXIS INTERNATIONAL, INC.

A Delaware corporation
I.R.S. Employer Identification No. 94-1620407
6040 N. Cutter Circle, Suite 317
Portland, OR 97217
Telephone: (503) 283-3911

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

At March 31, 1999, the issuer had outstanding the indicated number of shares of common stock: 7,871,196

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1999	1998
<S>	<C>	<C>
Revenues:		
Product sales	\$ 1,406,000	\$ 1,296,000
Royalties and license fees	50,000	51,000
Total revenues	1,456,000	1,347,000
Costs and expenses:		
Cost of sales	1,007,000	1,259,000
Research and development	770,000	931,000
Selling, general and administrative	858,000	981,000
Total costs and expenses	2,635,000	3,171,000
Operating loss	(1,179,000)	(1,824,000)
Interest income	18,000	11,000
Interest expense	(30,000)	(27,000)
Net loss	(1,191,000)	(1,840,000)

Other comprehensive income (loss) -		
Foreign currency translation adjustments	12,000	(59,000)
	-----	-----
Comprehensive loss	<u>\$(1,179,000)</u>	<u>\$(1,899,000)</u>
Net loss per share - basic and diluted	<u>\$ (.15)</u>	<u>\$ (.32)</u>
Weighted average number of shares used in computation - basic and diluted	<u>7,845,926</u>	<u>5,734,778</u>

</TABLE>

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CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
	(Unaudited)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$1,483,000	\$ 2,575,000
Accounts receivable	1,117,000	992,000
Inventories	1,565,000	1,576,000
Prepaid and other	490,000	258,000
	-----	-----
Total current assets	4,655,000	5,401,000
Property and equipment, net	858,000	2,817,000
Technology for developed products and custom assays, net	2,382,000	2,570,000
Other assets	324,000	380,000
	-----	-----
Total assets	<u>\$8,219,000</u>	<u>\$11,168,000</u>

</TABLE>

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CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current liabilities:		
Notes payable	\$ 724,000	\$ 724,000
Accounts payable	563,000	716,000
Accrued payroll, payroll taxes and other	705,000	820,000
Current portion of long-term debt	48,000	111,000
	-----	-----
Total current liabilities	2,040,000	2,371,000
Long-term debt due after one year	174,000	1,613,000
Shareholders' equity:		
Preferred stock - \$.01 par value; 15,000,000 shares authorized:		
Series B - 428,389 shares issued and outstanding		

at March 1999 (liquidation preference of \$1,000,000)	4,000	4,000
Series C - 807,878 shares issued and outstanding at March 31, 1999	8,000	8,000
Common stock - \$.001 par value; 95,000,000 shares authorized; 7,871,196 shares issued and outstanding at March 31, 1999	8,000	8,000
Additional paid in capital	52,754,000	52,754,000
Accumulated deficit	(46,494,000)	(45,303,000)
Accumulated translation adjustments	(275,000)	(287,000)
	-----	-----
Total shareholders' equity	6,005,000	7,184,000
	-----	-----
Total liabilities and shareholders' equity	\$ 8,219,000	\$ 11,168,000
	=====	=====

</TABLE>

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	1999	1998
	<C>	<C>
Cash flows from operating activities:		
Net loss	\$(1,191,000)	\$(1,840,000)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	289,000	362,000
Gain on sale of land and building	(16,000)	--
Changes in assets and liabilities:		
Accounts receivable	(130,000)	784,000
Inventories	--	(47,000)
Prepaid and other current assets	(233,000)	31,000
Accounts payable	(145,000)	(262,000)
Accrued payroll, payroll taxes and other	(96,000)	136,000
	-----	-----
Net cash used for operating activities	(1,522,000)	(836,000)
Cash flows from investing activities:		
Proceeds from sale of land and building	1,959,000	--
Purchases of equipment	(25,000)	(10,000)
Additions to other assets	(24,000)	(58,000)
Other, net	(1,000)	(13,000)
	-----	-----
Net cash provided by (used for) investing activities	1,909,000	(81,000)
Cash flows from financing activities:		
Proceeds from issuance of notes	--	546,000
Stock issuance costs	--	(28,000)
Repayment of short-term borrowings	--	(424,000)
Repayment of long-term debt	(1,502,000)	(20,000)
	-----	-----
Net cash provided by (used for) financing activities	(1,502,000)	74,000
Effect of exchange rate changes on cash	23,000	(37,000)
	-----	-----
Net decrease in cash and cash equivalents	(1,092,000)	(880,000)
Cash and cash equivalents - beginning of period	2,575,000	1,290,000
	-----	-----

Cash and cash equivalents - end of period \$ 1,483,000 \$ 410,000

</TABLE>

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS AND CONDENSED NOTES

The unaudited consolidated financial statements, which have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. All adjustments considered necessary by management for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

An annual report (Form 10-K/A) has been filed with the Securities and Exchange Commission ("Commission") for the year ended December 31, 1998. That report contains, among other information, a description of the Company's business, audited financial statements, notes to the financial statements, the report of the independent auditors and management's discussion and analysis of results of operations and financial condition. Readers of this report are presumed to be familiar with that annual report.

2. INVENTORIES

Inventories are stated at the lower of cost or market. Cost has been determined by using the first-in, first-out method. Inventories at March 31, 1999 and December 31, 1998, consisted of the following:

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
	<C>	<C>
Raw materials	\$ 867,000	\$ 817,000
Work in process	325,000	406,000
Finished goods	373,000	353,000
	-----	-----
Total	\$1,565,000	\$1,576,000
	=====	=====

</TABLE>

3. OPERATING SEGMENTS

The following table presents information about the Company's two operating segments:

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<TABLE>

<CAPTION>

	Health Products	Therapeutic Development	Total
	<C>	<C>	<C>
Quarter ended March 31, 1999:			
Revenues from external customers	\$1,428,000	\$ 28,000	\$ 1,456,000
Intersegment revenues	--	24,000	24,000
Segment loss	(409,000)	(782,000)	(1,191,000)
As of March 31, 1999 -			
Segment assets	5,885,000	2,334,000	8,219,000
Quarter ended March 31, 1998:			
Revenues from external customers	\$1,347,000	\$ --	\$ 1,347,000
Intersegment revenues	--	29,000	29,000
Segment loss	(962,000)	(878,000)	(1,840,000)

As of March 31, 1998 -
Segment assets 8,211,000 2,239,000 10,450,000
</TABLE>

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased during the first quarter of 1999 by \$415,000, from \$3,030,000 at December 31, 1998 to \$2,615,000 at March 31, 1999. The reduction in working capital resulted primarily from the effect of the net loss for the quarter (\$1,191,000 less non-cash charges of \$289,000), offset by a \$543,000 net increase in working capital from the sale of land and buildings and payment of related debt.

Cash and cash equivalents decreased from \$2,575,000 at December 31, 1998 to \$1,483,000 at March 31, 1999.

While the Company believes that its new therapeutic products and technologies show considerable promise, its ability to realize significant revenues therefrom is dependent upon the Company's success in developing business alliances with biotechnology and/or pharmaceutical companies that have the required resources to develop and market certain of these products. There is no assurance that the Company's effort to develop such business alliances will be successful.

The Company expects to continue to report losses in 1999 as the level of expenses is expected to continue to exceed revenues. The Company can give no assurances as to when and if its revenues will exceed its expenses. New revenue sources or additional capital will be required during 1999 for the Company to continue operating in accordance with its current plans. Failure to either generate new revenue sources or to raise additional capital would cause the Company to severely curtail or cease operations.

INFORMATION SYSTEMS AND THE YEAR 2000

As is the case with most other companies using computers in their operations, the Company is in the process of addressing the Year 2000 problem. The Company has reviewed most of its computer hardware and software to determine whether they will consistently and properly recognize the Year 2000. Certain of the Company's systems include hardware and packaged software recently purchased from vendors who have represented that these systems are already Year 2000 compliant.

Other hardware and software currently being used by the Company has been identified by the Company as not being Year 2000 compliant, particularly certain packaged software used in the Company's accounting systems. The Company is in the process of upgrading that software to year 2000 compliant versions. If the Company were unable to replace software and hardware to make its accounting and manufacturing systems Year 2000 compliant, the Company believes that it could implement manual systems to carry out its business without significant interruption.

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The Company expects to complete its review of all of its systems, including embedded technology in non-information technology systems, which might be affected by the Year 2000 issue by the second quarter of 1999. The Company has reviewed or is reviewing communications, security, and environmental monitoring and control systems as well as certain laboratory and manufacturing equipment and equipment manufactured for customers. The Company believes that, in the worst likely case, such systems or components thereof can be replaced to make such systems Year 2000 compliant.

The Company expects that the total cost for upgrades and replacements of software, older computer hardware and other systems or components including embedded technology that might be affected by the Year 2000 issue will not exceed \$100,000.

The Company relies on a number of vendors and suppliers including banks,

telecommunications providers, transportation companies and other providers of goods and services. The inability of certain of these third parties to conduct their business for a significant period of time due to the Year 2000 issue could have a material impact on the Company's operations. The Company does not have the resources to determine whether all such vendors and suppliers are Year 2000 compliant. However, the Company expects that it could find other vendors and suppliers if any of its current vendors or suppliers are unable to continue to provide goods or services to the Company, but no assurances can be given as to how long it will take to find substitute vendors and suppliers.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 1999
 COMPARED WITH THREE MONTHS ENDED MARCH 31, 1998

REVENUES

The Company's revenues for the quarters ended March 31, 1999 and 1998 were as follows:

	1999	1998
Diagnostic and research assays	\$ 848,000	\$ 416,000
Instrument sales and development	487,000	810,000
Other	121,000	121,000
	-----	-----
	<u>\$1,456,000</u>	<u>\$1,347,000</u>

Sales of the Company's diagnostic and research assays increased from \$416,000 in the first quarter of 1998 to \$848,000 in the first quarter of 1999. This increase of \$432,000 was primarily due to increased sales volumes to the Company's distributors in the first quarter of 1999, following below normal sales volumes in the first quarter of 1998.

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Revenue from instrument sales and development declined by \$323,000, from \$810,000 in the first quarter of 1998 to \$487,000 in the first quarter of 1999. This decrease resulted from reduced orders from certain customers for whom the Company acts as an original equipment manufacturer.

COSTS AND EXPENSES

Including amortization of purchase adjustments, cost of sales was 97% of product sales for the first quarter 1998 and decreased to 72% of product sales for the first quarter of 1999. This decrease in the cost of sales as a percentage of sales is due primarily to the effect of the fixed manufacturing costs for the Company's research and diagnostic assays being spread over manufacturing and sales volume for the first quarter of 1999 which was approximately double that of the first quarter of 1998. Cost of sales of research and diagnostic assays in the first quarter of 1999 were \$40,000 less than in the first quarter of 1998, despite an increase in volume. Cost of sales for the Company's instrument sales and development business also declined, by \$260,000 due primarily to lower sales volumes.

Costs of sales in the first quarter of both 1998 and 1999 includes approximately \$210,000 in amortization of purchase adjustments relating to 1994 and 1997 business acquisitions. Excluding such amortization the cost of product sales for the first quarter of 1998 was approximately 81% of product sales and the cost of sales for the first quarter of 1999 was approximately 57% of product sales.

Research and development expenses decreased from \$931,000 in the first quarter of 1998 to \$770,000 in the first quarter of 1999. The decrease in

research and development expenses resulted from cost reductions in the first quarter of 1999 compared to the first quarter of 1998 of (1) \$30,000 for outside development contracts primarily relating to the development of the Company's lead molecule, BXT-51072, which is currently in Phase II clinical trials for ulcerative colitis, (2) \$33,000 in research and development costs of the Company's French subsidiary and (3) \$98,000 in research and development costs in the United States other than the costs of clinical trials. Research and development expenses in the first quarter of 1998 included severance costs relating to a staff reduction in the United States.

During the first quarter of 1999 the Company decided to reduce its research and development costs by closing its French research laboratory. Substantially all research and development activities carried on by the Company's French subsidiary were ceased in early 1999. The lease of the French subsidiary's facility was not renewed when it terminated at the end of April 1999. Research and development costs of the French subsidiary decreased from \$422,000 in the first quarter of 1998 to \$389,000 in the first quarter of 1999. Costs in the first quarter of 1999 include severance costs for approximately half of the French employees. The remainder of the employees, who are involved in the final closure of the operations, are expected to be terminated during the second quarter of 1999.

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Selling, general and administrative expenses decreased from \$981,000 in the first quarter of 1998 to \$858,000 in the first quarter of 1999. The decrease is primarily the result of reductions in selling, general and administrative expenses of OXIS' instrument business in the first quarter of 1999 as compared to 1998. The cost reductions resulted from the consolidation of certain sales and administrative functions of OXIS' instrument business with those of its assay and other health products business.

NET LOSS

The Company continued to experience losses in the first quarter of 1999. The first quarter 1999 loss of \$1,191,000 (\$.15 per share-basic and diluted) was \$649,000 less than the \$1,840,000 (\$.32 per share-basic and diluted) loss for the first quarter of 1998. The decrease in the net loss is primarily due to the increase in gross margin from product sales and decreases in research and development and selling, general and administrative costs.

The Company expects to incur a substantial net loss for 1999. If the Company develops substantial new revenue sources or if substantial additional capital is raised through further sales of securities (See Financial Condition, Liquidity and Capital Resources), the Company plans to continue to invest in research and development activities and incur sales, general and administrative expenses in amounts greater than its anticipated near-term product margins. If the Company is unable to raise sufficient additional capital or to develop new revenue sources, it will have to cease, or severely curtail, its operations. In this event, while expenses will be reduced, expense levels, and the potential write down of various assets, would still be in amounts greater than anticipated revenues.

Certain of the matters discussed in this Report such as management's plans regarding research and development activities and the continuation of its current business plans are forward-looking statements that involve risks and uncertainties, including the Company's ability to raise additional financing, its ability to enter into alliances, the timely development and market acceptance of new products, the impact of competitive products and pricing, economic conditions, and other risks. These factors could cause actual results to differ materially from those described in any forward-looking statements.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits - See Exhibit Index on page 12.

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 thereunto duly authorized.

OXIS International, Inc.

May 13, 1999 By /s/ Ray R. Rogers

 Ray R. Rogers
 Chairman and Chief Executive Officer

May 13, 1999 By /s/ Jon S. Pitcher

 Jon S. Pitcher
 Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description of Document
10(a)	Agreement of Sale dated December 2, 1998
10(b)	Sublease Agreement dated February 19, 1999
10(c)	Rider to Sublease Agreement dated February 19, 1999
27(a)	Financial data schedule

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EXHIBIT 10(A)
AGREEMENT OF SALE

THIS AGREEMENT is made as of this 2nd day of December, 1998, by and between OXIS INSTRUMENTS, INC., a Pennsylvania corporation with its registered office located at 55 Steam Whistle Drive, Ivyland, Bucks County, Pennsylvania, (hereinafter referred to as "SELLER"), of the one part, and GIULIANO FAMILY LIMITED PARTNERSHIP, a Pennsylvania limited partnership, with its registered address c/o deGrouchy, Sifer & Company, 892 Second Street Pike, Richboro, Pennsylvania 18954 (hereinafter referred to as "BUYER"), of the other part.

W I T N E S S E T H:

WHEREAS, INNOVATIVE MEDICAL SYSTEMS CORP., (hereinafter referred to as "IMS"), is the fee simple, record title owner, of all that certain lot or piece of ground and the building thereon erected, situate 55 Steam Whistle Drive, Ivyland, Township of, County of Bucks, Pennsylvania, being County Tax Map Parcel No. 31-1-8-15 as more fully described in Exhibit "A" attached hereto and made a part hereof, (hereinafter referred to as the "Premises"); and

WHEREAS, IMS filed Articles of Amendment to its Articles of Incorporation with the Commonwealth of Pennsylvania, Department of State, on September 29, 1998, changing its name to "Oxis Instruments, Inc.", the SELLER herein; and

WHEREAS, BUYER desires to purchase and acquire the Premises upon certain terms and conditions more fully set forth herein; and

WHEREAS, the parties hereto have agreed upon a purchase price together with the terms of payment of the price and a date for settlement and consummation of this Agreement

NOW THEREFORE, the parties hereto, intending to be legally bound hereby under and pursuant to the Uniform Written Obligations Act, 33 P.S. (S)(S)6-8, and in consideration of the mutual promises and undertakings herein set forth, the parties do agree as follows:

ARTICLE 1. SALE AND PURCHASE PRICE

Amount of Purchase Price

1.01. On and subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell, convey, transfer, assign and deliver to Buyer, and Buyer hereby agrees to purchase from Seller, the following properties and assets:

- (1) The Premises;
- (2) All of Seller's right, title and interest in and to any furniture, fixtures, equipment and other tangible personal property located in or on the Premises used or useful in connection with the operation of the Premises (the "Personalty"), such items to be more particularly set forth on the inventory annexed hereto as Exhibit "B"; and
- (3) All of Seller's right, title and interest in, to and under all contracts and agreements relating to the leasing, use, occupancy and operation of the

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Premises (collectively, the "Service Contracts"), a schedule of which Service Contracts is attached hereto as Exhibit "C", to the extent that BUYER elects to assume or continue any or all of the contracts or agreements.

The purchase price which BUYER agrees to pay to SELLER and SELLER agrees to accept from BUYER ("Purchase Price") for the purchase and sale of the Premises shall be Two Million Sixty Two Thousand Five Hundred and No/100 (\$2,062,500.00) Dollars.

PAYMENT OF PURCHASE PRICE

1.02. The Purchase Price for the Premises shall be paid by BUYER to SELLER in the following manner:

- (1) Within Five (5) days of the execution of this Agreement by SELLER and BUYER, BUYER shall deposit the sum of Fifty Thousand and No/100 (\$50,000.00) Dollars with Robert Chalpin Associates, Inc., agent for First American Title Insurance Company, a duly licensed title company in the Commonwealth of Pennsylvania as escrowee ("Escrow Agent"). Escrow Agent shall hold said fund in accordance with the requirements of Subparagraph 1.03 and 1.04 infra.
- (2) The balance of the Purchase Price, subject to the adjustments set forth herein, shall be paid by BUYER to SELLER by wire transfer of immediately available federal funds at the time of Closing.

1.03 Escrow Agent shall deposit said sum in an interest-bearing account at FDJC insured bank, until consummation or termination of this Agreement under BUYER's tax identification number. All interest on said funds shall be credited to BUYER, except in the event of s default. Said monies, together with all interest earned thereon, shall be referred to herein as "Deposit Monies"). At the time of consummation of the transaction evidenced by this Agreement (hereinafter referred to as "Closing"), the Deposit Monies shall be paid by Escrow Agent to SELLER and credited against the Purchase Price or paid to the party entitled thereto upon cancellation pursuant to the provisions of this Agreement. This Agreement shall constitute instructions to the Escrow Agent

1.04 SELLER and BUYER agree to release and hold harmless Escrow Agent upon faithful tender of the Deposit Monies in accordance with Subparagraph 1.03 supra, or in the event of a dispute between SELLER and BUYER as to the entitlement of the Deposit Monies, upon the payment of the Deposit Monies into the Court of Common Pleas, Bucks County, Pennsylvania.

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ARTICLE 2. BUYER'S INSPECTIONS

BUYER'S INSPECTIONS

2.01 Subject to the provisions of Paragraph 2.03, hereinafter, BUYER at BUYER's sole cost and expense shall have the right to conduct all inspections of the Premises as BUYER deems necessary and prudent, or as may be required by s Lender, and, in addition, BUYER shall be permitted to conduct any and all necessary tests provided that such tests do not damage, impair or alter any item or component inspected. BUYER shall indemnify and hold SELLER harmless from any damage for repair or replacement sustained by any component or item inspected and any loss, damage or liability of the activities of BUYER or any of BUYER's agents in connection with the performance of any inspection(s) or test(s).

2.02 SELLER authorizes and permits BUYER and/or BUYER's agents to enter upon the Premise to conduct any inspection or test after reasonable notice to SELLER and at reasonable times. BUYER agrees to use its best efforts not to disrupt SELLER's operations in the conduct of any inspection(s) and/or test(s).

2.03 Within Fifteen (15) days of execution of this Agreement by SELLER and BUYER, BUYER shall have the Premises, the improvements, and all components or systems, including but not limited to the structural, mechanical, electrical, plumbing, HVAC, water supply, septic disposal and/or environmental systems inspected by a contractor, engineer and/or entity at BUYER's choice and sole expense. (collectively, the "Inspections") BUYER shall obtain the results no later than Thirty (30) days following the Inspections. If the results of the Inspections are unacceptable to BUYER, BUYER shall, within Five (5) days of BUYER's receipt of the results: (a) Provide SELLER with a copy of the results and request SELLER at SELLER's expense to remedy all or such items as BUYER may request. SELLER shall notify BUYER within Five (5) days of the receipt of BUYER's notice whether SELLER will undertake to remedy all of the items identified by BUYER. In the event SELLER refuses to remedy all items or BUYER is

not satisfied with SELLER's response, BUYER at its option may elect to terminate this Agreement and at that time receive all Deposit Monies, or, (b) Accept the Premises without adjustment or abatement of the Purchase Price

2.04 Notwithstanding anything contained in this Agreement to the contrary Seller makes no representation, either prior to or to Closing, with respect to the condition or character of the Premises or the use or uses to which the Premises may be put, except as herein provided.

BUYER HEREBY ACKNOWLEDGES and AGREES AN]) REPRESENTS THAT BUYER HAS HAD THE OPPORTUNITY TO FULLY INSPECT THE PREMISES ANT) THAT BUYER IS PURCHASING THE PREMISES "AS IS", "WHERE IS" ANT) "WITH ALL FAULTS" AND IN ITS PRESENT CONDITION ANT) SUBJECT TO ALL USE, REASONABLE WEAR AND TEAR BETWEEN THE DATE HEREOF AND THE DATE OF CLOSING. In making and executing this Agreement. Buyer has not relied upon or been induced by any statements or representations of any person (other than those, if any, set forth expressly in this Agreement or any Exhibit hereto) in respect of the title to, or the physical or environmental condition of, the Premises (including, without limitation, the zoning classification or permitted use of the Premises) or income, expense, operation or other matter

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or thing affecting or relating to the Premises, or this transaction is general, which might be pertinent or considered in the making or the execution of this Agreement. Buyer has, on the contrary, relied solely on such representations, if any, as are expressly made herein and on such investigations, examinations and inspections as Buyer has chosen to make or have made and this Agreement shall continue in full force and effect in accordance with its terms.

ARTICLE 3. WARRANTIES AND AGREEMENTS BY SELLER

SELLER'S WARRANTY AS TO LEASES

3.01 SELLER hereby warrants that no person, firm or corporation has any title, interest, or right to possession of said property or any portion thereof as a lessee, tenant, or concessionaire of SELLER.

WARRANTY AS TO INSURANCE

3.02. SELLER hereby warrants that the Premises are covered by policies of property, casualty, and liability insurance maintained by the Seller and that such policies will be maintained in full force and effect until Closing or termination of this Agreement, for any covered claims, loss, cost or expense for personal injury, and/or property damage arising during the period of Seller's ownership of the Premises. SELLER shall, following Closing, indemnify and hold BUYER harmless for any of the liability, loss, costs or expenses arising out of SELLER's negligence or tortuous misconduct during the period of its ownership and operation of the Premises, which obligation shall survive Closing.

WARRANTY AS TO SERVICE CONTRACTS

3.03. SELLER hereby warrants that attached hereto marked Exhibit "C" and incorporated herein by reference is a true and complete list of the Service Contracts. Upon execution of this Agreement, Seller will deliver true and correct copies of the Service Contracts to Buyer which Buyer will return to Seller in the event of any termination of this Agreement.

AGREEMENT AS TO SERVICE CONTRACTS

3.04. SELLER agrees that until Closing and delivery of possession of said Premises to BUYER as herein provided, SELLER shall:

- (1) Perform all obligations arising under the Service Contracts through to Closing.
- (2) Maintain the Premises in good repair and in the same condition, reasonable wear and tear excepted, as it was at the time it was inspected by BUYER.
- (3) Continue to operate and manage the Premises in a reasonable, diligent, and prudent manner; provided, however, SELLER shall not enter into any additional leases or agreements or extensions of any existing leases or agreements pertaining to the Premises.

SELLER shall not make or enter into any contract which cannot be terminated without charge, cost, penalty or premium on or before Closing and which would bind or be a charge against the Premises or Buyer after Closing without

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BUYER's prior written consent which shall not be unreasonably withheld, delayed or conditioned. SELLER shall not make or enter into any contract for any improvement, alteration, addition, demolition, or removal of or to the Premises or any portion thereof without Buyer's prior written consent which shall not be unreasonably withheld, delayed or conditioned.

INDEMNITY AGREEMENT

3.05. SELLER agrees to indemnify and hold BUYER, and the Premises free and harmless for any liability arising because of a breach of lease, breach of contract, or other matter related to the Premises which occurred or is alleged to have occurred during SELLER's ownership, maintenance and control of the Premises and prior to Closing as herein provided.

FIXTURES

3.06. SELLER agrees that the Personalty shall be free and clear of all liens, security interests and encumbrances. Seller's interest in the Personalty shall be conveyed to Buyer at Closing by Seller's duly executed Bill of Sale, substantially in the form attached hereto as Exhibit "D" (the "Bill of Sale").

REPRESENTATIONS

3.07. SELLER represents and warrants to BUYER that:

- (1) SELLER is not a "foreign person" within the meaning and for purposes (S)897 and (S)1445 of the Internal Revenue Code;
- (2) To the best of SELLER's knowledge and information, without the benefit of any independent investigation by SELLER the facts set forth in the Findings and Summary of the Phase I Environmental Site Assessment performed by MAK Environmental, Inc., dated September 19, 1996, Project No. 1346.86, are true and correct as of that date and to the present, and SELLER possesses no information, actual or constructive, to the contrary.
- (3) To the best of SELLER's knowledge and information, without the benefit of any independent investigation by SELLER the facts set forth in the Conclusions and Recommendations of the Phase II Underground Storage Tank Removal and Potable Well Water Sampling Report performed by MAK Environmental, Inc. for AT&T Small Business Lending Corporation, dated October 17, 1996, MAK Assessment No. 1396.96, are true and correct as of that date and to present, and SELLER possesses no information, actual or constructive, to the contrary.
- (4) SELLER is in sole possession of the Premises, and no other person or entity has any title, interest, right of possession, lien or claim in or to the Premises, and/or fixtures.
- (5) SELLER has no written or oral notice of any uncorrected violations of any building, housing, fire, safety or similar ordinance or regulation

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from any municipal, state and/or federal government or agency.

- (6) SELLER is a corporation in good standing under the laws of the Commonwealth of Pennsylvania.
- (7) SELLER has full corporate power and authority to enter into this Agreement and to consummate the contemplated transaction, and has been duly authorized by all necessary corporate action to execute and deliver this Agreement.

- (8) To the actual knowledge of Seller, the execution and delivery by SELLER of this Agreement and the consummation of this contemplated transaction will not violate any law or conflict with or result in any breach or violation of, or constitute a default under, any agreement, instrument or obligation to which SELLER is a party, or constitute an event or condition that would permit termination or acceleration of the maturity of the Articles of Incorporation or By-Laws,
- (9) No approval, authorization, consent or order of court is required for the execution, delivery and consummation of this Agreement.
- (10) The execution and delivery of this Agreement by SELLER will not conflict with any order, judgment or decree of any court, government, government agency or instrumentality by which SELLER is bound or affected.
- (11) To Seller's actual knowledge, no litigation or condemnation proceedings are pending or threatened against SELLER with respect to the Property.
- (12) To the actual knowledge of SELLER, during s ownership and operation of the Premises, no "hazardous materials" excluding those used, handled and disposed in accordance with applicable environmental laws and regulations in connection with Seller's operation of its activities on the Premises, have been placed on or under the Premises, which term shall mean any hazardous or toxic substance, material or waster which is or becomes regulated by any local, state or federal government; that would result in the contamination of the Premises.

ARTICLE 4. WARRANTIES AND AGREEMENTS BY BUYER

ASSUMPTION OF SERVICE CONTRACTS

4.01. At Closing, if elected by BUYER, BUYER agrees to accept, assume, and perform all the terms and conditions of the Service Contracts that were to be kept or performed by SELLER. Seller's interest in the Service Contracts shall be conveyed to Buyer at Closing by assignment and assumption agreement duly executed by Buyer and Seller, substantially in the form attached hereto as Exhibit "E" (the "Assignment").

INDEMNITY AGREEMENT

4.02. BUYER agrees that after the performance of the conditions specified in Article 5 of this Agreement and the Closing as therein contemplated, he will indemnify and hold

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SELLER and the property of SELLER free and harmless from any liability arising because of a breach of lease, breach of contract, or other matter related to the Premises which occurred or is alleged to have occurred after Closing.

4.03 Buyer hereby represents, warrants and covenants that as of the date of this Agreement and as of Closing:

- (1) Buyer is a limited partnership duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. It has full right, power and authority to enter into and perform the terms and conditions of this Agreement.
- (2) The persons executing and delivering this Agreement on behalf of the Buyer have complete power and authority to so execute and deliver this Agreement and to consummate the transactions contemplated herein; all necessary consents of any other party or parties to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder by Buyer have been duly obtained; and this Agreement is binding and enforceable against the Buyer and the partners thereof in accordance with its terms.

- (3) To Buyer's actual knowledge, there is no litigation or adjudicatory proceeding pending or threatened against or relating to the Buyer or the contemplated transaction which would adversely affect the ability of Buyer to perform its obligations under this Agreement.
- (4) Seller's obligation to sell the Premises in connection with this Agreement shall be conditioned upon receipt of the Purchase Price at Closing, compliance of Buyer's obligations hereunder and execution and delivery of the Lease (as hereinafter defined) by Buyer as landlord.

ARTICLE 5. CLOSING

ESTABLISHMENT OF CLOSING

5.01. Closing shall be made to consummate the sale of the Premises pursuant to this Agreement at the law offices of Liederbach, Hahn, Foy & Petri, P.C. at 892 Second Street Pike, Suite C, Richboro, Pennsylvania, 18954-1005 or such other place and time as BUYER shall designate upon fifteen (15) days written notice to Seller; provided, however, in no event shall Closing occur on or after January 31, 1999.

CONDITIONS OF SETTLEMENT

5.02. The settlement and BUYER's obligations under this Agreement to purchase said property are expressly conditioned on:

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- (1) The conveyance to BUYER of good and marketable title to the Premises, as evidenced by a standard form title insurance policy issued by First American Title Insurance Company through its representative Robert Chalpin Associates, Inc., Southampton, Pennsylvania 18966 in the full amount of the purchase price herein agreed to be paid by BUYER for said property subject only to the following:
 - (a) Any unknown, unrecorded easements, discrepancies or conflicts in boundary lines, shortages in area and encroachments which an accurate and complete survey would disclose;
 - (b) Rights granted to utility companies for the provisions of utilities, including but not limited to electric, water, gas, telephone and/or cable;
 - (c) Easement over portion of the Premises for highway purposes;
 - (d) Building setback lines, easements for use of utility companies for construction, operating and maintaining facilities on the Premises;
 - (e) Terms and conditions set forth on the Plan for Northampton Industrial Park II.
 - (f) Real estate taxes and assessments and sewer and water charges not yet due and payable (subject to proration as provided in this Agreement).
 - (g) Such other rights, restrictions and matters of record which do not materially adversely effect Buyer's intended use of the Premises.
- (2) Delivery of the Bill of Sale and the Assignment together with the Service Contracts at Closing.
- (3) Delivery of possession of the Premises and all keys to BUYER immediately at Closing free and clear of all uses and occupancies except those which BUYER in this Agreement expressly agrees to assume.

- (4) BUYER's receipt of a Building Permit, Occupancy Permit and such other permits, certificates and licenses from Northampton Township necessary to operate and occupy the Premises for the dual occupancy of the Premises by BUYER and SELLER as a tenant of SELLER. The cost of the preparation and submission of all applications and plans, and payment of all costs, fees or expenses shall be born solely by BUYER.
- (5) Execution by SELLER of a Lease from BUYER for the rental of approximately 14,760 square feet at the Premises (the "Lease") at an initial annual rental of \$6.00 per square foot, triple net, for a term of

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One (1) year with Two (2) one-year renewals, with the renewal terms rental to be annually adjusted according to the Consumer Price Index, All Urban Consumers (CPI-U), Philadelphia Region, published by the U.S. Department of Labor, Bureau of Labor Statistics. In addition, the terms of the Lease shall include BUYER's right to cancel the Lease with at least six (6) months notice after the end of the first one year term; SELLER's right to sublease to a sublessee that is as credit worthy as SELLER, and BUYER to guarantee a lease term of at least one (1) year for any sublessee. The Lease shall include such additional terms and conditions as may be acceptable to SELLER and BUYER and shall be in form and content acceptable to SELLER and BUYER.

- (6) Delivery to BUYER prior to Closing of a Phase I Environmental Assessment satisfactory to BUYER.
- (7) Delivery to BUYER at Closing of a fully executed special warranty deed by SELLER, in recordable form, sufficient to convey to BUYER title to the Premises, substantially in the form attached hereto as Exhibit "F".
- (8) Delivery to BUYER during Due Diligence period of a certification(s) from a licensed contractor(s) or engineer(s), stating that the plumbing, HVAC, mechanical, roofing, structural, septic and electrical systems are in satisfactory operating condition.
- (9) Delivery to BUYER prior to Closing a copy of any and all blueprints, diagrams or schematics of the Premises and mechanical systems in the Premises in Seller's possession, along with any and all maintenance logs of the mechanical systems in Seller's possession.
- (10) Permit the BUYER, their representative or agent, not more than five (5) days prior to Closing, to enter the premises to conduct an inspection to verify and determine that the Premises and all component systems have been maintained in the same operating condition, wear and tear excepted, as at the time BUYER or its agents originally inspected the Premises pursuant to Article 2 herein. In the event any component is not in such similar condition at the time of the inspection. Buyer shall notify Seller of the cost of such repair or restoration and SELLER shall credit BUYER at Closing an amount equal to the cost to repair or restore that item or component to good working order. Notwithstanding any provision of this paragraph to the contrary, in the event such cost to repair and restore the components of the premises exceeds \$50,000.00, Seller shall not be responsible to pay for such excess cost over \$50,000.00. In the event such costs exceed \$50,000.00, Buyer must notify Seller of its intent either to: (i) pay for such excess cost above \$50,000.00 and agree to close or (ii)

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agree to terminate this Agreement whereupon the deposit monies shall be returned to Buyer and neither party hereunder shall have any right or remedy against the other.

(11) BUYER's receipt within Sixty (60) days of the execution of this Agreement (the "Mortgage Contingency Period") of a written mortgage commitment in an amount not less than \$1,650,000.00 at an interest rate no greater than 10% per annum and on such terms and conditions acceptable to BUYER, who shall be the sole judge of acceptability. Buyer agrees to make immediate application for, and proceed with due diligence to obtain such mortgage commitment. After proceeding with due diligence, if Buyer has not been able to obtain financing pursuant to this paragraph, Buyer shall have the right to terminate this Agreement by written notice (the "Mortgage Notice") to Seller on or before the expiration of the Mortgage, Contingency Period, in which event, notwithstanding anything contained in this agreement to the contrary, \$25,000.00 of the Deposit Monies shall be returned to Buyer and \$25,000.00 shall be retained by Seller as liquidated damages and neither party hereunder shall any right or remedy against the other except as expressly set forth herein. In the event Buyer does not deliver the Mortgage Notice, this Agreement shall continue in full force and effect and the contingency set forth in this subparagraph 5.03 (ii) shall be deemed waived by Buyer.

(12) BUYER's satisfaction or fulfillment of any and all conditions, terms and provisions contained in any financing commitment issued by any Lender in conjunction with the mortgage financing under Subparagraph (11) supra.

FAILURE OF CONDITIONS

5.03 Should any of the conditions specified in Paragraph 5.02 of this Agreement fail to occur, BUYER shall have the power exercisable by the giving of written notice to the Escrow Agent and to SELLER, to cancel such Closing,

terminate this Agreement, and recover all Deposit Monies (except as provided to the contrary in 5.02 (11) above) paid by BUYER to SELLER or to the Escrow Agent on account of the Purchase Price of the Premises, and upon such notice, the parties obligations hereunder shall terminate without any further liability on the part of either party. The Escrow Agent shall be and is hereby irrevocably instructed by SELLER on any such failure of condition and receipt of such notice from BUYER by it to immediately refund to BUYER all moneys and instruments deposited by BUYER in the settlement account pursuant to this Agreement.

DEFAULT

5.04 (1) Should SELLER default in the performance of any duty or obligation under this Agreement, which precludes or prevents Closing under this Agreement. Buyer shall have the right, at Buyer's option, to (a) terminate this Agreement, in which event the

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Deposit Monies shall be retained by Buyer as in for Buyer's liquidated and agreed upon damages without any further loss, damage, right or remedy in favor of either party against the other except as set froth in Paragraph 2.01 of this Agreement and except as may be otherwise expressly provided herein; or (b) seek to prosecute an action for specific performance hereunder and recover of all fees, costs, and expenses incurred including attorney fees.

(2) Should BUYER default in the performance of any duty or obligation under this Agreement and which results in BUYER's failure to proceed to Closing under this Agreement, SELLER's sole remedy shall be the entitlement to and retention of the Deposit Monies as liquidated damages. SELLER shall not be entitled to pursue any other claim, right or remedy against BUYER, either at law or in equity.

PRORATIONS

5.05. There shall be prorated between SELLER and BUYER as of Closing on the basis of thirty (30) -day months:

(1) Real and personal property taxes for the current tax year levied or assessed against said property (including any water tax or

water rate levied against said property for the furnishing of water thereto) based on the latest available tax bills whether for that year or the preceding tax year.

- (2) Premiums on all insurance policies insuring said property against damage or destruction that have been approved by and are being transferred to BUYER.
- (3) Charges accruing for the period in which Closing occurs on the Service Contracts.

BONDS AND ASSESSMENTS

5.06. Any bonds or improvement assessments which are a lien on said property shall, at Closing, be paid by SELLER.

BROKER'S COMMISSION

5.07. Except for CB Richard Ellis, ("Broker") each party hereto represents and warrants to the other that it has not employed or retained any broker or finder in connection with the transaction contemplated by this Agreement which would entitle such person to a fee or commission in connection with this transaction. Seller agrees that if, as and when Closing takes place under this Agreement Seller will pay to Broker a commission for services rendered pursuant to a separate agreement entered into by and between Seller and Broker in full satisfaction of all obligations to Broker for the services rendered by Broker in connection with the transaction provided for by this Agreement and Buyer shall have no liability therefor. Each party hereby agrees to indemnify and hold the other harmless from and against any loss, cost, claim, demand or expense (including attorney's fees) which may be incurred or sustained by such other party by virtue of any claim for fee or commission made against it by any broker or other person claiming through the other party to this Agreement, which indemnification and hold harmless agreement shall survive Closing.

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EXPENSES OF SETTLEMENT

5.08. The expenses of settlement described in this Article shall be paid in the following manner:

- (1) BUYER shall pay:
 - (a) The full cost of securing the title insurance policy.
 - (b) The full cost of preparing, executing, and acknowledging any deeds or other instruments required to convey to BUYER good and marketable title to the Premises.
 - (c) Cost of Survey
- (2) The SELLER shall pay:
 - (a) The full cost of preparing, executing and acknowledging any mortgage satisfactions or other instruments required to convey to BUYER good and marketable tile to the Premises.
- (3) Any transfer taxes imposed by any governmental body shall be paid by BUYER and SELLER in equal proportions.

ARTICLE 6. MISCELLANEOUS

RISK OF LOSS

6.01. (1) Fire or Other Casualty. Except as herein provided, damage to

the Premises by fire or other casualty between the date hereof and the date of Closing shall not impair the obligations of either party under this Agreement. In the event that the Premises is damaged by fire or other casualty the net proceeds of any insurance collected prior to Closing together with the amount of any deductible will be paid or credited to Buyer at Closing and all unpaid claims and rights in connection therewith will be assigned to Buyer at Closing and, as between Seller and Buyer, Buyer shall be responsible for the making of any repairs which Buyer elects to have made. The amount of any unpaid claims

will not, however, be credited on account of the Purchase Price. Notwithstanding the foregoing, in the event of a loss valued at more than \$30,000.00, either Seller or Buyer may within 10 days following such loss, terminate this Agreement by notice to the other party, in which event the Deposit Monies shall be returned to Buyer without any further right or remedy in favor of either party against the other.

(2) Condemnation. Seller agrees to give Buyer written notice of any

action or proceeding instituted or pending in eminent domain or for condemnation affecting any part of the Premises promptly after Seller's receipt thereof. If prior to Closing all or a substantial portion of the Premises (and, for the purposes of this Agreement, a "substantial portion" shall be deemed to include any portion of the Premises which includes a portion of the building or which materially and adversely affects access to the building, the parking or which otherwise

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materially and adversely affects the use and enjoyment of the Premises) is taken by condemnation or eminent domain proceeding or other transfer in lieu thereof (or in the event any notice of any of the foregoing shall be delivered), Buyer shall have the right to terminate this Agreement by notice to the other party within 10 days after the receipt of notice of such proceedings, in which event the Deposit Monies shall be returned to Buyer and neither party shall have any further liability or obligation hereunder. In the event of a partial taking of less than a substantial portion of the Premises this Agreement shall continue in full force and effect and Seller shall, at Closing, credit or assign to Buyer all of Seller's right, title and interest in the condemnation award and all other rights or claims arising out of or in connection with any such eminent domain or condemnation action or proceeding.

Venue & Jurisdiction

6.02 (1) SELLER and BUYER agree that in the event of any dispute, disagreement or claim, legal and/or equitable venue shall lie with the Court of Common Pleas of Bucks County and the parties by this Agreement submit to the jurisdiction of the Court.

(2) Notwithstanding Subparagraph (1) supra, SELLER and BUYER may

agree to submit any claim, controversy or dispute to arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association amended and effective July 1996. Any decision or award of arbitration shall be final and binding upon the parties, excepted as provided by law under the provisions of the Uniform Arbitration Act, 42 Pa. C.S.A. Section 7301 et seq.

Notices

6.03. Whenever in this Agreement it shall be required or permitted that notice or demand be given or served by either party hereto on the other, such notice or demand shall be given or served and shall not have been deemed to have been duly given or served, unless in writing, and forwarded by certified mail, return receipt requested, addressed as follows, or to such other address as changed hereunder, or by nationally-recognized private delivery service issuing return receipts, such as Federal Express or via facsimile, addressed as follows, or to such other address as changed by notice hereunder:

IF TO SELLER: Notices by nationally-recognized United State Mail and/or private delivery service issuing return receipts shall be sent to:

Oxis Instruments, Inc
c/o Jon Pitcher
6040 N. Cutter Circle, Suite 317
Portland, Oregon 972 17-3935
Facsimile -- 503-283-4058

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COPY TO: Robert P. Krauss, Esquire

Mesirov, Gelman, Jaffe, Cramer & Jamieson, LLP
1735 Market Street
Philadelphia, PA 19103
Facsimile -- 215-994-1111

IF TO BUYER Giuliano Family Limited Partnership
Attention: Jerome Giuliano, General Partner
% deGrouchy, Sifer & Company
892 Second Street Pike
Richboro, PA 18954-1005
Facsimile 215-322-0205

COPY TO: Dennis P. Denard, Esquire
Liederbach, Hahn, Foy & Petri, P.C.
892 Second Street Pike, Suite C
Richboro, PA 18954-1005
Facsimile -- 215-322-7646

If any such notice or demand required under this Agreement shall be given in accordance with the foregoing requirements, said notice or demand shall be deemed to have been given as of the date said notice was actually received by the party to whom it is directed.

SELLER COOPERATION

6.04. SELLER agrees to cooperate with BUYER in order for BUYER to fulfill all conditions or obligations under this Agreement, including but not limited to executing all documents, applications, instruments or other writings required before or subsequent to Closing.

ENTIRE AGREEMENT

6.05. This instrument contains the entire agreement between BUYER and SELLER respecting said property, and any agreement or representation respecting said property or the duties of either BUYER or SELLER in relation thereto not expressly set forth in this instrument is null and void.

CAPTIONS

6.06. The captions contained herein are inserted only for the purposes of convenient reference and in no way define, limit or describe the scope or intent of this Agreement or any part thereof

NO RECORDING

6.07. This Agreement may not be recorded in any office of public record.

CONSTRUCTION OF AGREEMENT

6.08. This Agreement shall be construed and enforcement in accordance with the laws of this Commonwealth of Pennsylvania.

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IN WITNESS WHEREOF BUYER has executed this Agreement the day and year first above written.

SELLER:

Attest: OXIS INSTRUMENTS, INC.

/s/ Terryl Dank

/s/ Jon S. Pitcher

Controller

Secretary

BUYER:

GIULIANO FAMILY LIMITED PARTNERSHIP

Witness: A Pennsylvania Limited Partnership

/s/ Dennis Denard

/s/ Jerry Giuliano

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EXHIBIT 10(B)
SUBLEASE AGREEMENT

1. PARTIES:

This Agreement, made this 19/th/ day of February, one thousand nine hundred and ninety-nine (1999), by and between CAL-CHIP ELECTRONICS, INC., a Pennsylvania corporation, (hereinafter called "Landlord") and OXIS INSTRUMENTS, INC., a Pennsylvania corporation, (hereinafter called "Tenant").

2. PREMISES:

WITNESSETH THAT: Landlord does hereby demised and let unto Tenant a portion of all that certain real property and improvements known as 55 Steam Whistle Drive, Ivyland, Northampton Township, county of Bucks, State of Pennsylvania, to be used and occupied for office and warehouse and for no other purpose.

3. TERM:

For the term beginning the 19/th/ day of February, one thousand nine hundred and ninety-nine (1999, and ending the 29/th/ day of February, two thousand (2000).

4. RENT:

For the annual rent of eight-eight thousand five hundred thirty-six (\$88,536.00) dollars, lawful money of the United States of America, payable in monthly installments in advance during the said term of this lease, or any renewal hereof, in sums of seven thousand three hundred seventy-eight (\$7,378.00) dollars on the 1/st/ day of each month, rent to begin from the 19/th/ day of February, 1999, the first installment to be paid at the time of signing this lease.

5. INABILITY TO GIVE POSSESSION:

If Landlord is unable to give Tenant possession of the demised premises, as herein provided, by reason of the holding over of a previous occupant, or by reason of any cause beyond the control of the Landlord, the Landlord shall not be liable in damages to the Tenant therefor, and during the period that the Landlord is unable to give possession, all rights and remedies of both parties hereunder shall be suspended.

6. ADDITIONAL RENT:

(A) Damages for Default

(This paragraph intentionally omitted.)

(B) Taxes

Tenant further agrees to pay as rent in addition to the minimum rental herein reserved all taxes assessed or imposed upon the demised premises during the term of this lease covered by the term hereof. The same shall be paid by Tenant to Landlord within fifteen (15) days following the receipt by Tenant of any bill.

(C) Fire Insurance Premiums

(This paragraph intentionally omitted.)

(D) Water Rent

(This paragraph intentionally omitted.)

(E) Sewer Rent

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(This paragraph intentionally omitted.)

7. PLACE OF PAYMENT:

All rents shall be payable without prior notice or demand at the office of Landlord at 55 Steam Whistle Drive, Ivyland, PA 18974, or at such other place as Landlord may from time to time designate by notice in writing.

8. AFFIRMATIVE COVENANTS OF TENANT:

Tenant covenants and agrees that he will without demand

(A) Payment of Rent

Pay the rent and all other charges herein reserved as rent on the days and times and at the place that the same are made payable, without fail, and if Landlord shall at any time or times accept said rent charges after the same shall have become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute or be construed as a waiver of any of Landlord's rights. Tenant agrees that any charge, or payment herein reserved, included or agreed to be treated or collected as rent and/or any other charges or taxes, expenses, or costs herein agreed to be paid by the Tenant may be proceeded for and recovered by the Landlord by distraint or other process in the same manner as rent due and in arrears.

(B) Cleaning, Repairing, etc.

Keep the demised premises clean and free from all ashes, dirt and other refuse matter: replace all glass windows, doors, etc., broken: keep all waste and drain pipes open: repair all damage to plumbing and to the premises in general: keep the same in good order and repair as they now are, reasonable wear and tear and damage by fire or other insured casualty excepted. The Tenant agrees to surrender the demised premises in the same condition in which Tenant has herein agreed to keep the same during the continuance of this Lease.

(C) Requirements of Public Authorities

Comply with any requirements of any of the constitutes public authorities, and with the terms of any State or Federal statute or local ordinance or regulation applicable to Tenant or his use of the demised premises, and save landlord harmless from penalties, fines, costs or damages resulting from failure to do so.

(D) Fire

Use every reasonable caution against fire.

(E) Rules and Regulations

Comply with reasonable rules and regulations of Landlord promulgated as hereinafter provided.

(F) Surrender of Possession

Peaceably deliver up and surrender possession of the demised premises to the Landlord at the expiration or sooner termination of this lease, promptly delivering to Landlord at this office all keys for the demised premises.

(G) Notice of Fire, etc.

Give to Landlord prompt written notice of any accident, fire, or damage occurring on or to the demised premises.

(H) Condition of Pavement

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Tenant shall be responsible for the condition of the pavement, curb, cellar doors, awnings and other erections in the pavement during the term of this lease: shall keep the pavement free from snow and ice, and shall be and hereby agrees that the Tenant is solely liable for any accidents, due or alleged to be due to their defective condition, or to any accumulations of snow or ice.

(I) Agency on Removal

The Tenant agrees that if, with the permission in writing of Landlord, Tenant shall vacate or decide at any time during the term of this lease, or any renewal thereof, to vacate the herein demised premises prior to the expiration of this lease, or any renewal hereof, Tenant

will not cause or allow any other agent to represent Tenant in any subletting or reletting of the demised premises other than agent approved by the Landlord and that should Tenant do so or attempt to do so, the Landlord may remove any signs that may be placed on or about the demised premises by such other agent without any liability to Landlord or to said agent, the Tenant assuming all responsibility for such action.

9. NEGATIVE COVENANTS OF TENANT:

Tenant covenants and agrees that he will do none of the following things without the consent in writing of Landlord first had and obtained.

(A) Use of Premises

Occupy the demised premises in any other manner or for any other purpose than as above set forth.

(B) Assignment and Subletting

Assign, mortgage or pledge this lease or under-let or sub-lease the demised premises, or any part thereof, or permit any other person, firm or corporation to occupy the demised premises or any part thereof: nor shall any assignee or sub-Tenant assign, mortgage or pledge this lease or such sub-lease, without an additional written consent by the Landlord, and without such consent no such assignment, mortgage or pledge shall be valid. If the Tenant becomes insolvent, or makes assignment for the benefit of creditors, or if a petition in bankruptcy is filed by or against the Tenant or a bill in equity or other proceeding for the appointment of a receiver for the Tenant is filed, or if the real or personal property of the Tenant shall be sold by any Sheriff, Marshall or Constable, the same shall be a violation of this covenant.

(C) Signs

Place or allow to be placed any stand, booth, sign or show case upon the doorsteps, vestibules or outside walls or pavements of said premises, or paint, place, erect or cause to be painted, placed or erected any sign, projection or device on or in any part of the premises. Tenant shall remove any sign, projection or device painted, placed or erected, if permission has been granted and restore the walls, etc. to their former conditions, at or prior to the expiration of this lease. In case of the breach of this covenant (in addition to all other remedies give to Landlord in case of breach of any conditions or covenants of this lease), Landlord shall have the privilege of removing said stand, booth, sign, show case, projection or device, and restoring said walls, etc. to their former condition, and Tenant, at Landlord's option, shall be liable to Landlord

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for any and all expenses so incurred by Landlord.

(D) Alterations, Improvements

Make any alterations, improvements, or additions to the demised premises. All alterations, improvements, additions or fixtures, whether installed before or after the execution of this lease, shall remain upon the premises at the expiration or sooner determination of this lease and become the property of Landlord, unless Landlord shall, prior to the determination of this lease, have given written notice to Tenant to remove the same, in which event Tenant will remove such alteration, improvements and additions and restore the premises to the same good order and condition in which there now are. Should Tenant fail so to do, Landlord may do so, collecting, at Landlord's option, the cost and expense thereof from Tenant as additional rent.

(E) Machinery

Use or operate any machinery that, in Landlord's opinion, will damage any structural component of the building or disturbing to other tenants occupying other parts thereof.

(F) Weights

Place any weights in any portion of the demised premises beyond the safe carrying capacity of the structure.

(G) Fire Insurance

Do or suffer to be done, any act, matter or thing objectionable to the fire insurance companies whereby the fire insurance or any other insurance now in force or hereafter to be placed on the demised premises, or any part thereof, or on the building of which the demised premises may be a part, shall come void or suspended, or whereby the same shall be rated as a more hazardous risk than at the date of execution of this lease, or employ any person or persons objectionable to the fire insurance companies or carry or have any benzine or explosive matter of any kind in and about the demised premises. In case of a breach of this covenant (in addition to all other remedies give to Landlord in case of the breach of any of the conditions or covenants of this lease), Tenant agrees to pay to Landlord as additional rent any and all increase or increases of premiums on insurance carried by Landlord on the demised premises, or any part thereof, or on the building of which the demised premises may be a part, caused in any way by the occupancy of Tenant.

(H) Removal of Goods

Remove, attempt to remove or manifest an intention to remove Tenant's goods or property from or out of the demised premises otherwise than in the ordinary and usual course of business, without having first paid and satisfied Landlord for all rent which may become due during the entire term of this lease.

(I) Vacate Premises

Vacate or desert said premises during the term of this lease, or permit the same to be empty and unoccupied without the payment of rent.

10. LANDLORD'S RIGHTS:

Tenant covenants and agrees that Landlord shall have the right to do the following things and matters in and about the demised premises.

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(A) Inspection of Premises

At all reasonable time by himself or his duly authorized agents to go upon and inspect the demised premises and every part thereof, and/or at his option to make repairs, alternations and additions to the demised premises or the building of which the demised premises is a part.

(B) Rules and Regulations

At any time and from time to time to make such rules and regulations as in his judgement may from time to time be necessary for the safety, care and cleanliness of the premises, and for the preservation of good order therein. Such rules and regulations shall, when notice thereof is given to Tenant, form a part of this lease.

(C) Sale or Rent Sign - Prospective Purchasers or Tenants

To display a "For Sale" sign at any time, and also after notice from either party of intention to determine this lease, or at any time within three (3) months prior to the expiration of this lease, a "For Rent" sign, or both "For Rent" and "For Sale" signs: and all of said signs shall be placed upon such party of the premises as Landlord may elect and may contain such matter as Landlord shall require. Prospective purchasers or tenants authorized by Landlord may inspect the premises at reasonable hours at any time.

(D) Discontinue Facilities and Service

The Landlord may discontinue all facilities furnished and services rendered, or any of them, by Landlord, not expressly covenanted for herein, it being understood that they constitute no part of the consideration for this lease.

11. RESPONSIBILITY OF TENANT:

- (A) Tenant agrees to be responsible for and to relieve and hereby relieves the Landlord from all liability of any injury or damage to any person or property in the demised premises, whether belonging to the Tenant or any other person, caused by any fire, breakage or leakage in any part or portion of the demised premises, or any part or portion of the building of which the demised premises is a part, or from water, rain or snow that may leak into, issue or flow from any part of the said premises, or of the building of which the demised premises is a part, or from the drains, pipes or plumbing work of the same, or from any place or quarter, whether such breakage, leakage, injury or damage be caused by or result from the negligence of Landlord or his servants or agents or any person or persons whatsoever.
- (B) Tenant also agrees to be responsible for and to relieve and hereby relieves Landlord from all liability by reason of any damage or injury to any person or thing which may arise from or be due to the use, misuse or abuse of all or any of the elevators, hatches, openings, stairways, hallways, of any kind whatsoever, which may exist or hereafter be erected or constructed on the said premises, or from any kind of injury which may arise from any other cause whatsoever on the said premises or the building of which the demised premises is a part, whether such damage, injury, use, misuse or abuse be caused by or result from the negligence of Landlord, his servants or agents or any other person or persons whatsoever.

12. RESPONSIBILITY OF LANDLORD:

(A) Total Destruction of Premises

In the event that the demised premises is totally destroyed or so damaged by fire or other casualty not occurring through fault or negligence of the Tenant or those employed by or acting for him, that the same cannot be repaired or restored within a reasonable time, this lease shall absolutely cease and determine and the rent shall abate for the balance of the term.

(B) Partial Destruction of Premises

If the damage caused as above be only partial and such that the premises can be restored to their then condition within a reasonable time, the Landlord may, at his option, restore the same with reasonable promptness: reserving the right to enter upon the demised premises for that purpose. The Landlord also reserves the right to enter upon the demised premises whenever necessary to repair damage caused by fire or other casualty to the building of which the demised premises is a part, even though the effect of such entry be to render the demised premises or a part thereof untenable. In either event the rent shall be apportioned and suspended during the time the Landlord is in possession, taking into account the proposition of the demised premises rendered untenable and the duration of the Landlord's possession. If a dispute arises as to the amount of rent due under this clause, Tenant agrees to pay the full amount claimed by Landlord. Tenant shall, however, have the right to proceed by law to recover the excess payment, if any.

(C) Repairs by Landlord

Landlord shall make such election to repair the premises or terminate this lease by giving notice thereof to Tenant at the leased premises within thirty (30) days from the day Landlord received notice that the demised premises had been destroyed or damaged by fire or other casualty.

(D) Damage for Interruption of use

Landlord shall not be liable for any damage, compensation or claim by reason of inconvenience or annoyance arising from the necessity of repairing any portion of the building, the interruption in the use of the premises, or the termination of this lease by reason of the destruction of the premises.

(E) Representation of Condition of Premises

The Landlord has let the demised premises in their present condition and without any representations on the part of the Landlord, his officers, employees, servants and/or agents. It is understood and agreed that Landlord is under no duty to make repairs or alternations at the time of letting or at any time thereafter, except as otherwise provided herein.

(F) Zoning

It is understood and agreed that the Landlord hereof does not warrant or undertake that the Tenant shall be able to obtain a permit under any Zoning Ordinance or regulation for such use as Tenant intends to make of the said premises, and nothing in this lease contained shall obligate the Landlord to assist Tenant in obtaining said permits: the Tenant further agrees that in the event a permit cannot be obtained by Tenant under any Zoning Ordinance or

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Regulation, this lease shall not terminate without Landlord's consent, and the Tenant shall use the premises only in a manner permitted under such Zoning Ordinance or Regulation.

13. MISCELLANEOUS AGREEMENT AND CONDITIONS:

(A) Effect of Repairs on Rental

No contract entered into or that may be subsequently entered into by Landlord with Tenant, relative to any alterations, additions, improvements or repairs, nor the failure of Landlord to make such alterations, additions, improvements or repairs as required by any such contract, nor the making by Landlord or his agents or contractors of such alterations, additions, improvements or repairs shall in any way affect the payment of the rent or said other charges at the time specified in this lease, except as provided herein, and provided that Tenant is not otherwise denied the use of the demised premises.

(B) Agency

It is hereby expressly agreed and understood that the said _____ is acting as agent only and shall not in any event be held liable to the owner or to Tenant for the fulfillment or non-fulfillment of any of the terms or conditions this lease, or for any actions or proceedings that may be taken by the owner against Tenant, or by Tenant against the owner.

(C) Waiver of Custom

It is hereby covenanted and agreed, any law, usage or custom to the contrary notwithstanding, that the Landlord shall have the right at all times to enforce the covenants and provisions of this lease in strict accordance with the terms hereof, notwithstanding any conduct or custom on the part of the Landlord in refraining from so doing at any time or times: and, further, that the failure of Landlord at any time or times to enforce his rights under said covenants and provisions strictly in accordance with the same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions and covenants of this lease or as having in any way or manner modified the same.

(D) Conduct of Tenant

This lease is granted upon the express condition that Tenant and/or the occupants of the premises herein leased, shall not conduct themselves in a manner which the Landlord in his sole opinion may deem improper or objectionable, and that if at any time during the term of this lease or any extension or continuation thereof, Tenant or any occupier of the said premises shall have conducted himself, herself, or themselves in a manner which Landlord in his sole opinion deems improper or objectionable, Tenant shall be taken to have broken the covenants and conditions of this lease, and Landlord will be entitled to all of the rights and remedies granted and reserved herein for the Tenant's failure to observe any of the covenants and conditions of this lease.

(E) Failure of Tenant to Repair

In the event of the failure of Tenant promptly to perform the covenants of Section 8 (B) hereof, Landlord may go upon the demised premises and perform such covenants, the cost thereof, at the sole opinion of Landlord, to be charged

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to Tenant as additional and delinquent rent.

14. REMEDIES OF LANDLORD:

If the Tenant

- (A) Does not pay in full when due any and all installments of rent and/or any other charge or payment herein reserved, included, or agreed to be treated or collected as rent and/or any other charge, expense, or cost herein agreed to be paid by the Tenant: or
- (B) Violates or fails to perform or otherwise breaks any covenant or agreement herein contained: or
- (C) Vacates the demised premises or removes or attempts to remove or manifests an intention to remove any goods or property therefrom otherwise than in the ordinary and usual course of business without having first paid and satisfied the Landlord in full of all rent and other charges then due or that may thereafter become due until the expiration of the then current term above mentioned: or
- (D) Becomes insolvent, or makes an assignment for the benefit of creditors, or if a petition in bankruptcy is filed by or against the Tenant, or a bill in equity or other proceeding for the appointment of a receiver for the Tenant is filed, or if proceedings for reorganization or for composition with creditors under any State or Federal law be instituted by or against Tenant or if the real or personal property of the Tenant shall be sold by any Sheriff, Marshal or constable: then in any or either of said events, there shall be deemed to be a breach of this lease, and thereupon ipso facto and without entry or other action by Landlord.
 - 1. The rent for the entire unexpired balance of the term of this lease, as well as all other charges, payments, costs and expenses herein to be paid by the Tenant, and all sums which may become due by reason of the failure of Tenant to comply with all covenants of this lease and pay any and all damages, costs and expenses which the Landlord may suffer or incur by reason of any default of the Tenant or failure on his part to comply with the covenants of this lease, and each of them, and also any and all damages of the demised premises caused by any act or neglect of the Tenant, or at the option of Landlord any part thereof, and also all costs and officers' commissions including watchmen's wages and further including the five (5%) percent chargeable by Act of Assembly to the Landlord, shall, in addition to any and all installments of rent already due and payable and in arrears and/or any other charge or payment herein reserved, included or agreed to be treated or collected as rent, and/or any other charge, expense or cost herein agreed to be paid by the Tenant which may be due and payable and in arrears, be taken to be due and payable and in arrears, as if by the terms and provisions of

this lease, the whole balance of unpaid rent and other charges, payments, taxes, costs and expenses were on that date payable in advance: and if this lease or any part thereof is assigned, or if the premises or any part hereof is sub-let, Tenant hereby irrevocably constitutes and appoints Landlord Tenant's agent to collect the rents due by such assignee or sub-Tenant and apply the same to the rent due hereunder without in any way

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affecting Tenant's obligation to pay any unpaid balance of rent due hereunder.

2. This lease and the term hereby created shall determine and become absolutely void without any right on the part of the Lessee to save the forfeiture by payment of an sum due or by other performance of any condition, term or covenant broken: whereupon, Lessor shall be entitled to recover damages for such breach in any amount equal to the amount of rent reserved for the balance of the terms of this lease, less the fair rental value of the said demised premises, for the residue of said term.

15. FURTHER REMEDIES OF LANDLORD:

In the event of any default as above set forth in Section 14, the Landlord, or anyone acting on Landlord's behalf, at Landlord's option:

- (A) may without notice or demand enter the demised premises, breaking open locked doors if necessary to effect entrance, without liability to action for prosecution or damages for such entry or for the manner thereof, for the purpose of distraining or levying and for any other purposes, and take possession of and sell all goods and chattels at auction, on three (3) days notice served in person on the Lessee or left on the premises, and pay the said Landlord out of the proceeds, and even if the rent be not due and unpaid, should the Lessee at any time remove or attempt to remove goods and chattels from the premises without leaving enough thereon to meet the next periodical payment, Lessee authorizes the Landlord to follow for a period of ninety (90) days after such removal, take possession of and sell at auction, upon like notice, sufficient of such goods to meet the proportion of rent accrued at the time of such removal: and the Lessee hereby releases and discharges the Landlord, and his agents, from all claims, actions, suits, damages, and penalties, for or on account of any entry, distraint, levy, appraisalment or sale: and/or
- (B) may enter the premises and without demand proceed by distress and sale of the goods there found to levy the rent and/or other charges herein payable as rent and all costs and officers' commissions, including watchmen's wages and sums chargeable to Landlord and further including a sum equal to five (5%) percent of the amount of the levy as commissions to the constable or other person making the levy, shall be paid by the Lessee and in such case all costs, officers' commission and other charges shall immediately attach and become part of the claim of Landlord for rent, and any tender of rent without said costs, commission and charges made after the issue of a warrant of distress shall not be sufficient to satisfy the claim of the Landlord. Lessee hereby expressly waives in favor of Landlord the benefit of all laws now made or which may hereafter be made regarding any limitation as to the goods upon which, or the time within which distress is to be made after removal of goods and further relieves the Landlord of the obligations of proving or identifying such goods, it being the purpose and intent of this provision that all goods of Lessee, whether upon the demised premises or not, shall be liable to distress for rent. Lessee waives in favor of Landlord all rights under the Act of Assembly of April 5, 1951 P.L. 69 and all supplements and amendments thereto that have been or

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may hereafter be passed and authorizes the sale of any goods distrained for rent at any time after five (5) days from said distraint without any appraisalment and/or condemnation thereof.

(C) The Lessee further waives the right to issue a Writ of Replevin under the Pennsylvania Rules of Civil Procedure, No. 1071 &c. and Laws of the Commonwealth of Pennsylvania, or under any other law previously enacted and now in force, or which may be hereafter enacted, for the recovery of any articles, household goods, furniture, etc., seized under a distress for rent or levy upon an execution for rent, damages or otherwise: all waivers hereinbefore mentioned are hereby extended to apply to any such action: and/or

(D) may lease said premises or any part or parts thereof to such person or persons as may in Landlord's discretion seem best and the Lessee shall be liable for any loss of rent for the balance of the then current term.

16. CONFESSION OF JUDGEMENT:

If rent and/or any charges hereby reserved as rent shall remain unpaid on any day when the same ought to be paid, Lessee hereby empowers any Prothonotary Clerk of Court or attorney of any Court of Record to appear for Lessee in any and all actions which may be brought for rent and/or the charges, payments, costs and expenses reserved as rent, or agreed to be paid by the Lessee and/or sign for Lessee an agreement for entering in any competent Court an amicable action or actions, for the recovery of rent or other charges, payments, costs and expenses and in said suits or in said amicable action or actions to confess judgement against Lessee for all or any part of the rent specified in this lease and then unpaid including, at Landlord's option, the rent for the entire expired balance for the term of this lease and/or other charges, payments, costs, and expenses reserved as rent or agreed to be paid by the Lessee and for interest and costs together with an attorney's commission of five (5%) percent. Such authority shall not be exhausted by one exercise thereof, but judgement may be confessed as aforesaid from time to time as often as any of said rent and/or other charges, payments, costs and expenses, reserved as rent shall fall due or be in arrears and such powers may be exercised as well after the expiration of the original term and/or during any extension or renewal of this lease.

17. EJECTMENT:

When this lease shall be determined by condition broken, either during the original terms of this lease or any renewal or extension thereof and also when and as soon as the term hereby created or any extension thereof shall have expired, it shall be lawful for any attorney as attorney for Tenant to file an agreement for entering in any competent Court an amicable action and judgement in ejectment against Tenant and all persons claiming under Tenant for the recovery by Landlord of possession of the herein demised premises, for which this lease shall be his sufficient warrant, whereupon, if Landlord so desires, a writ of Execution or of Possession may issue forthwith, without any prior writ or proceedings whatsoever and provided that if for any reason after such action shall have been commenced the same shall be determined and the possession of the premises hereby demised remain in or be restored to Tenant, Landlord shall have the right upon any subsequent default or defaults, or upon the termination of this lease as hereinbefore set forth, to bring one or more amicable action or actions as hereinbefore set forth to recover possession of the said premises.

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18. AFFIDAVIT OF DEFAULT:

In any amicable action of ejectment, Landlord shall first cause to be filed in such action an affidavit made by him or someone acting for him setting forth the facts necessary to authorize the entry of judgement, of which facts such affidavit shall be conclusive evidence and if a true copy of this lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of Court, custom or practice to the contrary notwithstanding.

19. WAIVERS BY TENANT OF ERRORS, RIGHT OF APPEAL, STAY EXEMPTION, INQUISITION:

Tenant expressly agrees that any judgement, order or decree entered against him by or in any Court or Magistrate by virtue of the powers of attorney contained in this lease, or otherwise shall be final and that he will not take an appeal, certiorari, writ of error, exception or objection to the same, or file a motion or rule to strike off or open or to stay execution of the same and releases to Landlord and to any and all attorneys who may appear for Tenant all errors in

the said proceedings and all liability therefor. Tenant expressly waives the benefits of all laws, now or hereafter in force, exempting any goods on the demised premises, or elsewhere from distraint, levy or sale in any legal proceedings taken by the Landlord to enforce any rights under this lease. Tenant further waives the right of inquisition on any real estate that may be levied upon to collect any amount which may become due under the terms and conditions of this lease and does hereby voluntarily condemn and authorizes the Prothonotary or Clerk of Court to issue a Writ of Execution or other process upon Tenant's voluntary condemnation and further agrees that the said real estate may be sold on a Writ of Execution or other process. If proceedings shall be commenced by Landlord to recover possession under the Acts of Assembly, either at the end of the term or sooner termination of this lease. Tenant specifically waives the right to the three (3) months' notice and/or the fifteen (15) or thirty (30) days' notice required by the Act of April 5, 1951, P.L. 69, and agrees the five (5) days' notice shall be sufficient in either or any other case.

20. RIGHT OF ASSIGNEE OF LANDLORD:

The right to enter judgement against Tenant and to enforce all of the other provisions of this lease hereinabove provided for may, at the option of any assignee of this lease, be exercised by any assignee of the Landlord's right, title and interest in this lease in his, her or their own name, notwithstanding the fact that any or all assignments of the said right, title and interest may not be executed and/or witnessed in accordance with the Act of Assembly of May 28, 1715, 1 Sm. L. 90, and all supplements and amendments thereto that have been or may hereafter be passed and Tenant hereby expressly waives the requirements of said Act of Assembly and any and all laws regulating the manner and/or form in which such assignments shall be executed and witnessed.

21. REMEDIES CUMULATIVE:

All of the remedies hereinbefore given to Landlord and all rights and remedies given to him by law and equity shall be cumulative and concurrent. No determination of this lease or the taking or recovering of the premises shall deprive Landlord of any of his remedies or action against the Tenant for rent due at the time or which, under the terms hereof, would in the future become due if there had been no determination, or for any and all sums due at the time or

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which, under the terms hereof, would in the future become due as if there had been no determination, nor shall the bringing of any action for rent or breach of covenant, or the resort to any other remedy herein provided for the recovery of rent be construed as a waiver of the right to obtain possession of the premises.

22. CONDEMNATION:

In the event that the premises demised or any part thereof is taken or condemned for a public or quasi-public use, this lease shall, as to the part so taken, terminate as of the date title shall vest in the condemnor and rent shall abate in proportion to the square feet of leased space taken or condemned or shall cease if the entire premises be so taken. In either event, the Tenant waives all claims against the Landlord by reason of the complete or partial taking of the demised premises and it is agreed that the Tenant shall not be entitled to any notice whatsoever of the partial or complete termination of this lease by reason of the aforesaid.

23. SUBORDINATION:

This Agreement of Lease and all its terms, covenants and provisions are and each of them is subject and subordinate to any lease or other arrangement or right to possession, under which the Landlord is in control of the demised premises, to the rights of the owner or owners of the demised premises and of the land or buildings of which the demised premises are a part, to all rights of the Landlord's landlord and to any and all mortgages and other encumbrances now or hereafter placed upon the demised premises or upon the land and/or the buildings containing the same: and Tenant expressly agrees that if Landlord's tenancy, control, or right of possession shall terminate either by expiration, forfeiture or otherwise, then this lease shall thereupon immediately terminate and the Tenant shall, thereupon, give immediate possession: and Tenant hereby waives any and all claims for damages or otherwise by reason of such termination as

aforesaid.

24. TERMINATION OF LEASE:

It is hereby mutually agreed that either part hereto may determine this lease at the end of said term by giving to the other party written notice thereof at least _____ prior thereto, but in default of such notice, this lease shall continue upon the same terms and conditions in force immediately prior to the expiration of the term hereof as are herein contained for a further period of _____ and so on from _____ to _____ unless or until terminated by either party hereto, giving the other _____ written notice for removal previous to expiration of the then current term: PROVIDED, however, that should this lease be continued for a further period under the terms hereinabove mentioned, any allowance given Tenant on the rent during the original term shall not extend beyond such original term and further provided, however, that if Landlord shall have given such written notice prior to the expiration of any term hereby created, of his intention to change the terms and conditions of this lease and Tenant shall not within _____ days from such notice notify Landlord of Tenant's intention to vacate the demised premises at the end of the then current term, Tenant shall be considered as Tenant under the terms and conditions mentioned in such notice for a further term as above provided, or for such further term as may be stated in such notice. In the event that Tenant shall give notice, as stipulated in this lease, of intention to vacate the demised premises at the end of the present term, or any renewal or extension thereof, and shall fail or

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refuse so to vacate the same on the date designated by such notice, then it is expressly agreed that Landlord shall have the option either (a) to disregard the notice so given as having no effect, in which case all the terms and of this lease shall continue thereafter with full force precisely as if such notice had not been give, or (b) Landlord may, at any time within thirty (30) days after the present term or any renewal or extension thereof, as aforesaid, give the said Tenant ten (10) days' written notice of this intention to terminate the said lease: whereupon the Tenant expressly agrees to vacate said premises at the expiration said period of ten (10) days specified in said notice. All powers granted to Landlord by this lease may be exercised and all obligations imposed upon Tenant by this lease shall be performed by Tenant as well during any extension of the original term of this lease as during the original term itself.

25. NOTICES:

All notices required to be given by Landlord to Tenant shall be sufficiently given by leaving the same upon the demised premises, by notices given by Tenant to Landlord must be given by registered mail and as against Landlord, the only admissible evidence that notice has been given by Tenant shall be a registry return receipt signed by Landlord or his agent.

26. LEASE CONTAINS ALL AGREEMENTS:

It is expressly understood and agreed by and between the parties hereto that this lease and the riders attached hereto and forming a part hereof set forth all the promises, agreements, conditions and understandings between Landlord or his Agents and Tenant relative to the demised premises and that there are no promises, agreements, conditions or understandings, either oral or written, between them or other than are herein set forth. It is understood and agreed that except as herein otherwise provided, no subsequent alternation, amendments, change or addition to this lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

27. HEIRS AND ASSIGNS:

All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several and respective heirs, executors, administrators, successors and assigns of said parties: and if there shall be more than one Tenant, they shall be bound jointly and severally by the terms, covenants and agreements herein and the word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant herein, be the same one or more: and if there shall be more than one Tenant, any notice required or permitted by the terms of this lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all

thereof. The word "his" and "him" wherever stated herein shall be deemed to refer to the "Landlord" and "Tenant" whether such Landlord or Tenant be singular or plural and irrespective of gender. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved by Landlord in writing as aforesaid.

28. SECURITY DEPOSIT:

Tenant shall, upon execution hereof, deposit with Landlord as security for the performance of all the terms, covenants and conditions of this lease, the sum of eleven thousand sixty-seven (\$11,067.00) dollars. This deposit is to be retained by Landlord until the expiration of this lease and shall be returnable to Tenant provided that (1) premises have been vacated: (2)

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Landlord shall have inspected the premises after such vacation: (3) Tenant shall have complied with all the terms, covenants and conditions of this lease, in which event the deposit so paid hereunder shall be returned to Tenant: otherwise, said sum deposited hereunder or any part hereof may be retained by Landlord at this option, as liquidated damages, or may be applied by Landlord against any actual loss, damage or injury chargeable to Tenant hereinunder or otherwise by reason of any breach of any term of this Lease. Landlord's determination of the amount, if any, to be returned to Tenant shall be final. It is understood that the said deposit is not to be considered as the last rental due under the lease.

29. HEADINGS NO PART OF LEASE:

Any headings preceding the text of the several paragraphs and sub-paragraphs hereof are inserted solely for convenience of reference and shall not constitute a part of this lease, nor shall they affect its meaning, construction or effect.

30. ADDITIONAL PROVISIONS:

Tenant agrees to the following additional terms and conditions:

- A. Tenant, at Tenant's sole cost and expense, shall comply with all regulations, rules orders and statutes of any federal, state or municipal governmental body or agency that oversees or regulates the Property as part of the Tenant's use of the Property.
- B. Tenant shall indemnify and hold Landlord harmless of and from any and all fines, penalties, costs and/or interest assessed by any federal, state or municipal governmental body or agency identified in paragraph 30.A above in connection with the violation and/or failure to remedy or comply with any statute, rule, regulation, order and/or notice, including attorney's fee.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first above written and intent to be legally bound thereby.

SEALED AND DELIVERED IN THE PRESENCE OF:

LANDLORD:
CAL-CHIP ELECTRONICS, INC.

Attest:

/s/ Diane Guiliano

/s/ Jerry Guiliano

Secretary

President

TENANT:
OXIS INSTRUMENTS, INC.

Attest:

/s/ Jon Pitcher

Secretary

By: Jon Pitcher
Title: Secretary

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FOR VALUE RECEIVED _____ hereby assign, transfer and set over

unto

Executors, Administrators, Successors and Assigns, all _____ right,
title and interest within _____ and all benefit and
advantages to be derived therefrom.

WITNESS _____ hand and seal this _____ day of A.D. 19__.

SEALED AND DELIVERED IN THE PRESENCE OF:

EXHIBIT 10(C)
RIDER TO SUBLEASE AGREEMENT

Rider to SUBLEASE AGREEMENT (the "Lease") dated February 19, 1999 by and between CAL-CHIP ELECTRONICS, INC., a Pennsylvania corporation ("Landlord") and OXIS INSTRUMENTS, INC., a Pennsylvania corporation ("Tenant").

In the event of a conflict between the terms of this Rider and the Lease, this Rider shall govern. The Lease is amended as follows:

1. Paragraph 2 is deleted and the following is substituted: Landlord leases to Tenant and Tenant rents from Landlord the premises ("the demised premises") being the interior only of the space designated on the plan attached hereto as Exhibit "A" containing approximately fourteen thousand seven hundred fifty-six (14,756) rentable square feet in the building (hereinafter called the "Entire Premises") located at 55 Steam Whistle Drive, Ivyland, Pennsylvania. As an appurtenance to the demised premises, Landlord grants to Tenant the nonexclusive license to use, in common with others entitled thereto, all portions of Entire Premises designated by Landlord from time to time as common facilities.
2. The following is added at the end of Paragraph 4:
The first rental payment shall be pro-rated for the partial month of occupancy.
3. The following is added at the end of Paragraph 5:
If the time for giving possession is extended beyond March 19, 1999, Tenant shall have the right to terminate this Lease by notice in writing to Landlord and Landlord shall pay to Tenant all sums of money paid by Tenant to Landlord pursuant to this Lease.
4. Paragraphs 6(C)(D) and (E) are deleted and the following is substituted:
Tenant shall pay to Landlord within fifteen (15) days following receipt of any bill in connection therewith, Tenant's proportionate share of costs of operation of the Entire Premises. For the purposes of this Lease, the costs of operation of the Entire Premises shall include, without limitation, all reasonable and necessary expenses, costs and charges incurred in the operation and maintenance of the Entire Premises and all other reasonable and necessary costs, expenses or charges which Landlord shall pay or become obligated to pay because of or in connection with the ownership and operation of the Entire Premises, including the following :
 - (1) all supplies and materials used in the normal and ordinary operation and maintenance of the Entire Premises;
 - (2) all utilities (excluding tenant electric and billable overtime) used in the operation of the Entire Premises excluding only utilities separately billed to individual tenants;
 - (3) the cost of energy used in heating, ventilating and air conditioning the Entire Premises and the cost of maintenance, repair and operation of all equipment and systems installed or owned by Landlord to provide such services;
 - (4) the cost of all maintenance and service agreements;
- (5) the cost of all insurance applicable to Entire Premises, including without limitation, all risk coverage, rent insurance, workmen's compensation, etc.; and
- (6) cost of repairs, replacements and general maintenance and building services except for capital improvements.

Notwithstanding the foregoing the following shall not be included in the computation of the costs of operation of the Entire Premises:

- (1) amounts charged for services rendered solely for the benefit of Landlord or any other tenant;
- (2) any charge for Landlord's overhead or service charge of any nature by Landlord;
- (3) legal fees incurred by Landlord; and
- (4) broker's fees or leasing commissions in connection with the leasing of portions of the Entire Premises.

5. Paragraph 8(H) is deleted.

6. The following is added at the end of Paragraph 9(B):
Notwithstanding anything contained herein to the contrary, Landlord's consent hereafter shall not be required in the event Tenant assigns or sublease this Lease to an assignee or subtenant that is as creditworthy as Tenant, as determined solely by Landlord in its reasonable judgement and notwithstanding the provisions of this Lease to the contrary, in the event of any assignment or sublease by Tenant, Landlord agrees to extend the term of this Lease such that the term under such assignment or sublease shall be no less than one (1) year.

7. Notwithstanding the provisions of paragraphs 9(C) through (G) to the contrary, Tenant may make all interior, non-structural alterations and improvements necessary to permit Tenant to operate its business within the demised premises, and Tenant may erect such lawful signs upon the exterior of the demised premises as Tenant deems reasonably necessary for the operation of its business, subject to compliance by Tenant with all applicable ordinances and regulations of Northampton Township. If Tenant desires to make structural additions, alterations or improvements to the demised premises, Tenant shall first deliver detailed plans therefor to Landlord and shall obtain Landlord's prior written consent as otherwise provided for under the terms of this Lease. Notwithstanding the provisions contained in this paragraph to the contrary, in the event Northampton Township provides that only one sign shall be permitted on the building front of the Entire Premises, Landlord and Tenant agree to equally divide the area permitted for such sign.

8. The following is added to the end of Paragraph 9(D):
Notwithstanding any provision of this Lease to be contrary, Landlord and Tenant acknowledge and agree that all trade fixtures, equipment, machinery and appliances shall be the property of Tenant and shall remain the property of Tenant upon termination or expiration of this Lease, and any security interests, lien or other rights in favor of Landlord therein shall be subject to prior prime security interests granted in favor of lenders, or equipment vendors of Tenant. Landlord agrees to execute and deliver a Landlord's waiver with respect to such fixtures, equipment, appliances and other items of Tenant's property, in form and content reasonably acceptable to Landlord.

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9. Paragraph 9(H) is deleted.

10. Paragraph 10(A) is deleted and the following substituted: Landlord shall have the right at all reasonable times itself or by its duly authorized agents to go upon and inspect the demised premises and every part thereof, and at all reasonable times at its option to make repairs, alterations and additions to the demised premises or the building of which the demised premises is a part. In connection with such entry, Landlord shall respect the security of Tenant's operations and shall not interrupt, disturb or interfere with Tenant's operations, provided, however, that rent shall abate hereunder during such period Tenant is denied use of the demised premises by the making of any such repairs, alterations or additions unless they have been made necessary by the fault or negligence of Tenant, its agents or employees.

11. Paragraph 10(D) is deleted.
12. Paragraph 11(A) and (B) are deleted and the following is substituted: 11(A) Landlord shall defend, indemnify and save harmless Tenant and its agents and employees against all costs, damages or claims, whether for personal injury or property damage, (i) occurring on the Entire Premises during the term hereof if caused by any act or omission by Landlord or its agents, contractors or employees; or (ii) occurring in the common areas of the Entire Premises (except if caused by act or omission of Tenant, its agents, contractors or employees in such common areas). Landlord shall, at its own expense, defend all actions brought against Tenant, its agents or employees for which Landlord is responsible for indemnification hereunder, and if Landlord fails to do so, Tenant (at its option, but without being obligated to do so) may, at the cost and expense of Landlord and upon notice to Landlord, defend such actions, and Landlord shall pay and discharge any and all judgments that arise therefrom. 11(B) Tenant shall defend, indemnify and save harmless Landlord and its agents and employees against all costs, damages or claims, whether for personal injury or property damage occurring on the demised premises during the term hereof (except if caused by any act or omissions of Landlord, its agents, contractors, invitees or employees). Tenant shall, at its own expense, defend all actions brought against Landlord, its agents or employees for which Tenant is responsible for indemnification hereunder, and if Tenant fails to do so, Landlord (at its option, but without being obligated to do so) may, at the cost and expense of Tenant and upon notice to Tenant, defend such actions, and Tenant shall pay and discharge any and all judgments that arise therefrom.
13. Paragraphs 12(A), (B), and (C) are deleted and the following substituted:
- (A) Landlord shall keep all buildings and improvements erected on the demised premises insured against loss or damage by fire and

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other perils from time to time, hereafter commonly insured against and now referred to as extended coverage perils (including without limitation, vandalism and malicious mischief, if such coverage is then generally available) in the minimum amount required by any mortgagee of the demised premises or in the minimum amount necessary to avoid the effect of co-insurance, contribution or similar provisions of the applicable policies. All proceeds of such insurance shall be payable to Landlord or any mortgagee of the demised premises as their interests may appear.

- (B) If the demised premises are at any time during the term of this Lease partially or totally destroyed or damaged by fire, flood or other casualty, Tenant shall give prompt notice thereof to Landlord, which shall at Landlord's sole expense, repair and restore the demised premises to their original condition. Landlord will within ten (10) days after the occurrence of such damage commence and thereafter with all due diligence to proceed with the making of such repairs. In no event shall Landlord be obligated to expend more than the proceeds of insurance maintained by Landlord on the demised premises in restoration thereof, and in no event shall Tenant charge Landlord for any amount in excess of such proceeds. If such damage is so extensive that such repairs cannot, with due diligence, be completed within one hundred twenty (120) days, then either party may

terminate this Lease on written notice delivered to the other within ten (10) days after the occurrence of such damage. Tenant shall be entitled to an abatement of rent for the period during which the demised premises are rendered untenable or incapable of use during the period of such condition.

14. The following is added at the end of the last sentence of Paragraph 12(D): by reason of insured casualty; provided, however, that if any such repair or interruption prevents Tenant's use of the demised premises for its intended purpose, then all rent hereunder shall abate during the period of such prevention and if Tenant is prevented from using the demised premises for its intended purpose for more than thirty (30) days, Tenant shall have the right to terminate this Lease.

15. Paragraph 13(B) is deleted and the following is substituted: Landlord and Tenant represent and warrant each to the other that each has not dealt with any real estate agent or broker in connection with this transaction and agree to indemnify and save each other harmless from and against all loss, cost and expense incurred by reason of any claim of any real estate agent or broker claiming by, through or under the indemnifying party, regardless of whether such claim is meritorious.

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16. Paragraph 13(D) is deleted.

17. Paragraph 14(C) is deleted.

18. Paragraphs 15, 16, and 20 are deleted.

19. The following is added as Paragraph 15:
Anything contained in this Lease to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Tenant or would entitle Landlord to the remedies set forth in this Lease or at law, shall not be a default and Landlord shall not be entitled to such remedies unless, if it is one that can be cured by the payment of money, Tenant fails to cure the default within ten (10) days after notice thereof given by Landlord to Tenant, or, if the default cannot be cured by the payment of money, Landlord has given Tenant notice of such default and Tenant fails to cure the default within thirty (30) days thereafter or, if it cannot with due diligence be cured within thirty (30) days, Tenant fails to commence curing such default within such thirty (30) day period and to proceed with due diligence and in good faith to complete the curing thereof.

20. Paragraph 22 is deleted and the following substituted: If the entire demised premises is taken by or pursuant to governmental authority or by the exercise of the right of eminent domain, (a) Tenant shall have no obligations under this Lease subsequent to such taking and Tenant shall surrender possession of the demised premises to Landlord as of the date of such taking, or (b) at Tenant's option if permitted by applicable law, this Lease shall continue until Tenant by reason of an official order or direction of the condemning authority vacates the demised premises. In the event of any taking, whether total or partial and whether or not this Lease continues, Tenant shall be entitled to claim against the condemnor any special damages. If this Lease continues after a partial taking, there shall be an abatement of rent proportionate to any portion of the space taken and rendered untenable or incapable of use during the period of such condition and, after the remainder of the demised premises are repaired and restored, proportionate to the portion of space taken. Landlord, if necessary, shall promptly after such partial taking, repair and restore the remainder of the demised premises to a finished condition satisfactory for the use made by Tenant hereunder.

21. That portion of Paragraph 23 beginning with the word "and" following the semicolon in the sixth line thereof is deleted and the following substituted:

The subordination of this Lease as provided in this Paragraph 23 is subject to the reservation that so long as Tenant has not defaulted in the performance of this Lease beyond the applicable grace period following notice of default, Tenant shall not be evicted from the demised premises nor shall Tenant's leasehold estate and other rights under this Lease be terminated or disturbed.

22. Paragraph 24 is deleted.

23. Paragraph 25 is deleted and the following substituted:
All notices, demands, requests, consents and any other communication hereunder from either party to the other shall be sufficient only if conveyed

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in writing by United States registered or certified mail, return receipt requested, or by nationally recognized overnight delivery service, and, in either case, postage prepaid, addressed to the recipient at the address set forth in the heading of this Lease or to such other address or addresses as the party to receive the notice, demand, request, consent or communication may hereafter designate by due notice to the other.

24. The following is added as Paragraph 30:

As to any loss or damage that may occur upon the property of a party hereto, such party hereby releases the other, to the extent of such damaged party's insurance indemnities, from any and all liability for such loss or damage even if such loss or damage is caused by the fault or negligence of such other party, or the agents or employees of such other party; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the applicable policies of insurance shall contain a clause to the effect that this release shall not affect said policies or the right of the insured to recover thereunder. If any policy does not contain such a clause, the insured party shall, at the request of the other party to this lease, have such a clause added to said policy if an endorsement so providing is obtainable. If an additional premium is charged for such endorsement, the party requesting it shall pay to the insured party the amount of such additional premium promptly upon being billed therefor.

25. The following is added as Paragraph 31:

Wherever the consent or approval of Landlord is required hereunder, such consent or approval shall not be unreasonably withheld. Wherever, any matter is to be determined "in the Landlord's opinion" such matter shall be determined reasonably by Landlord.

26. The following is added as Paragraph 32:

Landlord shall maintain, repair and replace the exterior walls, structure and roof of demised premises.

27. The following is added as Paragraph 33:

(A) Landlord grants to Tenant two (2) option(s) to renew and extend this Lease for two (2) separate, successive renewal periods of one (1) year each. Such options may be exercised only by written notice delivered to Landlord a minimum of sixty (60) days prior to the expiration of the original term hereof or renewal period then in effect. The exercise of such options shall be effective only if Tenant (i) has exercised all prior options, and (ii) is not in default under this Lease on the date of exercise of such option and on the date of expiration of the original term hereof or of the renewal period then in effect. If such options are exercised, this Lease shall continue during such renewal period upon all the terms, covenants and conditions herein set forth except as set forth in Paragraph 30(B) below.

(B) The minimum annual rent set forth in Paragraph 4 of this Lease shall be subject to adjustment (but not below the

amount set forth

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in Paragraph 4) for any net decline of the purchasing power of the dollar as reflected in the Cost of Living Index as hereafter defined. For the purposes hereof the Cost of Living Index shall be the "Consumer Price Index for All Urban Consumers, (CPI-U) (1982-84 = 100), Philadelphia Region," published by the United States Department of Labor, Bureau of Labor Statistics. Such adjustment shall be based on the Cost of Living Index as published for the month of February, 2000 ("Base Index"), and shall be made by multiplying the minimum rent set forth in Paragraph 4 by a fraction, the numerator of which shall be the Cost of Living Index for the month of February of each respective calendar year of the term of this Lease or any renewal thereof (commencing February, 2000) and the denominator of which shall be the Base Index. If the Cost of Living Index or successor or substitute index is not available, the parties shall use any reliable governmental or other impartial index or publication reasonably designated by Landlord which reasonably reflects the change in cost of living between the periods otherwise above set forth for determination of the cost of living adjustment.

IN WITNESS WHEREOF, and with the intention to be legally bound hereby, the parties have executed this Rider this 19/th/ day of February, 1999.

LANDLORD:
CAL-CHIP ELECTRONICS, INC.

By: /s/ Jerome Giuliano

Jerome Giuliano
President

TENANT:
OXIS INSTRUMENTS, INC.

By: /s/ Jon S. Pitcher

Jon S. Pitcher
Secretary

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