AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 22, 1998
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

INTUITIVE SURGICAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	3842	77-0416458
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1340 W. MIDDLEFIELD ROAD
MOUNTAIN VIEW, CALIFORNIA 94043
(650) 237-7000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

LONNIE M. SMITH
PRESIDENT AND CHIEF EXECUTIVE OFFICER
INTUITIVE SURGICAL, INC.
1340 W. MIDDLEFIELD ROAD
MOUNTAIN VIEW, CALIFORNIA 94043
(650) 237-7000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

ALAN C. MENDELSON, ESQ. PATRICK A. POHLEN, ESQ. Cooley Godward LLP Five Palo Alto Square 3000 El Camino Real Palo Alto, California 94306 (650) 843-5000	JAY K. HACHIGIAN, ESQ. RENEE F. LANAM, ESQ. Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP 155 Constitution Drive Menlo Park, California 94025 (650) 321-2400

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $.001 par value.....	$50,000,000	$14,750

(1) Estimated solely for the purpose of computing the amount of the registration

fee in accordance with Rule 457 under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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PROSPECTUS (SUBJECT TO COMPLETION)

ISSUED , 1998

SHARES

[INTUITIVE LOGO]

COMMON STOCK

ALL OF THE SHARES OF COMMON STOCK ARE BEING SOLD BY INTUITIVE SURGICAL, INC. (THE "COMPANY"). PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE PER SHARE WILL BE BETWEEN $ AND $. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE.

APPLICATION HAS BEEN MADE TO LIST THE COMMON STOCK FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "ISRG."

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7 OF THIS PROSPECTUS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)
PER SHARE	$	$	$
TOTAL(3)	$	$	$

- ----------

(1) THE COMPANY HAS AGREED TO INDEMNIFY THE UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

(2) BEFORE DEDUCTING EXPENSES PAYABLE BY THE COMPANY ESTIMATED AT $.

(3) THE COMPANY HAS GRANTED TO THE UNDERWRITERS AN OPTION, EXERCISABLE WITHIN 30 DAYS OF THE DATE HEREOF, TO PURCHASE UP TO AN AGGREGATE OF ADDITIONAL SHARES AT THE PRICE TO PUBLIC LESS UNDERWRITING DISCOUNTS AND COMMISSIONS FOR THE PURPOSE OF COVERING OVER-ALLOTMENTS, IF ANY. IF THE UNDERWRITERS EXERCISE SUCH OPTION IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS AND PROCEEDS TO COMPANY WILL BE $, $ AND $, RESPECTIVELY. SEE "UNDERWRITERS."

THE SHARES ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITERS NAMED HEREIN AND SUBJECT TO APPROVAL OF CERTAIN LEGAL MATTERS BY GUNDERSON DETTMER STOUGH VILLENEUVE FRANKLIN & HACHIGIAN, LLP, COUNSEL FOR THE UNDERWRITERS. IT IS EXPECTED THAT DELIVERY OF THE SHARES WILL BE MADE ON OR ABOUT , 1998 AT THE OFFICE OF MORGAN STANLEY & CO. INCORPORATED, NEW YORK, N.Y., AGAINST PAYMENT THEREFOR IN IMMEDIATELY AVAILABLE FUNDS.

MORGAN STANLEY DEAN WITTER

BEAR, STEARNS & CO. INC.

BT ALEX. BROWN

, 1998

GENERATIONS OF SURGERY

OPEN SURGERY
SIMPLE & COMPLEX PROCEDURES
- NATURAL MOTIONS
- WIDE RANGE OF MOTION
- HANDS INSIDE PATIENT
- PRECISE TISSUE MANIPULATION
- LARGE INCISION

[Photo of open surgical instruments]

[Photo of minimally invasive surgical instruments]

MINIMALLY INVASIVE SURGERY
SIMPLE PROCEDURES
- BACKWARD MOTIONS
- LIMITED RANGE OF MOTION
- HANDS OUTSIDE PATIENT
- IMPRECISE TISSUE MANIPULATION
- SMALL INCISION

[Photo of Intuitive's surgeon console]

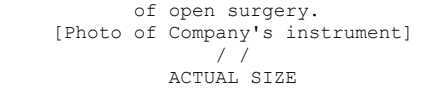
INTUITIVE-TM- SURGERY
SIMPLE & COMPLEX PROCEDURES
- NATURAL MOTIONS
- WIDE RANGE OF MOTION
- MECHANICAL WRISTS
- INSIDE PATIENT
- PRECISE TISSUE MANIPULATION
- SMALL INCISION

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

INTUITIVE THIRD GENERATION SURGERY

[Photo of Intuitive's products in the Company's preclinical procedure room]

With INTUITIVE surgery, surgeons operate while seated at a console and viewing a 3-D image of the surgical field. Their hands rest below the display holding instrument handles that resemble the handles of open surgical instruments. Natural hand movements made at the console are translated into precise microsurgical movements using instruments that are approximately seven millimeters in diameter and which incorporate real-time natural wrist movements. Intuitive's products are designed to allow surgeons, for the first time, to be able to perform surgical procedures through small incisions using the natural movements and precision of open surgery.



INTUITIVE'S PRODUCTS IN THE COMPANY'S PRECLINICAL PROCEDURE ROOM

[INTUITIVE LOGO]

The Company's products are investigational and, except as set forth in this Prospectus, have not been approved by the FDA for sale in the United States. There can be no assurance that such approval will ever be obtained. In addition, the Company's products have not been approved by international regulatory agencies for sale in international markets. See "Risk Factors--Need for Federal and State Regulatory Clearance or Approval," and "--Lack of International Regulatory Clearance or Approval."

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY OFFER OR SALE MADE HEREBY SHALL UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 1998 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

TABLE OF CONTENTS

The Company intends to furnish its stockholders with annual reports containing financial statements audited by an independent certified public accounting firm and quarterly reports for the first three quarters of each year containing unaudited financial information.

INTUITIVE, ENDOWRIST, IMMERSIVE and the Company's logo are trademarks of the Company. This Prospectus also includes trademarks of companies other than the Company.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION, INCLUDING "RISK FACTORS" AND THE FINANCIAL STATEMENTS AND NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS. UNLESS THE CONTEXT OTHERWISE REQUIRES, THE TERMS "INTUITIVE" AND THE "COMPANY" REFER TO INTUITIVE SURGICAL, INC., A DELAWARE CORPORATION. EXCEPT AS OTHERWISE NOTED HEREIN, INFORMATION IN THIS PROSPECTUS (I) ASSUMES NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION, (II) GIVES EFFECT TO THE CONVERSION OF ALL OUTSTANDING SHARES OF PREFERRED STOCK OF THE COMPANY INTO SHARES OF COMMON STOCK OF THE COMPANY, WHICH WILL OCCUR UPON THE CLOSING OF THIS OFFERING, (III) GIVES EFFECT TO THE FILING, UPON THE CLOSING OF THIS OFFERING, OF AN AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AUTHORIZING 10,000,000 SHARES OF UNDESIGNATED PREFERRED STOCK AND 75,000,000 SHARES OF COMMON STOCK, AND (IV) DOES NOT GIVE EFFECT TO A FOR REVERSE STOCK SPLIT TO BE EFFECTED PRIOR TO THE CLOSING OF THIS OFFERING.

THE COMPANY

Intuitive designs and manufactures proprietary products which it believes represent a fundamentally new generation of technology for surgery. This new generation of surgery, INTUITIVE surgery, is believed by the Company to represent an advance similar in scope to the previous two generations of surgery--open surgery and minimally invasive ("MIS") surgery. The Company's technology seamlessly translates the surgeon's natural hand movements on instrument handles at a console into corresponding micro-movements of instruments positioned inside the patient through small puncture incisions, or "ports." Intuitive believes that its technology provides the surgeon with the range of motion and fine tissue control possible with open surgery, while simultaneously allowing the surgeon to work through the ports of MIS surgery.

Although open surgery is still commonly performed and is used in almost every area of the body, the large incisions required create significant trauma to the patient, resulting in long hospitalization and recovery times, high hospitalization costs, as well as significant pain and suffering. Over the past several decades, MIS surgery has reduced trauma to the patient by allowing surgery through ports rather than large incisions, resulting in shorter recovery times and reduced hospitalization costs. MIS surgery has been widely adopted in certain surgical procedures, but it has not been widely adopted for complex procedures. The Company believes this slow adoption for complex procedures has occurred because surgeons generally find MIS operative techniques more difficult to learn and perform and less precise than open surgery for fine tissue manipulations such as dissecting and suturing. Factors that make MIS techniques more difficult or less precise include backward instrument movements, restricted range of motion, magnified hand tremors, exaggerated instrument movements and poor visualization.

INTUITIVE surgery overcomes many of the limitations of existing MIS surgery by utilizing a broad technology platform consisting of computer hardware, software, algorithms, mechanics and optics to perform fine tissue manipulation through ports in many parts of the body. Using Intuitive's technology, surgeons perform surgical procedures while seated comfortably at a console viewing a 3-D image of the surgical field. The surgeon's hands grasp the instrument handles below the display in their normal orientation with respect to the surgeon's eyes, and the Company's technology seamlessly translates these movements into precise real-time microsurgical movements of electromechanical arms and instruments inside the patient. The Company's technology is also designed to give surgeons the perception that their hands are inside the patient, directly holding instruments--even though their hands are outside--and to give surgeons the perception that the surgical field is being directly visualized instead of being viewed through an endoscope.

An important advantage of the Company's technology is that surgeons can learn to manipulate Intuitive's instruments with only a few minutes of training, allowing surgeons to focus on the clinical procedure. When performing procedures that the surgeon has previously performed only with open surgical techniques, the Company believes that the surgeon will have to learn where to place ports and how to approach the operation but will generally not have to relearn how to perform basic tissue manipulations. The Company believes that tissue manipulations using its products can be as natural to the surgeon as hand movements in open surgery. As a result, the Company believes its products will make a broad range of open surgical procedures suitable for INTUITIVE surgery, with significantly less patient trauma and post-operative pain and shorter recovery times.

The Company's strategy is to focus initially on the cardiac surgery market because (i) there are a large number of procedures concentrated in a small number of hospitals that can be targeted by a focused sales force and field organization, (ii) while approaches to these procedures have been developed that are somewhat less invasive than open surgery, they are difficult and only account for a small minority of cardiac surgery procedures being performed and (iii) no existing technology is able to accomplish a full cardiac procedure through ports. The Company believes that its technology can help surgeons accomplish cardiac surgery procedures more easily, more accurately and with less trauma to the patient than existing approaches. Cardiac surgery procedures are among the most precise and demanding in all of surgery. As such, the Company believes that if its technology is adopted for cardiac surgery, surgeons will gain confidence that Intuitive's technology also can be used for less demanding procedures in general and other surgery.

The Company plans to derive its revenues from the direct sale of two types of interlinked proprietary products (i) a surgeon's console and a patient-side cart which holds the electromechanical arms and (ii) a range of "resposable" instruments such as scissors, forceps and electrocautery. The resposable instruments are resterilizable and the number of procedures that each instrument can perform is controlled by a proprietary electronic interlock. This feature will allow the Company to limit the number of uses of each instrument to less than its tested usage so that the instrument's performance meets specifications during each procedure. By defining the number of uses for each instrument, the Company can effectively price its resposable instruments on a per-procedure basis.

Intuitive believes that it is the first mover in third generation surgery. In March 1997, surgeons using Intuitive's technology successfully performed what the Company believes to be the initial third generation surgery on humans. Intuitive believes that its development efforts represent the largest effort devoted to third generation surgery of any company in the world today. Intuitive owns or has licensed 38 issued and 8 allowed patents, including patents from SRI International and IBM, companies which in the late 1980s were early pioneers in the research of third generation surgery.

The Company was incorporated in Delaware in November 1995 as Intuitive Surgical Devices, Inc. and changed its name to Intuitive Surgical, Inc. in January 1997. The Company's executive offices are located at 1340 W. Middlefield Road, Mountain View, California 94043, and its telephone number is (650) 237-7000.

THE OFFERING

Common Stock offered	shares
Common Stock to be outstanding after this offering	shares(1)
Use of Proceeds	For research and development, clinical trials, manufacturing scale-up, expansion of sales and marketing activities, partial payment of a license fee to IBM, working capital and general corporate purposes.
Proposed Nasdaq National Market Symbol	ISRG

SUMMARY FINANCIAL DATA

	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996(2)	YEAR ENDED DECEMBER 31, 1997	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1998	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO MARCH 31, 1998
		(IN THOUSANDS, EXCEPT PER SHARE DATA)			
STATEMENTS OF OPERATIONS DATA:					
Operating costs and expenses:					
Research and development	$ 2,934	$ 14,282	$ 1,793	$ 6,764	$ 23,980
General and administrative	951	4,434	686	1,627	7,012
Technology license	--	6,000	--	--	6,000
Total operating costs and expenses	3,885	24,716	2,479	8,391	36,992
Loss from operations	(3,885)	(24,716)	(2,479)	(8,391)	(36,992)
Interest income, net	198	1,114	70	376	1,688
Net loss	$ (3,687)	$ (23,602)	$ (2,409)	$ (8,015)	$ (35,304)
Pro forma net loss per share		$ (1.85)		$ (0.47)	
Shares used in computing pro forma net loss per share		12,730		17,207	

	AS OF MARCH 31, 1998	
	ACTUAL	AS ADJUSTED(3)
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash, cash equivalents and short-term investments	$ 26,303	
Working capital	17,792	
Total assets	30,107	
Capital lease obligations, noncurrent	1,297	
Deficit accumulated during the development stage	(35,304)	(35,304)
Total stockholders' equity	19,982	

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(1) Based on the number of shares outstanding on March 31, 1998. Excludes (i) 977,250 shares of Common Stock issuable upon exercise of options outstanding, at a weighted average exercise price of $0.99 per share, (ii) an aggregate of 785,138 shares available for future grants or purchases pursuant to the Company's 1996 Equity Incentive Plan, and (iii) 11,000 shares issuable upon exercise of a warrant outstanding, at an exercise price of $5.00 per share. In April 1998, an additional 4,700,000 shares were reserved for future grants or purchases pursuant to the Company's 1998 Equity Incentive Plan, 1998 Employee Stock Purchase Plan and 1998 Non-Employee Directors' Stock Option Plan. See "Capitalization," and "Management--Employee Benefit Plans."

(2) The Company's statement of operations data for the period from inception (November 9, 1995) to December 31, 1995 is not presented separately as the Company's operations during that period were not material.

(3) As adjusted to give effect to the sale in this offering of shares of Common Stock by the Company and the application of the net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

AN INVESTMENT IN THE SHARES OF COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. THE FOLLOWING FACTORS, IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, SHOULD BE CAREFULLY CONSIDERED IN EVALUATING THE COMPANY AND ITS BUSINESS BEFORE PURCHASING THE SHARES OF COMMON STOCK OFFERED HEREBY. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS. FOR THIS PURPOSE, ANY STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACTS MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES," "ANTICIPATES," "PLANS," "INTENDS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THERE ARE A NUMBER OF IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, WITHOUT LIMITATION, THOSE SET FORTH BELOW AND ELSEWHERE IN THIS PROSPECTUS.

EARLY STAGE OF CLINICAL TESTING; NO ASSURANCE OF SAFETY, EFFICACY OR COMMERCIALIZATION

The Company was founded in November 1995. To date, the Company has engaged primarily in researching, developing, testing and pursuing regulatory clearances for its initial product candidate which consists of a surgeon's console and patient-side cart and certain resposable instruments. The Company will not be able to sell its products in the United States unless it obtains clearance or approval from the United States Food and Drug Administration (the "FDA"). Although the Company has received clearance from the FDA for the surgeon's console, patient-side cart and certain blunt resposable instruments, it has not received clearance or approval for certain other resposable instruments necessary for performing most surgical procedures, including scissors, scalpels, forceps/pickups, needle holders, clip appliers and electrocautery (the "Pending Instruments"). Regulatory clearance or approval of the Pending Instruments is necessary for the Company to commercialize its products. The FDA has determined that the Company must submit substantial clinical data regarding use of the Pending Instruments in certain thoracoscopic and laparoscopic surgical procedures before it will consider the clearance or approval of such instruments.

In order to obtain the required clinical data, the Company intends to begin a clinical trial using the Pending Instruments, together with the surgeon's console and patient-side cart and certain other resposable instruments, in July 1998. However, this clinical trial could be delayed. Even if the clinical trial commences on schedule, the Company cannot be certain when it will be completed or that the results of the clinical trial will be favorable or support further product development. If the results of the clinical trial do not indicate that the Company's products are safe or effective, regulatory approval could be delayed or denied. In particular, such results may require the Company to modify or abandon its products. Even if the results of the clinical trial indicate that the Company's products are safe and effective, the clinical trial may identify significant technical or other obstacles that the Company would need to overcome. These obstacles could significantly delay or prevent any product launch, which could have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, because the surgeon's console and patient-side cart and resposable instruments together represent the Company's sole product candidate, the Company could be required to cease operations if it is not successfully commercialized. See "Business--Intuitive's Products," "--Clinical Trials and Experience," and "--Government Regulation."

DEVELOPMENT STAGE COMPANY; HISTORY OF LOSSES AND EXPECTATION OF FUTURE LOSSES

As of March 31, 1998, the Company had an accumulated deficit of $35.3 million. The Company has not generated any revenue from product sales. The Company's future profitability depends, in part, on the Company's ability to obtain clearance or approval from the FDA to market the Pending Instruments in the United States, its ability to obtain regulatory approval to market its products internationally and its ability to successfully manufacture and market its products. The Company's headcount was 23, 86 and 100 as of December 31, 1996 and December 31, 1997 and March 31, 1998, respectively. The Company expects to expend substantial additional funds, increase headcount and continue to incur significant operating losses for the foreseeable future as it continues to fund clinical trials in support of regulatory approvals, expands

research and development activities, establishes commercial-scale manufacturing capabilities and expands sales and marketing activities. Even if the Company is able to successfully commercialize its products, the Company cannot be certain that it will achieve significant revenues from either domestic or international sales. Failure to achieve significant revenues from product sales would have a material adverse effect on the Company's business, financial condition and results of operations, and may require the Company to cease operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UNCERTAINTY OF MARKET ACCEPTANCE; TRAINING REQUIREMENTS

The Company's products represent a fundamentally new way of performing surgery. The Company's ability to successfully commercialize its products will depend, in part, on achieving physician and patient acceptance of INTUITIVE surgery as a preferred method of performing surgery and for a broader array of surgical procedures. There can be no assurance that the Company's products will gain any significant degree of market acceptance by physicians, patients and third-party payors even if necessary regulatory approvals are obtained. The Company believes that physicians' and third-party payors' acceptance of the benefits of procedures performed using the Company's products will be essential for acceptance of the Company's products by patients. Physicians will not recommend that procedures be performed using the Company's products unless the Company is able to demonstrate similar efficacy and/or reduced trauma as compared to existing surgical techniques. Even if the Company establishes the clinical efficacy of procedures using its products, surgeons may elect not to use the Company's products for any number of other reasons. For example, most patients with cardiovascular disease first consult with a cardiologist who may refer the patient to a cardiac surgeon for conventional open-heart surgery because such surgery has become widely accepted.

The Company expects that there will be a significant learning process involved for surgical teams to become proficient in the use of the Company's products in performing surgeries, such as cardiac surgery, which to date have been mostly performed with open surgical techniques. Broad use of the system will require training of surgical teams in performing minimally invasive procedures, and market acceptance could be delayed by the time required to complete this training. The Company cannot be certain that it will be able to rapidly train surgical teams in numbers sufficient to generate adequate demand for the Company's products. If the Company's products fail to achieve market acceptance, the Company may not achieve revenues from product sales necessary to support the Company's business. See "Business-- Intuitive's Products" and "-- Clinical Trials and Experience."

NEED FOR FEDERAL AND STATE REGULATORY CLEARANCE OR APPROVAL

The design, manufacturing, labeling, distribution and marketing of the Company's products are subject to extensive government regulation in the United States. As a result, the process of obtaining required regulatory approvals is lengthy, expensive and uncertain. In order for Intuitive to market its products in the United States, it must obtain clearance or approval from the FDA. Before a new device can be introduced into the United States market, the FDA requires that a manufacturer obtain marketing clearance either through a premarket notification process under Section 510(k) of the Federal Food, Drug and Cosmetic Act (the "FDC Act") or a PMA application under Section 515 of the FDC Act. In order to obtain clearance through a premarket notification under Section 510(k) of the FDC Act ("510(k)"), the Company must provide information sufficient to support a claim of substantial equivalence to a legally marketed predicate device. The PMA application process is substantially more extensive than the 510(k) notification process. Based upon industry and FDA publications, the Company believes that it generally takes from four to twelve months from the date of submission to obtain a 510(k) clearance, but it may take longer. In June 1997, the Company submitted a 510(k) notification for the surgeon's console and patient-side cart and certain blunt resposable instruments, and in July 1997, the 510(k) notification was cleared by the FDA. A subsequent 510(k) notification submission covering the Pending Instruments was withdrawn by

the Company in November 1997 after the FDA indicated that substantial clinical data would be required prior to a determination of substantial equivalence. In March 1998, the Company received approval of an Investigational Device Exemption ("IDE") in order to conduct a clinical trial using the Pending Instruments, together with the surgeon's console and patient-side cart and certain other resposable instruments, in certain thoracoscopic and laparoscopic surgical procedures. The Company intends to submit the data obtained from the clinical trial as part of a new 510(k) notification. The Company cannot be certain when it will complete the clinical trial or file such 510(k) notification with the FDA for the Pending Instruments. In addition, there can be no assurance whether the results obtained from the clinical trial will support a finding of substantial equivalence. It is possible that the FDA could require the Company to submit a more extensive PMA application instead of a 510(k) notification for the Pending Instruments. If 510(k) clearance is granted, the Company believes based upon discussions with the FDA that the clearance will permit distribution and promotion of the Pending Instruments for broad use in endoscopic surgery. There can be no assurance, however, that the FDA will not require additional 510(k) clearances to be obtained before the Pending Instruments could be distributed or promoted for use in other specific surgical procedures.

If the Company is unable to utilize the 510(k) process, the Company will incur additional costs and delays while it seeks FDA approval of a PMA application to use the Pending Instruments for endoscopic indications. A PMA application may be submitted to the FDA only after clinical trials and the required patient follow-up for a particular system or its instruments are successfully completed. Upon acceptance of a PMA application for filing, the FDA commences a review process that, based upon industry and FDA publications, the Company believes generally takes one to three years from the date on which the PMA application is accepted for filing. However, the review process may take significantly longer.

The FDA may not act favorably or quickly on any of the Company's submissions. As a result, the Company may encounter significant difficulties and incur additional costs. For example, the FDA may request additional data or require that the Company conduct further clinical trials, which would cause the Company to incur substantial costs and delays. In addition, the FDA may impose strict labeling requirements, onerous surgical training requirements or other requirements as a condition of product approval. These restrictions could limit the Company's ability to market its products. Furthermore, the Company cannot be certain that it will ever receive FDA clearance or approval of the Pending Instruments. If the Company is unable to obtain FDA clearance or approval of the Pending Instruments, it will not be able to market and sell its products for surgical procedures in the United States. Because the surgeon's console and patient-side cart and resposable instruments, including the Pending Instruments, together represent the Company's sole product candidate, the Company could be required to cease operations if regulatory approvals of the Pending Instruments which are necessary for commercialization of the Company's products are not obtained.

If the Company receives FDA approval or clearance of the Pending Instruments, the Company will continue to be regulated by the FDA with regard to the reporting of adverse events and ongoing compliance with FDA Quality System Regulations ("QSR") which includes elaborate testing, control, documentation and other quality assurance procedures. The Company's manufacturing facilities must be registered with the FDA and will be subject to periodic inspections. The Company's facilities have not yet been inspected by the FDA. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Current FDA enforcement policy prohibits the marketing of approved medical devices for unapproved ("off label") uses.

In addition to federal regulations, the State of California also requires that the Company obtain a license to manufacture medical devices. The Company's facilities and manufacturing processes were inspected in February 1998. The Company passed the inspection and received a device manufacturing license from the Food and Drug Branch of the California Department of Health Services ("CDHS") in March 1998. The Company will be subject to periodic inspections by the CDHS. If the Company were unable to maintain this license following any future inspections, it would be unable to manufacture or ship

any product which would have a material adverse effect on the Company's business, financial condition and results of operations and may require the Company to cease operations. See "Business--Government Regulation."

LACK OF INTERNATIONAL REGULATORY CLEARANCE OR APPROVAL

In order for the Company to market its products in Europe and in certain other foreign jurisdictions, the Company and its distributors and agents must obtain required regulatory approvals and clearances and otherwise comply with extensive regulations regarding safety and quality. These regulations, including the requirements for approvals or clearance and the time required for regulatory review, vary from country to country. The Company cannot be certain that it will obtain regulatory approvals in other countries. The Company may also incur significant costs in attempting to obtain or in maintaining foreign regulatory approvals. If the Company experiences delays in receipt of approvals to market its products outside of the United States, or if the Company fails to receive these approvals, sales of such products may be materially adversely affected.

Beginning in mid-1998, the European Union requires that medical products receive the right to affix the CE mark. The CE mark is an international symbol of adherence to quality assurance standards and compliance with applicable European medical device directives. In order to obtain the right to affix the CE mark to the Company's products, the Company will need to obtain certification that the Company's processes meet European quality standards. These standards include certification that the Company's design and manufacturing facility complies with ISO 9001 standards. If the Company does not receive the right to affix the CE mark, it will be prohibited from selling its products in member countries of the European Union. The Company cannot be certain that it will be successful in meeting European quality standards or other certification requirements. See "Business--Government Regulation."

POSSIBLE FUTURE CAPITAL REQUIREMENTS

The Company expects to expend substantial additional funds and continue to incur significant operating losses for the foreseeable future as its continues to fund clinical trials in support of regulatory approvals, expands research and development activities, establishes commercial-scale manufacturing capabilities and expands sales and marketing activities. If unanticipated difficulties arise in any of these activities, the Company's cash requirements could increase substantially. The Company's future liquidity and capital requirements will depend upon numerous factors, including the extent of the Company's future operating losses, the level and timing of future revenues and expenditures, the progress of its product development efforts, the progress and scope of clinical trials, actions relating to regulatory matters, the costs and timing of expansion of product development, manufacturing and sales and marketing activities, the extent to which the Company's products gain market acceptance, the price of the Company's products and competitive developments. The Company believes that the proceeds from this offering, together with interest income and current cash, will be sufficient to meet its operating and capital requirements at least for the next 12 months. The Company's forecast of the period of time through which its financial resources will be adequate to support its operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary. The Company may raise additional funds through public or private financing or other arrangements. The Company cannot be certain that any additional funding will be available when needed or at all. Even if such financing is available, the terms may not be attractive. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. If the Company is unable to raise capital when needed, it may have to reduce operations in order to conserve cash or cease operations entirely. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

FLUCTUATIONS IN OPERATING RESULTS

The Company's results of operations will depend upon numerous factors, including the following: the progress and results of clinical trials, actions relating to regulatory matters, the extent to which the Company's products gain market acceptance, the timing and ability of the Company to develop its manufacturing and sales and marketing capabilities, demand for the Company's products, the progress of surgical training in the use of the Company's products, the ability of the Company to develop, introduce and market new or enhanced versions of the Company's products on a timely basis, any product quality problems and changes in third-party payor reimbursement policies. In addition, sales by the Company of its surgeon's console and patient-side cart could require lengthy sales and purchase order cycles because these products are relatively expensive and require multiple levels of purchase authorizations. As a result, the Company's quarterly or yearly results of operations may fluctuate substantially and will be difficult to forecast. In addition, future revenue from sales of the Company's products, if any, will be difficult to forecast because the market for new surgical technologies is still evolving. As a result, the Company's operating results in any particular period should not be relied upon as an indication of future performance. In addition, it is possible that in some future quarter the Company's operating results will be below the expectations of public market analysts. If this occurs, the price of the Company's Common Stock will likely decline. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UNCERTAINTY RELATED TO THIRD-PARTY REIMBURSEMENT

A combination of the government and/or health insurance companies is responsible for hospital and surgeon reimbursement for virtually all surgical procedures except for cosmetic surgery in both the United States and elsewhere. Governments and insurance companies generally reimburse hospitals and physicians for surgery when the procedures are considered non-experimental and non-cosmetic. The Company believes that the cardiac procedures that will constitute its initial focus, as well as the majority of non-cardiac procedures it may eventually target, are generally already reimbursable by governments and insurance companies. Accordingly, the Company believes hospitals and surgeons in the United States will generally not be required to obtain new billing authorizations or codes in order to be compensated for performing surgery using the Company's products once such products have obtained FDA clearance or approval, but there can be no assurance that this will be the case.

Governments and insurance companies carefully review and increasingly challenge the prices charged for medical products and services. Reimbursement rates from private companies vary depending on the procedure performed, the third-party payor, the insurance plan and other factors. Medicare reimburses hospitals a prospectively determined fixed amount for the costs associated with an in-patient hospitalization based on the patient's discharge diagnosis, and reimburses physicians a prospectively determined fixed amount based on the procedure performed, regardless of the actual costs incurred by the hospital or physician in furnishing the care and unrelated to the specific devices used in that procedure. Thus, the reimbursements that hospitals obtain for performing surgery with Intuitive's products will generally have to cover any additional costs that hospitals incur in purchasing the Company's products.

In addition, the Company must obtain reimbursement approvals in certain foreign countries. There can be no assurance that any such approvals will be obtained in a timely manner or at all. Failure to obtain such approvals could have a material adverse effect on market acceptance or sales of the Company's products in the international markets in which approvals are required.

The Company believes that the overall escalating cost of medical products and services has led to and will continue to lead to increased pressures on the health care industry, both foreign and domestic, to reduce the cost of products and services, including products offered by the Company. There can be no assurance that third-party reimbursement and coverage will be available or adequate either in United States or foreign markets, that current reimbursement amounts will not be decreased in the future or that future legislation, regulation, or reimbursement policies of third-party payors will not otherwise adversely affect the demand for the Company's products or its ability to sell its products on a profitable basis, particularly if the Company's products are more expensive than other cardiac surgery products. Moreover,

the Company is unable to predict whether additional legislation or regulation relating to the healthcare industry or third-party reimbursement will be enacted in the future, or the effect of such legislation or regulation on the sale of the Company's products. If third-party payor coverage or reimbursement is unavailable or inadequate, the Company's business, financial condition, and results of operations could be materially adversely affected. See "Business--Third-Party Reimbursement."

SIGNIFICANT COMPETITION; RAPID TECHNOLOGICAL CHANGE

INTUITIVE surgery is a new technology that must compete with more established procedures such as existing MIS surgery and open surgery. These established procedures are widely accepted in the medical community and in many cases have a long history of use. In addition, the Company expects that the market for third generation surgery will be intensely competitive. Several companies are developing new approaches and new products for the minimally invasive treatment of heart disease and other conditions. Many of these companies have an established presence in the field of MIS surgery, including Boston Scientific Corporation, CardioThoracic Systems, Inc., C.R. Bard, Inc., Guidant Corporation, Heartport, Inc., Ethicon Endo-Surgery, Inc., a division of Johnson & Johnson, Medtronic, Inc. and United States Surgical Corporation. Many of these companies have substantially greater financial and other resources than the Company. In particular, these companies frequently have larger research and development staffs and more experience and capabilities in conducting research and development activities, testing products in clinical trials, obtaining regulatory approvals, and manufacturing, marketing and selling products. In addition, a limited number of companies are using robots in surgery, including Computer Motion, Inc. and Integrated Surgical Systems, Inc. which may develop products which directly compete with the Company's products. Also, technological advances in cardiac or other surgical procedures or the development of innovative drugs could make other therapies more effective or lower in cost than the Company's products. The Company cannot be certain that it will be able to complete development of its products or develop new instruments for any additional surgical procedures, that are more effective and cost-effective than established treatments or new approaches and products developed by current or future competitors. The Company could be unable to achieve adequate sales of the Company's products if it is unable to demonstrate the efficacy and cost advantages of such products over products or procedures of the Company's competitors or over existing MIS or open surgical procedures. In addition, the timing of market introduction of its products affects the Company's ability to compete effectively. As a result, the Company's ability to complete product development and clinical trials, obtain regulatory approvals and commercially introduce its initial products are important factors in competing successfully. Even if its initial products were to gain market acceptance and generate product revenue, the Company's ability to achieve or sustain profitability could be adversely affected if it fails to develop new technologies and products before competitors. See "Business--Competition."

RISK OF SOFTWARE DEFECTS

The Company's products incorporate sophisticated computer software. Software as complex as that incorporated into the Company's products frequently contain errors or failures, especially when first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after commercial shipment. Because the Company's products are designed to be used to perform complex surgical procedures, the Company expects that its customers will have an increased sensitivity to software defects than the market for software products generally. There can be no assurance that errors or performance problems will not arise in the future, causing delays in product shipments, loss of revenue, delay in market acceptance, diversion of Company resources, damage to the Company's reputation or increased service or warranty costs, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON PATENTS, LICENSES AND PROPRIETARY RIGHTS

The Company's success will depend in part on its ability to obtain patent protection and appropriate licenses from third parties for its products and processes and its ability to preserve its trade secrets,

trademarks and copyrights, to operate without infringing or violating the proprietary rights of others and to prevent others from infringing the proprietary rights of the Company. The patent positions of medical device companies, including those of the Company, are uncertain and involve complex and evolving legal and factual questions. The coverage sought in a patent application can either be denied or significantly reduced before or after the patent is issued. Consequently, the Company cannot be certain that the scope of any of the Company's patents will exclude competitors, provide competitive advantages or prevent others from circumventing the Company's technology. Many of the Company's competitors have substantial resources and have made substantial investments in competing technologies. Such competitors may have applied for or may apply for and obtain patents that will prevent, limit or interfere with the Company's ability to make, use or sell the Company's products either in the United States or in international markets. The Company cannot be certain that any of its patents will be held valid if challenged by third parties or that others will not claim rights in the Company's patents and other proprietary rights.

In view of the time delay in patent approval and secrecy afforded patent applications, the Company does not know and is not able to determine if there are patent applications belonging to others which have priority over applications belonging to the Company. Moreover, portions or all of the Company's patent applications could be rejected and there could be a material adverse effect on the Company's business and future prospects if patents or prior art exist that were not uncovered through database searches or there are patent applications that have priority over any of the Company's patent applications.

Other companies, institutions or individuals may have filed applications for, may have been issued patents or may obtain additional patents and proprietary rights relating to products or processes similar in function or effect to those of the Company or products that treat conditions that may be treated by the Company's potential products. At this time, the Company cannot predict whether or not these patents, patent applications and proprietary rights will lead to the development of products competitive with the Company's potential products. If such competitive products are developed and successfully commercialized, they could materially adversely affect the Company's ability to commercialize its potential products. If the United States Patent and Trademark Office (the "PTO") should determine that any issued or pending patents claim the same subject matter as any of the Company's pending patent applications and that the subject matter of such issued or pending patents was invented first, the Company could be prevented from obtaining patent protection or the scope of such protection could be narrowed.

The laws of certain foreign countries do not protect the Company's intellectual property rights to the same extent as do the laws of the United States. The Company attempts to protect the software included in its systems under trade secret and copyright laws, but these laws provide only limited protection. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy or obtain information that the Company regards as proprietary. In addition to patents, trademarks and copyrights, the Company relies on trade secrets and proprietary know-how to compete. The Company attempts to protect its trade secrets and proprietary know-how, in part, through confidentiality and proprietary information agreements, however such agreements may be breached. The Company cannot be certain that it will have adequate remedies for any breach, or that its secrets will not otherwise become known to, or independently developed by, competitors.

The Company also relies on technology that it licenses from others, including technology that is integrated into its products. The Company has entered into a license agreement with SRI International ("SRI"), dated December 20, 1995 (the "SRI License"), pursuant to which the Company obtained an exclusive, worldwide, royalty-free license to use certain telesurgery technology for animal and human surgery. Under the terms of the SRI License, the Company is required to use commercially reasonable and diligent efforts to conduct research and development and clinical trials and to market products for use in surgery once such products are approved for marketing by the FDA. If the Company fails to commercialize its products by September 12, 2002, SRI has the option of converting the exclusive license to a non-exclusive license. The SRI License terminates upon the later of the last to expire of the patents licensed from SRI or December 20, 2012. The license may also be terminated by SRI in the event of a material

uncured breach of the Company's obligations. In the event of such termination there can be no assurance that necessary licenses could be reacquired from SRI on satisfactory terms or at all. In addition, in December 1997, the Company entered into a license with IBM (the "IBM License") pursuant to which the Company was granted an exclusive, worldwide, royalty-free license to use certain IBM patents covering technology related to the application of computers and robotics to surgery. Excluded from the licensed field were neurology, ophthalmology, orthopedics and biopsies, but the Company obtained a nonexclusive license in these fields. Under the terms of the license, the Company is obligated to pay certain amounts upon achievements of certain milestones, including $5.0 million within 10 days of the closing of this offering. The IBM License will terminate upon the expiration of the last to expire of the licensed patents. In addition, the IBM License may also be terminated if the Company fails to make the required payments and such failure is not cured within 90 days of written notice. In the event of such termination, there can be no assurance that necessary licenses could be reacquired from IBM on satisfactory terms or at all. The loss or failure to maintain these licenses could prevent or delay further development or commercialization efforts of the Company's products which would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Intellectual Property."

The Company may be required to obtain licenses to patents or proprietary rights of others. As the medical device industry expands and more patents are issued, the risk increases that the Company's potential products may give rise to claims that they infringe the patents of others. No assurance can be given that any licenses required under any such patents or proprietary rights would be made available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in product market introductions while it attempts to design around such patents, or could find that the development, manufacture or sale of products requiring such licenses could be foreclosed. Litigation may be necessary to defend against or assert claims of infringement, to enforce patents issued to the Company, to protect trade secrets or know-how owned by the Company, or to determine the scope and validity of the proprietary rights of others, and could result in substantial costs to and diversion of effort by, and may have a material adverse impact on, the Company. In addition, there can be no assurance that these efforts by the Company will be successful.

RISKS OF THIRD-PARTY CLAIMS OF INFRINGEMENT

The medical device industry has been characterized by extensive litigation regarding patents and other intellectual property rights, and companies in the medical device industry have employed intellectual property litigation to gain a competitive advantage. The Company could become subject to patent infringement claims or litigation in a court of law, interference proceedings declared by the PTO to determine the priority of inventions or an opposition to a patent grant in a foreign jurisdiction. As the medical device industry expands and more patents are filed and issued, the risk increases that the Company's products may give rise to a declaration of interference by the PTO or claims of patent infringement by other companies, individuals and institutions. Such entities and individuals could bring legal proceedings against the Company seeking damages or seeking to enjoin the Company from testing, manufacturing or marketing its products. Patent litigation is costly, and even if the Company prevails, the cost of such litigation could adversely affect the Company's business. In addition, such proceedings may result in a significant diversion of effort for the Company's technical and management personnel. If other parties in any action are successful, the Company could be required to cease the infringing activity or obtain a license. Although patent and intellectual property disputes in the medical device area have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties. In addition, it is uncertain whether any required license would be available to the Company on acceptable terms, or at all. See "Business--Intellectual Property-- Patents."

LIMITED MANUFACTURING EXPERIENCE; SCALE-UP RISK

The Company has manufactured prototypes of its products for further product development and clinical trials only in limited quantities. The Company has no experience manufacturing products in the volumes that will be necessary to achieve significant commercial sales. The Company cannot be certain that it will be able to establish or maintain reliable, high-volume manufacturing capacity. Even if such capacity can be established and maintained, the Company cannot be certain that the cost will be commercially reasonable. If the Company receives FDA clearance or approval for the Pending Instruments, the Company will need to expend significant capital resources and develop manufacturing expertise to establish large-scale manufacturing capabilities. Manufacturers often encounter difficulties in scaling up production of new products, including problems involving production yields, quality control and assurance, component supply shortages, shortages of qualified personnel, compliance with FDA regulations and the need for further FDA approval of new manufacturing processes. In addition, the manufacturing of the Company's products is a complex process with many component parts. In the event demand for the Company's products exceeds manufacturing capacity, the Company could develop a substantial backlog of customer orders. If the Company is unable to establish and maintain large-scale manufacturing capabilities, sales of the Company's products could be substantially diminished, which would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's manufacturing facilities are subject to periodic inspection by regulatory authorities, and the Company's operations will continue to be regulated by the FDA with respect to QSR compliance. The Company will be required to comply with QSR requirements in order to produce products for sale in the United States and with ISO 9001 standards in order to produce products for sale in Europe. If the Company fails to comply with QSR or ISO 9001 standards, it may be required to cease all or part of its operations for some period of time until it can demonstrate that appropriate steps have been taken to comply with such regulations. The Company cannot be certain that its facilities will comply with QSR or ISO 9001 standards in future audits by regulatory authorities. The State of California also requires that the Company obtain a license to manufacture medical devices. The Company's facilities and manufacturing processes were inspected in February 1998. The Company passed the inspection and received a device manufacturing license from the CDHS in March 1998. The Company will be subject to periodic inspections by the CDHS. If the Company were unable to maintain this license following any future inspections, it would be unable to manufacture or ship any products which would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business-- Manufacturing" and "--Government Regulation."

DEPENDENCE ON KEY SUPPLIERS

The Company purchases certain key components, including motors, endoscopes, monitors, and certain integrated circuit components, from single source suppliers. For certain of these components, there are relatively few alternative sources of supply. The Company may not be able to establish quickly additional or replacement suppliers for many of the numerous components used in the Company's products. In addition, establishing a replacement supplier could involve significant additional costs. If the Company's current suppliers become unable or unwilling to supply components when needed and the Company is unable to obtain alternative suppliers, the Company might be unable to manufacture and market its products, which would have a material adverse effect on its business, financial condition and results of operations. See "Business--Manufacturing."

LIMITED SALES, MARKETING AND DISTRIBUTION EXPERIENCE

The Company has no experience marketing and selling its products. If the Company receives required regulatory clearance or approval, the Company intends to market its products initially through a direct sales force in the United States and Europe. Substantial efforts and significant management and financial

resources are required to establish marketing and sales capabilities sufficient to support sales in commercial quantities. The Company cannot be certain that it will be able to build such a marketing staff or sales force, that this strategy will be cost-effective or that such sales and marketing efforts will be successful. Failure to successfully market its products or any future products could reduce the Company's revenues and may result in additional losses. See "Business--Marketing and Distribution."

EXPANSION OF OPERATIONS; MANAGEMENT OF GROWTH

In order to complete clinical trials, scale-up manufacturing, marketing and distribution capabilities and develop future products, the Company will be required to expand its operations. The Company expects that future expansion will occur particularly in the areas of research and development, manufacturing and sales and marketing. Such expansion will likely result in new and increased responsibilities for management personnel and place significant strain upon the Company's management, operating and financial systems and resources. To accommodate any such growth and compete effectively, the Company will be required to improve information systems, procedures and controls and expand, train, motivate and manage the Company's work force. The Company's future success will depend in part on the ability of current and future management personnel to operate effectively, both independently and as a group. The Company cannot be certain that its personnel, systems, procedures and controls will be adequate to support the Company's future operations. If the Company fails to implement and improve its operational, financial and management systems or to expand, train, motivate or manage employees, the Company's business could be adversely affected. See "--Dependence Upon Key Personnel," "Business--Employees" and "Management."

RISK OF PRODUCT LIABILITY

The Company's business exposes it to significant risks of product liability claims. The medical device industry has historically been litigious, and the Company faces financial exposure to product liability claims in the event that the use of the Company's products results in personal injury or death. There is also the possibility that defects in the design or manufacture of the Company's products might necessitate a product recall. The Company cannot be certain whether product liability claims will be asserted against it. The Company currently maintains product liability insurance. The Company cannot be certain that the coverage limits of such insurance will be adequate or that it will be able to maintain such insurance on acceptable terms. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. Such costs would have the effect of increasing the Company's expenses and could have a material adverse effect on its business, financial condition and results of operations. See "Business--Product Liability and Insurance."

DEPENDENCE UPON KEY PERSONNEL

Because of the scientific nature of the Company's business, the Company is highly dependent upon its ability to attract and retain certain key scientific, technical, clinical, regulatory and managerial personnel. Competition for such personnel is intense. In addition, the Company's success is also dependent on its ability to hire qualified marketing and sales personnel. The loss of key personnel or the inability to hire and retain qualified personnel could adversely affect the Company's product development efforts. See "Management."

USE OF HAZARDOUS MATERIALS; ENVIRONMENTAL MATTERS

The Company's operations produce waste products and involve the controlled use of hazardous materials and chemicals. The Company is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and waste products. Although the Company believes that its safety procedures for handling and disposing of such materials and wastes comply with the standards prescribed by such laws and regulations, the risk of contamination or injury from

these materials cannot be eliminated completely. In such event, the Company can be held liable for any damages that result and any such liability could exceed the resources of the Company. There can be no assurance that the Company will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that the Company's business, financial condition or results of operations will not be materially adversely affected by current or future environmental laws or regulations.

ANTI-TAKEOVER EFFECT OF DELAWARE LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Certain provisions of the Company's charter documents may make it more difficult for a third-party to acquire control of the Company. These provisions may also limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. These provisions include the existence of a classified Board of Directors, the inability of stockholders to act by written consent without a meeting, limits on the ability to remove directors and certain procedures required for director nominations and stockholder proposals. In addition, certain provisions of Delaware law may also delay or make more difficult a merger, tender offer or proxy contest involving the Company. One such provision of the Delaware law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years unless certain conditions are met. In addition, the Company's Board of Directors is authorized to issue up to 10,000,000 shares of Preferred Stock without stockholder approval on such terms as the Board determines. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock could therefore make it more difficult for a third-party to acquire a majority of the Company's outstanding voting stock. In addition, the Preferred Stock may have other rights senior to the Common Stock. As a result, the issuance of the Preferred Stock could decrease the market value of the Common Stock. See "Description of Capital Stock--Preferred Stock" and "--Delaware Anti-Takeover Law and Certain Charter Provisions."

SIGNIFICANT INFLUENCE BY EXISTING STOCKHOLDERS

Following this offering, the Company's founders, directors and executive officers and entities affiliated with them will beneficially own approximately % of the Company's outstanding Common Stock (% if the Underwriters' over-allotment option is exercised). These stockholders, if acting together, would be able to significantly influence all matters requiring approval by the Company's stockholders, including the election of directors and the approval of mergers or other business combination transactions. Such control could have the effect of delaying or preventing a change in control. See "Principal Stockholders."

NO PRIOR PUBLIC TRADING MARKET FOR COMMON STOCK; POTENTIAL VOLATILITY OF STOCK PRICE

Prior to this offering, there has been no public market for the Company's Common Stock. The initial public offering price will be determined through negotiations between the Company and the representatives of the Underwriters. The initial public offering price bears no relationship to earnings, asset values, book value or any other recognized criteria of value. In addition, prospective investors who purchase in this offering may not be able to sell the shares of Common Stock at or above the initial public offering price. Furthermore, the Company does not know the extent to which investor interest in the Company will lead to the development of a trading market, or how liquid that market might be.

The market price of the Company's Common Stock is likely to be highly volatile. Certain factors may significantly affect the market price of the Company's Common Stock, including actual or anticipated fluctuations in the Company's operating results, regulatory developments, developments with respect to clinical trials, announcements of technological innovations, new product introductions by the Company or its competitors, developments with respect to patents or proprietary rights, conditions and trends in the medical device and other technology industries, changes in financial estimates by securities analysts, changes in management or key personnel, general market conditions and other factors. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have

particularly affected the market prices for the common stocks of early stage companies. These types of broad market fluctuations may adversely affect the market price of the Company's Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against that company. Such litigation could result in substantial costs and a diversion of management's attention and resources and could materially adversely affect the Company's revenues and earnings. Any adverse determination in such litigation could also subject the Company to significant liabilities.

SHARES ELIGIBLE FOR FUTURE SALE; POSSIBLE ADVERSE EFFECTS ON FUTURE MARKET PRICE

Sales of substantial amounts of Common Stock in the public market following this offering could adversely affect the market price of the Common Stock. The number of shares of Common Stock available for sale in the public market is limited by restrictions under the Securities Act of 1933, as amended (the "Securities Act"). In addition, all holders of outstanding shares of Common Stock have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus. Morgan Stanley & Co. Incorporated may at its sole discretion and at any time without notice release all or any portion of these securities subject to such lock-up agreements. In addition to the shares of Common Stock to be sold in this offering, there will be 20,874,779 shares of Common Stock outstanding as of the date of this Prospectus (assuming no exercise of the Underwriters' over-allotment option). All of these shares are "restricted" shares under the Securities Act. As a result of the lock-up agreements described above and the provisions of Rules 144(k), 144 and 701, the restricted shares will be available for sale in the public market as follows: (i) no shares will be eligible for immediate sale on the date of this Prospectus and (ii) approximately 18,447,659 shares (excludes approximately 2,693,361 shares subject to repurchase by the Company and includes approximately 255,241 shares subject to outstanding vested options and 11,000 shares subject to an outstanding warrant) will be eligible for sale 180 days after the date of this Prospectus upon expiration of lock-up agreements.

In addition, the Company intends to file a registration statement on Form S-8 with respect to the shares of Common Stock issuable upon exercise of options under the Company's option plans. The Company's option plans together authorize the issuance of options to purchase 9,040,000 shares of Common Stock. As of March 31, 1998, there were options to purchase 3,554,862 shares of Common Stock that have been issued under such option plans. Upon filing of the Form S-8 registration statement, the holders of such options may, subject to vesting requirements, exercise and sell their shares immediately without restriction, except for affiliates who are subject to certain volume limitations and manner of sale requirements under Rule 144. Upon completion of this offering, the holders of approximately 14,037,500 shares of Common Stock will be entitled to certain rights with respect to registration of such shares under the Securities Act. If such holders cause a large number of securities to be registered and sold in the public market after the lock-up agreements expire, such sales could cause the market price for the Common Stock to decline. See "Description of Capital Stock--Registration Rights," "Shares Eligible for Future Sale" and "Underwriters."

DILUTION IN NET TANGIBLE BOOK VALUE; ABSENCE OF DIVIDENDS

Purchasers participating in this offering will experience immediate and substantial dilution in the net tangible book value of the Common Stock from the assumed initial public offering price of $ a share. Additional dilution is likely to occur upon the exercise of any options and warrants that the Company has granted. The Company has never paid dividends and does not expect to pay dividends in the foreseeable future. See "Dilution" and "Dividend Policy."

USE OF PROCEEDS

The net proceeds to the Company from the sale of shares of Common Stock offered hereby are estimated to be $ million ($ million if the Underwriters' over-allotment option is exercised in full), at an assumed initial public offering price of $ per share after deducting underwriters' discounts and commissions and estimated offering expenses payable by the Company.

The Company anticipates using approximately $ million of the net proceeds from this offering for research and development of its products, including clinical trials, approximately $ million for manufacturing scale-up, $ million for expansion of marketing and sales capabilities and $5.0 million as a partial payment of license fees due under an exclusive license with IBM. The balance of the net proceeds will be used for working capital and general corporate purposes. The amounts and timing of the expenditures for these purposes may vary significantly depending on numerous factors, such as the progress of the Company's research and development efforts, including the progress and scope of clinical trials, actions related to regulatory matters, technological advances, determinations as to commercial potential and the status of competitive products. In addition, the Company's research and development expenditures will vary as projects are added, extended or terminated. The Company may also use a portion of such net proceeds to acquire or invest in businesses, products and technologies that are complementary to those of the Company, although no such acquisitions are planned or being negotiated as of the date of this Prospectus, and no portion of the net proceeds has been allocated for any specific acquisition.

The Company believes that its available cash, cash equivalents, short-term investments, together with the net proceeds of this offering and the interest thereon, will be sufficient to meet its capital requirements at least for the next 12 months. Pending application of the net proceeds as described above, the Company intends to invest the net proceeds in short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock. The Company presently intends to retain earnings for use in the operation and expansion of its business, and therefore does not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of March 31, 1998, (i) on an actual basis and (ii) as adjusted to give effect to the sale of shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $ per share (after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company), the conversion of all outstanding Preferred Stock into Common Stock and the authorization of 10,000,000 shares of undesignated Preferred Stock and 75,000,000 shares of Common Stock upon the closing of this offering.

	AS OF MARCH 31, 1998	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Capital lease obligations, noncurrent	$ 1,297	$ 1,297
Stockholders' equity:		
Convertible Preferred Stock, $0.001 par value; 15,000,000 shares authorized, 14,037,500 shares issued and outstanding, actual; 10,000,000 shares authorized, none issued and outstanding, as adjusted	14	--
Common Stock, $0.001 par value; 35,000,000 shares authorized, 6,837,279 shares issued and outstanding, actual; 75,000,000 shares authorized, shares issued and outstanding, as adjusted (1)	7	
Additional paid-in capital	57,450	
Deferred compensation	(2,185)	(2,185)
Deficit accumulated during the development stage	(35,304)	(35,304)
Total stockholders' equity	19,982	
Total capitalization	$ 21,279	$

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(1) Based on the number of shares outstanding on March 31, 1998. Excludes (i) 977,250 shares of Common Stock issuable upon exercise of options outstanding at a weighted average exercise price of $0.99 per share, (ii) an aggregate of 785,138 shares available for future grants or purchases pursuant to the Company's 1996 Equity Incentive Plan and (iii) 11,000 shares issuable upon exercise of a warrant outstanding at an exercise price of $5.00 per share. In April 1998, an additional 4,700,000 shares were reserved for future grants or purchases pursuant to the Company's 1998 Equity Incentive Plan, 1998 Employee Stock Purchase Plan and 1998 Non-Employee Directors' Stock Option Plan.

DILUTION

The pro forma net tangible book value of the Company, as of March 31, 1998 was $20.0 million or $0.96 per share of Common Stock. Pro forma net tangible book value per share represents the amount of total tangible assets less total liabilities divided by the number of shares of Common Stock outstanding at that date. After giving effect to the sale by the Company of the shares of Common Stock being offered hereby at an assumed initial public offering price of $ per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company, the Company's pro forma net tangible book value as of March 31, 1998, would have been $ or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new public investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share at March 31, 1998.....	$ 0.96	
Increase per share attributable to new public investors.....		
Pro forma net tangible book value per share after offering.....		
Dilution per share to new public investors.....		$

The following table summarizes, on a pro forma basis as of March 31, 1998, the difference between the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing stockholders and by the new public investors purchasing shares in this offering (at an assumed initial public offering price of $ per share and before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company):

	SHARES PURCHASED		TOTAL CASH CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....	20,874,779	%	$ 53,531,000	%	$
New public investors.....					$
Total.....		100.0%	$	100.0%	

The foregoing computations assume no exercise of stock options or warrants after March 31, 1998. As of March 31, 1998, there were outstanding (i) options to purchase 977,250 shares of Common Stock, at a weighted average exercise price of $0.99 per share and (ii) a warrant to purchase 11,000 shares of Common Stock at an exercise price of $5.00 per share. In addition, as of March 31, 1998, there were an aggregate of 785,138 shares available for future grants or purchases pursuant to the Company's 1996 Equity Incentive Plan. In April 1998, an additional 4,700,000 shares were reserved for future grants or purchases pursuant to the Company's 1998 Equity Incentive Plan, 1998 Employee Stock Purchase Plan and 1998 Non-Employee Directors' Stock Option Plan. To the extent that any shares available for issuance upon exercise of outstanding options or the warrant or reserved for issuance under the Company's stock plans are issued, there will be further dilution to new public investors.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company's Financial Statements and the Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus. The statements of operations data for the period from inception (November 9, 1995) through December 31, 1996 and the year ended December 31, 1997 and the balance sheet data as of December 31, 1996 and 1997 are derived from financial statements of the Company that have been audited by Ernst & Young LLP, independent auditors, and are included elsewhere in this Prospectus. The statements of operations data for the three months ended March 31, 1997 and 1998 and the period from inception (November 9, 1995) to March 31, 1998 are derived from unaudited financial statements included elsewhere in this Prospectus. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's operating results and financial position for such periods. The Company's operating results are not necessarily indicative of the results to be expected for any other interim period or any future year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996(1)	YEAR ENDED DECEMBER 31, 1997	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1998	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO MARCH 31, 1998
		(IN THOUSANDS, EXCEPT PER SHARE DATA)			
STATEMENTS OF OPERATIONS DATA:					
Operating costs and expenses:					
Research and development	$ 2,934	$ 14,282	$ 1,793	$ 6,764	$ 23,980
General and administrative	951	4,434	686	1,627	7,012
Technology license	--	6,000	--	--	6,000
Total operating costs and expenses	3,885	24,716	2,479	8,391	36,992
Loss from operations	(3,885)	(24,716)	(2,479)	(8,391)	(36,992)
Interest income, net	198	1,114	70	376	1,688
Net loss	$ (3,687)	$ (23,602)	$ (2,409)	$ (8,015)	$ (35,304)
Pro forma net loss per share		$ (1.85)		$ (0.47)	
Shares used in computing pro forma net loss per share		12,730		17,207	

	AS OF DECEMBER 31, 1996	AS OF DECEMBER 31, 1997	AS OF MARCH 31, 1998
		(IN THOUSANDS)	
BALANCE SHEET DATA:			
Cash, cash equivalents and short-term investments	$ 1,494	$ 32,674	$ 26,303
Working capital	1,045	25,424	17,792
Total assets	2,289	35,674	30,107
Capital lease obligations, noncurrent	--	897	1,297
Deficit accumulated during the development stage	(3,687)	(27,289)	(35,304)
Total stockholders' equity	1,770	27,331	19,982

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(1) The Company's statement of operations data for the period from inception (November 9, 1995) to December 31, 1995 is not presented separately as the Company's operations during that period were not material.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS. THE COMPANY ASSUMES NO OBLIGATION TO UPDATE FORWARD-LOOKING STATEMENTS OR SUCH RISK FACTORS. THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

Since its inception in November 1995, the Company has been engaged in the development of products that are designed to provide the flexibility of open surgery while operating through ports. The Company believes that MIS surgery decreases patient trauma and postoperative pain and reduces surgical complications, length of hospital stay and total treatment costs. The Company is a development-stage company, has generated no revenue from product sales and has experienced significant operating losses. As of March 31, 1998, the Company had an accumulated deficit of $35.3 million. To date, the Company has engaged primarily in researching, developing, testing and pursuing regulatory clearances for its products. The Company's headcount was 23, 86 and 100 as of December 31, 1996 and December 31, 1997 and March 31, 1998, respectively. The Company expects to expend substantial additional funds, increase headcount and continue to incur significant operating losses for the foreseeable future as it continues to fund clinical trials in support of regulatory approvals, expands research and development activities, establishes commercial-scale manufacturing capabilities and expands sales and marketing activities.

To date, the Company has obtained clearance from the FDA to market its surgeon's console, patient-side cart and certain blunt resposable instruments. The Company has not obtained clearance or approval from the FDA to market certain other resposable instruments necessary for performing most surgical procedures, including scissors, scalpels, forceps/pickups, needle holders, clip appliers and electrocautery. The Company has submitted an application to the FDA for clearance or approval of such instruments; however, substantial clinical data is required before the FDA will consider giving such clearance or approval. The Company will not generate any significant revenue in the United States until such time, if ever, as these instruments obtain FDA clearance or approval. In addition, the Company will not generate any significant revenue from international sales until the Company receives comparable international regulatory approvals. Even if the Company obtains such United States or foreign clearance or approval, there can be no assurance that the Company will be capable of manufacturing its products in commercial quantities at acceptable costs or that its products will be successfully commercialized or will achieve market acceptance. See "Risk Factors--Uncertainty of Market Acceptance; Training Requirements," "--Need for Federal and State Regulatory Clearance or Approval" and "Business--Government Regulation."

The Company expects that its research and development expenses will increase substantially as the Company continues developing its products and conducts clinical trials. In addition, the Company does not have any experience in manufacturing any products in commercial quantities and has no experience in marketing or selling such products. If the Company receives FDA clearance or approval, it will need to expend significant capital resources and develop manufacturing expertise to establish large-scale manufacturing capabilities. This investment is likely to result in low margins, if any, in its initial manufacturing phase. Furthermore, manufacturers often encounter difficulties in scaling up production of new products, including problems involving production yields, quality control and assurance, component supply shortages, shortages of qualified personnel, compliance with FDA regulations and the need for further FDA approval of new manufacturing processes. In addition, if FDA clearances or approvals are received, the Company intends to market its products primarily through a direct sales force in the United States and internationally. Establishing a marketing and direct sales capability sufficient to support sales in

commercial quantities will require substantial efforts and require significant management and financial resources which is likely to result in a substantial increase in general and administrative expenses over historical amounts. See "Risk Factors--Limited Manufacturing Experience; Scale-Up Risk," "--Limited Sales, Marketing and Distribution Experience," "Business--Marketing and Distribution" and "-- Manufacturing."

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1997

RESEARCH AND DEVELOPMENT. Research and development expenses include costs associated with product research, prototype development, clinical trials, purchase of laboratory supplies, pursuing regulatory approvals and compensation and other overhead costs associated with regulatory, clinical and engineering personnel. In addition, manufacturing startup costs are included in research and development during the development stage of the Company. Research and development expenses increased to $6.8 million for the three months ended March 31, 1998 from $1.8 million for the three months ended March 31, 1997. This increase was primarily attributable to increased costs associated with the hiring of additional engineering, regulatory and clinical personnel and increased prototype development and production costs. The Company believes that research and development expenditures will increase in the future as the Company invests in further developing its products, expands clinical research activities and increases its research and development efforts related to new products and technologies.

GENERAL AND ADMINISTRATIVE. General and administrative expenses include payroll and personnel expenses for sales, marketing, senior management and administrative personnel, legal and professional fees for patent and other matters and marketing materials. General and administrative expenses increased to $1.6 million for the three months ended March 31, 1998 from $686,000 for the three months ended March 31, 1997. The increase was primarily attributable to the costs related to expansion of administrative, finance, information systems, sales and marketing functions and increased legal and professional fees related to the filing and registration of the Company's patents. General and administrative expenses are expected to increase in the future to support the Company's expanding business activities and the additional costs expected to be incurred as a publicly-traded company.

DEFERRED COMPENSATION. The Company recorded deferred compensation representing the difference between the exercise price of options granted and the deemed fair market value of its Common Stock at the time of grant for financial reporting purposes. Deferred compensation of approximately $4.1 million was recorded through March 31, 1998, of which approximately $1.9 million has been amortized to research and development expense and general and administrative expense and $2.2 million will be amortized over the remaining vesting periods of the options, generally four years from the date of grant.

INTEREST INCOME, NET. Net interest income increased to $376,000 for the three months ended March 31, 1998 from $70,000 for the three months ended March 31, 1997. The increase resulted from increased interest income earned on higher average cash, cash equivalent and short-term investment balances as a result of sales of equity securities of the Company, partially offset by interest expense in connection with increased equipment lease financing.

NET LOSS. The Company recognized net loss of $8.0 million and $2.4 million for the three months ended March 31, 1998 and 1997, respectively.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO THE PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996

RESEARCH AND DEVELOPMENT. Research and development expenses increased to $14.3 million in 1997 from $2.9 million in 1996. The increase in research and development expenses was primarily attributable to increased payroll and personnel expenses for additional regulatory, clinical and engineering personnel for

the design, development and testing of the Company's products, increased purchases of laboratory supplies, increased equipment and leasehold improvement depreciation, increased facilities expenses associated with the Company's move to its present facility and increased costs related to the manufacture of prototype systems to be placed at clinical sites in the United States and Europe.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased to $4.4 million in 1997 from $1.0 million in 1996. The increase in general and administrative expenses was primarily attributable to increased personnel costs as the Company established and expanded the finance, information systems, sales and marketing, and human resource functions, increased costs associated with facilities and related services supporting expanding operations and increased legal and professional fees in connection with the filing and registration of the Company's patents.

TECHNOLOGY LICENSE. Technology license expense of $6.0 million was recognized in 1997 in conjunction with the execution of the IBM License in December 1997. In conjunction with the execution of the IBM License, a payment of $1.0 million was made in December 1997. The IBM License also provides that the Company pay an additional $5.0 million within 10 days after the closing of the first underwritten public offering of the securities of the Company but in any event not later than September 1, 1998, which date may be extended until October 1, 1998, upon a showing of good cause by the Company. See Note 6 of Notes to Financial Statements.

INTEREST INCOME, NET. Net interest income increased to $1.1 million in 1997 from $198,000 in 1996. The increase resulted from increased interest income earned on higher average cash, cash equivalent and short-term investment balances, partially offset by increased interest expense in connection with increased equipment lease financing.

NET LOSS. The Company recognized net losses of $23.6 million and $3.7 million in 1997 and 1996, respectively.

NET OPERATING LOSS AND RESEARCH TAX CREDIT CARRYFORWARDS. As of December 31, 1997, the Company's reported net operating loss carryforwards were approximately $13.1 million and $12.5 million for federal and state income tax purposes, respectively. The Company's federal and state research tax credit carryforwards were approximately $900,000. The state and federal net operating loss carryforwards will expire at various dates from 2004 through 2012 if not utilized. The utilization of such carryforwards may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations primarily through sales of Preferred Stock yielding net proceeds of approximately $52.3 million, and equipment lease financing arrangements yielding approximately $2.0 million. As of March 31, 1998, the Company had cash, cash equivalents and short-term investments of $26.3 million and working capital of $17.8 million.

Net cash used in operating activities was approximately $3.1 million, $14.9 million and $6.1 million in 1996 and 1997 and the three months ended March 31, 1998, respectively. For such periods, net cash used in operating activities resulted primarily from net losses.

Net cash used in investing activities was approximately $898,000, $18.4 million and $4.0 million in 1996 and 1997 and the three months ended March 31, 1998, respectively. The net cash used in investing activities was attributable to capital expenditures and the purchase of short-term investments. The Company currently has no material purchase commitments for capital expenditures.

Net cash provided by financing activities was approximately $5.5 million, $48.9 million and $700,000 in 1996 and 1997 and the three months ended March 31, 1998, respectively. The net cash provided by

financing activities was primarily attributable to the sale of Preferred Stock and proceeds from the Company's equipment lease financing arrangement.

As of March 31, 1998, the Company had capital equipment of $4.6 million less accumulated depreciation of $1.1 million to support its clinical, research, development, manufacturing and administrative activities. The Company has financed approximately $2.0 million from capital lease obligations through March 31, 1998. The Company expects capital expenditures to increase over the next several years as it expands facilities and acquires equipment to support the planned expansion of manufacturing capabilities.

The Company's future liquidity and capital requirements will increase, depending upon numerous factors, including the extent of the Company's future operating losses, the level and timing of future revenues and expenditures, the progress of its product development efforts, the progress and scope of clinical trials, actions relating to regulatory matters, the costs and timing of expansion of product development, manufacturing and sales and marketing activities, the extent to which its products gain market acceptance, the price of the Company's products and competitive developments. Although the Company believes that the proceeds from this offering together with interest income and current cash balances will be sufficient to meet the Company's operating and capital requirements for at least the next 12 months, there can be no assurance that the Company will not require additional financing sooner. The Company's forecast of the period of time through which its financial resources will be adequate to support its operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary. The Company's belief is based on its current operating plan, which could change in the future and require additional funding sooner than anticipated. Even if the Company has sufficient cash for its current operating plan, it may seek to raise additional capital because of favorable market conditions or other strategic factors. In addition to the increasing operating expense, if the Company meets its current revenue plan, working capital requirements will also increase substantially for the foreseeable future. The Company may be required to raise additional funds through public or private financing or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. The failure of the Company to raise capital when needed could have a material adverse effect on the Company's business, financial position and results of operations. See "Risk Factors--Possible Future Capital Requirements."

YEAR 2000 COMPLIANCE

The widespread use of computer programs that rely on two-digit date programs to perform computations and decision-making functions may cause computer systems to malfunction in the year 2000 and lead to significant business delays and disruptions. Intuitive has addressed the issue of year 2000 compliance in both its internal information systems and its products. Based upon its design and testing to date, the Company believes that it is fully year 2000 compliant. The Company has made inquiries regarding the year 2000 issue of its significant suppliers. Based upon such inquiries and a review of the Company's systems, the Company does not believe year 2000 issues will have a material adverse impact upon its business. However, there can be no assurance that this will be the case.

INTRODUCTION

Intuitive designs and manufactures proprietary products which it believes represent a fundamentally new generation of technology for surgery. This new generation of surgery, INTUITIVE surgery, is believed by the Company to represent an advance similar in scope to the previous two generations of surgery--open surgery and minimally invasive ("MIS") surgery. The Company's technology seamlessly translates the surgeon's natural hand movements on instrument handles at a console into corresponding micro-movements of instruments positioned inside the patient through small puncture incisions, or "ports." Intuitive believes that its technology provides the surgeon with the range of motion and fine tissue control possible with open surgery, while simultaneously allowing the surgeon to work through the ports of MIS surgery.

Although open surgery is still commonly performed and is used in almost every area of the body, the large incisions required create significant trauma to the patient, resulting in long hospitalization and recovery times, high hospitalization costs, as well as significant pain and suffering. Over the past several decades, MIS surgery has reduced trauma to the patient by allowing surgery through ports rather than large incisions, resulting in shorter recovery times and reduced hospitalization costs. MIS surgery has been widely adopted in certain surgical procedures, but it has not been widely adopted for complex procedures. The Company believes this slow adoption for complex procedures has occurred because surgeons generally find MIS operative techniques more difficult to learn and perform and less precise than open surgery for fine tissue manipulations such as dissecting and suturing. Factors that make MIS techniques more difficult or less precise include backward instrument movements, restricted range of motion, magnified hand tremors, exaggerated instrument movements and poor visualization.

INTUITIVE surgery overcomes many of the limitations of existing MIS surgery by utilizing a broad technology platform consisting of computer hardware, software, algorithms, mechanics and optics to perform fine tissue manipulation through ports in many parts of the body. Using Intuitive's technology, surgeons perform surgical procedures while seated comfortably at a console viewing a 3-D image of the surgical field. The surgeon's hands grasp the instrument handles below the display in their normal orientation with respect to the surgeon's eyes, and the Company's technology seamlessly translates these movements into precise real-time microsurgical movements of electromechanical arms and instruments inside the patient. The Company's technology is also designed to give surgeons the perception that their hands are inside the patient, directly holding instruments--even though their hands are outside--and to give surgeons the perception that the surgical field is being directly visualized instead of being viewed through an endoscope.

An important advantage of the Company's technology is that surgeons can learn to manipulate Intuitive's instruments with only a few minutes of training, allowing surgeons to focus on the clinical procedure. When performing procedures that the surgeon has previously performed only with open surgical techniques, the Company believes that the surgeon will have to learn where to place ports and how to approach the operation but will generally not have to relearn how to perform basic tissue manipulations. The Company believes that tissue manipulations using its products can be as natural to the surgeon as hand movements in open surgery. As a result, the Company believes its products will make a broad range of open surgical procedures suitable for INTUITIVE surgery, with significantly less patient trauma and post-operative pain and shorter recovery times.

The Company's strategy is to focus initially on the cardiac surgery market because (i) there are a large number of procedures concentrated in a small number of hospitals that can be targeted by a focused sales force and field organization, (ii) while approaches to these procedures have been developed that are somewhat less invasive than open surgery, they are difficult and only account for a small minority of cardiac surgery procedures being performed and (iii) no existing technology is able to accomplish a full cardiac procedure through ports. The Company believes that its technology can help surgeons accomplish

cardiac surgery procedures more easily, more accurately and with less trauma to the patient than existing approaches. Cardiac surgery procedures are among the most precise and demanding in all of surgery. As such, the Company believes that if its technology is adopted for cardiac surgery, surgeons will gain confidence that Intuitive's technology also can be used for less demanding procedures in general and other surgery.

The Company plans to derive its revenues from the direct sale of two types of interlinked proprietary products (i) a surgeon's console and a patient-side cart which holds the electromechanical arms and (ii) a range of "resposable" instruments such as scissors, forceps and electrocautery. The resposable instruments are resterilizable and the number of procedures that each instrument can perform is controlled by a proprietary electronic interlock. This feature will allow the Company to limit the number of uses of each instrument to less than its tested usage so that the instrument's performance meets specifications during each procedure. By defining the number of uses for each instrument, the Company can effectively price its resposable instruments on a per-procedure basis.

Intuitive believes that it is the first mover in third generation surgery. In March 1997, surgeons using Intuitive's technology successfully performed what the Company believes to be the initial third generation surgery on humans. Intuitive believes that its development efforts represent the largest effort devoted to third generation surgery of any company in the world today. Intuitive owns or has licensed 38 issued and 8 allowed patents, including patents from SRI International and IBM, companies which in the late 1980s were early pioneers in the research of third generation surgery.

BACKGROUND

The Company believes that there are three fundamental generations of surgical techniques (1) open surgery, which began its modern era in the 19th century, (2) minimally invasive surgery, also known as MIS surgery, which has developed over the past several decades, and (3) INTUITIVE surgery, which the Company is in the process of developing. Each generation of surgery has been enabled by the development of an important technology or set of related technologies.

FIRST GENERATION: OPEN SURGERY

While surgery in one form or another has been practiced since the beginning of recorded history, modern open surgical technique was enabled in the second half of the 19th century because of the fusion of two breakthrough technological developments: anesthesia, developed beginning in the 1840s, and sterile technique, developed in the 1870s.

Using open surgical techniques, a surgeon generally creates an incision in the body large enough to allow both direct visualization of the operating field and the insertion of at least two human hands to manipulate the patient's tissues. Many different types of hand-held instruments such as the scalpel, needle driver, retractor and clamp have been developed to enable the surgeon to manipulate tissue precisely in almost every area of the body, and to accomplish complicated movements such as suturing.

The large incisions generally used in open surgery create very significant trauma to the patient, resulting in long hospitalization and recovery times, high hospitalization costs, as well as significant pain and suffering. However, because the human hand has an extremely wide range of motion and can grip open surgical instruments near their tips to allow very precise and natural tissue manipulations, open surgical technique is generally the most precise and the easiest technique for the surgeon to perform. Despite the trauma and other drawbacks of open surgery, a significant number of the surgical procedures in the United States are open surgical procedures.

SECOND GENERATION: MINIMALLY INVASIVE SURGERY

Minimally invasive surgical techniques have evolved over the past several decades. The objective of MIS surgery is to substantially reduce trauma to the patient by making small puncture incisions, or "ports," generally resulting in shorter hospitalization and recovery times, reduced hospitalization costs and substantially less pain and suffering.

While a number of new technologies have enabled the growth of MIS surgical procedures, the most fundamental have been (i) the development of endoscopes for viewing a surgical field through a small incision and (ii) the development of long, hand-held instruments that can manipulate tissues through ports.

The long hand-held instruments generally used in MIS surgery are inserted into the patient through ports, which are approximately ten millimeters in diameter. These ports are created in the abdominal wall, chest wall, or other areas of the body in locations designed to provide access to the organs on which the surgeon intends to operate. Thus, the six to twelve inch incision (15 to 30 centimeters) typically required for open surgery is replaced with three or more ports, each of approximately ten millimeters in diameter. Through the ports, surgeons insert an endoscope through which they visualize the operation via a television monitor. They also insert a variety of instruments through these ports which surgeons use to perform the operation and manipulate tissue.

The instruments used for MIS surgery typically have a tip which is similar to the corresponding tip of an instrument used in open surgery, such as a forceps or scissors. The tip is connected to a 15 to 18 inch tube (35 to 45 centimeters), which is connected to a handle. To perform the procedure, the surgeon inserts the instrument through the port and manipulates the handle from the outside of the patient's body.

EXISTING LIMITATIONS OF MINIMALLY INVASIVE SURGERY. The Company believes that surgeons generally find MIS surgical techniques more difficult to learn and perform than open surgery for reasons that include the following:

"BACKWARD" INSTRUMENT MOVEMENTS. Existing MIS instruments are essentially long rigid levers which rotate around a fulcrum located at the port created in the body wall. As a result, the "working end" of the instrument moves in the opposite direction from the hand of the surgeon. For example, to move the working end left, surgeons move the instrument handle to the right; to move the working end up, surgeons move the instrument handle down. Surgeons must relearn their hand-eye coordination to translate this backward environment into the required instrument movements.

RESTRICTED MOTIONS. Existing MIS instruments provide surgeons less flexibility, dexterity and range of motion than their own hands which are used in an open surgical procedure. For example, MIS instruments in widespread use today have no joints near their tips to provide the MIS-equivalents of the real-time wrist motions used throughout open surgery to perform manipulations such as reaching behind tissue and suturing. As a result, surgeons performing MIS surgery with existing technology find it difficult to perform certain necessary tissue manipulations through ports, such as fine dissection or suturing.

MAGNIFIED TREMORS AND EXAGGERATED INSTRUMENT MOVEMENTS. In open surgery, the instruments are held near their tips, allowing fine movements of the surgeon's hands to be directly translated into fine movements of the instruments. However, the lever arm of the 15 to 18 inch instruments (35 to 45 centimeters) used in MIS procedures magnifies the surgeon's hand movements making fine tissue manipulation substantially more difficult. As a result, the inherent tremor in a surgeon's hands is magnified, and the exaggerated motor movements caused by MIS instruments make fine tissue manipulation more difficult for the surgeon.

POOR VISUALIZATION. The video image from the endoscope is usually displayed on a video monitor. The surgeon typically must look up and away from the patient and the plane of the instruments to view the monitor. This can give the MIS surgeon a feeling of being disconnected from the surgical field and the instruments. In addition, most endoscopes currently being used give the surgeon a two-dimensional image.

Although three-dimensional endoscopes exist, they typically have less resolution and lower brightness than two-dimensional endoscopes, making it more difficult for the surgeon to visualize fine structures.

For these reasons, as well as others, using existing MIS techniques and associated hand-held MIS instruments is generally less precise and more difficult for the surgeon than using open surgical techniques. This can be illustrated by the current status of surgical techniques used to perform coronary artery bypass graft procedures ("CABG").

In a CABG procedure, a blocked coronary artery is bypassed with a graft. When available, an artery from the chest called the internal mammary artery ("IMA") is dissected from its natural position and grafted into place to perform the bypass. When the IMA is not available, a saphenous vein from the leg is used instead. The suturing of the graft to the coronary artery requires extremely precise tissue manipulations, culminating in an "anastomosis"--the suturing of the graft to the coronary artery to create near-perfect blood flow through the graft and past the blockage in the coronary artery.

In the past several years, a number of companies have devoted considerable resources to developing devices that help convert open CABG procedures with approximately twelve inch incisions (30 centimeters) into procedures with three to five inch incisions (seven to twelve centimeters) ("Modified CABG"). Some of these devices facilitate procedures where the heart is stopped through a catheter-accessed heart-lung bypass system, while others facilitate procedures where the heart is allowed to remain beating. Although these companies have made significant progress with Modified CABG both technically and in the marketplace, clinicians today generally perform a small portion or none of these procedures using ports. Generally, the port-based instruments available today lack the dexterity required to perform complex surgery of this nature. Instead, surgeons performing these new types of cardiac procedures generally make a three to five inch incision (seven to twelve centimeters) between the ribs. They then generally spread the incision and ribs with a device known as a retractor. Under direct visualization through this retracted incision, surgeons can perform anastomoses to bypass blocked arteries using modified versions of the instruments used in open CABG surgery.

Because Modified CABG creates a substantial incision during part of the procedure, it does not offer the patient the full benefits of an operation completed through ports. Furthermore, these substantial incisions do not give the surgeon as much access to certain tissues as is available in open CABG surgery. This restricted access and other factors can make Modified CABG relatively longer and more difficult to perform with precision than open CABG surgery. In addition, the anastomoses between the grafts and the coronary arteries are often more difficult to perform with Modified CABG than in open surgery. This difficulty can cause concern among some surgeons because a successful CABG procedure generally depends on the quality and precision of the anastomoses.

Although some CABG procedures have been converted from open surgery to Modified CABG and although similar changes have been made to other cardiac procedures (collectively, "Modified Cardiac Surgery"), the conversion rate has been slower than originally forecast. The Company believes that two important factors account for the relatively slow conversion rate (i) surgeons generally find that the existing MIS approaches are more difficult to learn and perform than open cardiac surgery and (ii) patient demand for and benefits from Modified Cardiac Surgery are not as substantial as they would be for fully ported cardiac surgeries. A significant portion of the difficulty surgeons have in performing Modified Cardiac Surgery derives from the need to perform fine tissue manipulations such as dissection and anatomosis in the restricted space that the three to five inch incisions (seven to twelve centimeters) provide. However, some of the technology used in these approaches may be important to use together with the Company's products, and the Company believes its technology will be compatible with both beating heart and stopped-heart approaches to performing CABG procedures.

MIS PROCEDURE CONVERSION RATES. Despite the limitations of existing MIS techniques, a number of procedures are routinely performed as MIS procedures. For example, laparoscopic cholecystectomy (removal of the gallbladder through ports) could be learned by most surgeons after a moderate amount of retraining, in part because of the anatomical location of the gallbladder and the relatively gross tissue

manipulations required. In the late 1980s and early 1990s, laparoscopic cholecystectomy grew from a newly-introduced procedure to the "standard of care" in the United States over approximately three years. Last year only 15% of cholecystectomies were performed using open surgical techniques in the United States. The Company believes that the limitations of MIS techniques did not prevent the rapid conversion to laparoscopic cholecystectomy because large numbers of surgeons could learn to perform the relatively simple tissue manipulations with confidence. The conversion to laparoscopic cholecystectomy was rapid because of reduced hospital stays, surgeon acceptance and patient preference.

The Company believes that the adoption rate of laparoscopic cholecystectomy has not been replicated with subsequently introduced MIS procedures, despite substantial patient benefits, because those new MIS procedures have been more difficult to learn or perform. As a result of these difficulties, some complex surgical procedures which are commonly performed using open surgery have not been adapted to MIS techniques. Other complex surgical procedures, such as hernia repair or Nissen fundoplication, have been performed by certain surgeons using MIS techniques. However, the Company believes that these MIS procedures are not being performed as often, or by as many surgeons, as they could be if these complex procedures were easier to perform through ports. Surgeons began performing Modified Cardiac Surgery approximately two years ago, and while such procedures have established that Modified Cardiac Surgery is possible, more than 95% of cardiac surgery procedures are still performed using open surgery techniques.

The chart below sets forth the percentage of selected procedures that were still performed worldwide in 1997 using open surgical techniques:

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

% PERFORMED USING OPEN SURGICAL TECHNIQUES

Cardiac	96%
Hernia Repair	86%
Hysterectomy	80%
Gynecology (except Hysterectomy)	57%
Cholecystectomy	35%(1)

	Cholecystectomy	Gynecology (except Hysterectomy)	Hysterectomy	Hernia Repair	Cardiac
Number of Procedures Performed Using Open Surgical Techniques:	631,000	1,442,000	936,000	1,232,000	1,026,000
Total Number of Procedures Performed:	1,804,000	2,540,000	1,170,000	1,430,000	1,065,000

(1) 15% in United States.
Source: Medical Data International, Inc.

THIRD GENERATION: INTUITIVE SURGERY

Intuitive's technology is designed to return to the surgeon the range of motion and fine tissue control possible with open surgery, while simultaneously allowing the surgeon to work through the ports used in MIS surgery. The Company believes that such fine tissue manipulations are fundamental to many complex surgical procedures which today are generally performed using open surgery. Intuitive believes its products will make a broad range of open surgical procedures newly suitable for minimally invasive approaches, and will increase the surgeon's confidence and ease of use when performing procedures that have already been adapted for MIS or Modified Cardiac Surgery. In addition, the Company's technology may also allow surgeons to perform certain aspects of surgical procedures with greater precision than is possible with open surgery.

The Company believes that its technology has the potential to change surgical procedures in three basic ways:

NEW OPERATIONS WILL BE PIONEERED. A number of surgical procedures that currently cannot be performed using MIS or modified surgical techniques will be made suitable for conversion to techniques that use ports.

TODAY'S DIFFICULT MIS OPERATIONS WILL BECOME EASIER AND ROUTINE. Surgical procedures that today are performed only rarely using MIS or modified surgical techniques, by certain surgeons, will be performed routinely and with confidence through ports using Intuitive's technology.

EXISTING HIGH-VOLUME MIS PROCEDURES WILL BECOME EASIER. Surgical procedures that today are performed routinely using MIS techniques will be performed more quickly and safely with Intuitive's technology.

In designing its products, the Company has focused on making the complexity of its technology as transparent as possible to the user. The Company's technology is designed to allow surgeons to perform procedures while seated at a console, viewing a 3-D image of the surgical field through a high resolution endoscope and display. The surgeon's hands grasp instrument handles below the display in their normal orientation with respect to the surgeon's eyes. Electromechanical arms mounted on a patient-side cart hold the Company's resposable instruments that perform tissue manipulations, including cutting, suturing, dissecting and holding tissue. The technology allows the surgeon's natural hand movements on the instrument handles at the console to be translated into corresponding micro-movements of the instruments positioned inside the patient by the electromechanical arms. Further, the technology is designed to give surgeons the visual perception that their hands are inside the patient, directly holding the instruments-- even though they are outside--and gives the perception that the surgical field is being directly visualized instead of being viewed through an endoscope.

Using sophisticated computer hardware and software, proprietary know-how and highly specialized microsurgical instruments, Intuitive has designed a broad technology platform which it believes will allow fine tissue manipulation through ports across many types of surgeries in many parts of the body, thus overcoming many of the limitations of current MIS surgery. Most surgery requires fine tissue manipulations, including blunt or sharp dissection, placement of clips, staples, electrocautery and suturing. The Company believes that tissue manipulations using Intuitive's products are as natural as hand movements in open surgery. In the Company's experience, surgeons can learn to manipulate Intuitive's instruments with only minutes of training, allowing them to focus on the clinical procedure itself instead of on relearning how to manipulate tissue using existing MIS instruments. When surgeons use Intuitive's technology to perform procedures with which they are already familiar from using MIS or modified surgical techniques, the Company believes that only a modest amount of training will be required because the surgeon already knows where to place ports and how to approach the tissue manipulations required for that procedure. When performing INTUITIVE surgery that the surgeon has previously performed only with open surgical techniques, the Company believes that the surgeon will have to spend a relatively larger

amount of time learning where to place ports and how to approach the tissue manipulations required, but will not have to relearn how to perform basic tissue manipulations.

Intuitive believes that its technology can overcome many of the limitations of existing MIS surgery, for the following reasons:

NATURAL INSTRUMENT MOVEMENTS. Intuitive's technology is designed to directly transform the surgeon's natural hand movements outside the body into corresponding micromovements inside the patient's body. For example, a hand movement to the RIGHT outside the body causes the instrument inside the patient to be moved to the RIGHT, eliminating the backward nature of existing MIS surgery.

ENDOWRIST-TM- FLEXIBILITY. Intuitive's ENDOWRIST technology is designed to provide surgeons with an instrument with a range of motion analogous to the human wrist. These ENDOWRISTS are located near the tips of the instruments inside the patient's body and the surgeon controls them in real-time with natural wrist movements on the instrument handles outside the patient's body. This capability is designed to allow surgeons, for example, to reach behind tissues or suture with precision.

REDUCED TREMORS AND FINER MOTOR MOVEMENTS. Intuitive's technology is designed to directly translate the surgeon's hand movements into a 1:1 correspondence INSIDE the body, unlike in existing MIS surgery, where the lever arms of the 15 to 18 inch instruments (35 to 45 centimeters) can magnify the surgeon's hand movements. With Intuitive's technology the surgeon can also use "motion scaling," a feature which translates, for example, a four millimeter hand movement OUTSIDE the patient's body into a one millimeter instrument movement INSIDE the patient's body. Motion scaling is designed to allow greater precision than is normally achievable in open surgery. In addition, Intuitive's technology is designed to reduce or filter out the inherent tremor in a surgeon's hands.

IMMERSIVE-TM- 3-D VISUALIZATION. Intuitive's technology is designed to give surgeons the perception that their hands and eyes are immersed in the surgical field even though they are outside the body. As a result, the Company believes that surgeons will no longer feel disconnected from the surgical field and the instruments, as they currently do with MIS surgery. IMMERSIVE technology also includes a 3-D endoscopic visualization system that has substantially higher contrast and resolution than conventional 3-D endoscopic visualization systems.

The Company believes that these advantages, when integrated together in Intuitive's products, give the patient the advantages of MIS surgery while restoring to the surgeon the range of motion and fine tissue control possible with open surgery.

INTUITIVE'S PRODUCTS

The Company plans to derive its revenues from the sale of two types of interlinked proprietary products (i) a surgeon's console and a patient-side cart and (ii) a range of "resposable" instruments.

SURGEON'S CONSOLE AND PATIENT-SIDE CART

The surgeon's console consists of a 3-D display that uses high resolution 14 inch monitors, and instrument handles through which the surgeon controls the procedure. Using Intuitive's technology, a surgeon performs surgical procedures while seated at the console, viewing a 3-D image of the surgical field. The surgeon's hands grasp the instrument handles below the display, in their normal orientation with respect to the surgeon's eyes. Using hardware, software, algorithms, mechanics and optics contained in the console (as well as in other components of the system), the technology is designed to seamlessly translate the surgeon's hand movements to precise real-time microsurgical movements of the electromechanical arms of the patient-side cart and the resposable instruments inside the patient. The patient-side cart, which can be moved next to the operating table, holds electromechanical arms that manipulate instruments inside the patient. Three arms attached to the cart can be easily positioned, as appropriate for each part of the surgery, and then locked into place. The first two arms (one representing the left hand and one the right hand) hold the Company's resposable instruments containing ENDOWRIST technology, which transmit precise movements to the instrument tips. The third arm positions the endoscope.

RESPOSABLE INSTRUMENTS

The Company plans to manufacture a variety of resposable instruments, each customized for a different range of tissue manipulations used in different surgical procedures. These resposable instruments are currently approximately seven millimeters in diameter. The resposable instruments provide the mechanical capability necessary for performing complex tissue manipulations through a port, and mount onto the electromechanical arms that represent the left and right hands. The resposable instruments incorporate ENDOWRIST technology. At their tips, the various resposable instruments include forceps,

scissors, electrocautery, blunt dissectors, and other end effectors that the Company believes will be readily familiar to the surgeon from open and MIS surgery. Generally, a variety of resposable instruments will be selected and used interchangeably during the surgery. Where the instrument tip needs to incorporate a disposable component (for example, an absorbent swab), a disposable insert will be provided by the Company.

The resposable instruments are resterilizable and reusable for a defined number of procedures. A proprietary electronic interlock performs several functions that help determine how the system and instruments work together. When a resposable instrument is attached to an arm of the patient-side cart, the interlock performs an electronic handshake which ensures that the instrument was manufactured by the Company and recognizes the type and function of the instrument and number of past uses. For example, the interlock recognizes which instrument is a scissors and which is a blunt dissector and controls the unique functions of different instruments as appropriate. In addition, the interlock will not allow the instrument to be used for more than the prescribed number of procedures. This feature will help the Company keep the number of uses of the instrument lower than tested usage life of the resposable so that its performance is up to specifications during each procedure. In addition, the Company can sell the instrument for a fixed number of uses and effectively price its resposable instruments on a per-procedure basis.

During a procedure, the patient-side cart is positioned next to the operating table with the arms arranged to provide access to the initial ports selected by the surgeon. The surgeon performs the procedure while sitting at the surgeon's console, manipulating the instrument handles. When a surgeon needs to change instruments, as is done many times during an operation, the instrument is withdrawn using the handles at the console, in similar fashion to the way a surgeon withdraws instruments from the patient in MIS surgery. A scrub nurse standing near the patient removes the unwanted instrument from the electromechanical arm attached to the patient-side cart and replaces it with the new instrument, in a process designed to be rapid enough to not disturb the natural flow of the procedure. As a result, the scrub nurse will play a similar role to that played in open and MIS surgery. Different types of operations will require different sets of resposable instruments, and the Company expects to add new types of resposable instruments in the future to tailor its technology to additional types of surgical procedures.

INTUITIVE'S STRATEGY

Intuitive believes that it is the first mover in third generation surgery. In March 1997, surgeons used an early prototype employing Intuitive's technology to successfully perform what the Company believes to be the initial third generation surgery on humans. Intuitive believes that its development efforts represent the largest effort devoted to third generation surgery of any company in the world today. Intuitive owns or has licensed 38 issued and 8 allowed patents, including patents from SRI International and IBM, companies which in the late 1980s were early pioneers in the research of third generation surgery. The Company's goal is to establish its technology as the preferred means for performing complex surgery through ports and to become the leader in delivering products and solutions for third generation surgery to surgeons, hospitals and patients.

Intuitive's goal is to maintain its first mover advantage by continuing to develop and enhance its technology and deliver it to surgeons, hospitals and patients. The Company intends to accomplish this by

(i) focusing initially on the cardiac surgery market, (ii) concentrating efforts on the institutions that perform the greatest number of cardiac surgical procedures and (iii) expanding later to non-cardiac surgical markets.

FOCUS FIRST ON CARDIAC SURGERY. Intuitive will focus initially on the cardiac surgery market. The Company selected this market for a number of reasons. There are over one million cardiac procedures performed in the world annually, and a few types of procedures, such as CABG and cardiac valve repair, account for the majority of procedures performed by cardiac surgeons. These procedures are routinely performed in high volumes using open surgical techniques. However, these open procedures cause considerable pain, morbidity and long patient recovery times. Although Modified Cardiac Surgery has been developed to address some of the drawbacks of open cardiac surgery, such procedures currently account for a small minority of cardiac surgery procedures being performed, and no existing technology is able to accomplish a full cardiac procedure through ports. Further, the Company believes that its technology can help surgeons accomplish these procedures more easily, more accurately and with less trauma to the patient than Modified Cardiac Surgery. As a result, the Company believes its technology can help accelerate the conversion of open cardiac surgery procedures to INTUITIVE surgery. In addition, approximately 200 hospitals are responsible for 45% of cardiac surgery procedures performed in the United States, and 500 hospitals are responsible for 75%. As a result, Intuitive believes it can address the United States cardiac surgery market with a small, focused sales force and field organization. Finally, the tissue manipulations required for cardiac procedures are among the most precise and demanding in all of surgery. As a result, Intuitive believes that if it can establish its products in cardiac surgery, many surgeons will have confidence that the Company's technology can subsequently be used for less demanding procedures in general surgery and other areas.

Intuitive has already established relationships with a number of leading cardiac surgeons and leading hospitals. The Company plans to complete the clinical development of its initial products for cardiac surgery at sites selected from these and other hospitals. Following receipt of required regulatory approvals, the Company plans to begin manufacturing its products and targeting their initial sale to a limited number of hospitals that perform a high volume of cardiac surgery.

FOCUS ON KEY INSTITUTIONS. The Company believes that it is more valuable to have a smaller number of hospitals using its products routinely for certain types of cardiac procedures than it is to have a larger number of hospitals using its products on a sporadic basis. The Company plans to focus intensely on working with its early-adopting hospitals until such hospitals and their surgeons are comfortable in performing a substantial portion of their cardiac procedures using the Company's products. Using public relations and other techniques, the Company intends to assist hospitals in educating patients and referring physicians as to the potential benefits of performing INTUITIVE surgery. Through such efforts, the Company believes early-adopting hospitals will benefit by increasing their market share of cardiac surgery procedures. In addition, the Company expects these efforts to drive interest in INTUITIVE surgery among competitive hospitals and physicians.

Many of these targeted United States hospitals have more than one surgical suite devoted exclusively to cardiac surgery, and the largest 200 hospitals in the United States have an average of over three such suites. The Company believes that by concentrating on these large hospitals, it can leverage use of its products in the first cardiac surgical suite at a given hospital into use in additional suites of that hospital, thereby increasing the efficiency of its field organization.

EXPAND TO NON-CARDIAC MARKETS. The 500 United States hospitals performing the largest number of cardiac procedures also perform a large number of non-cardiac surgical procedures, many of which are complex. The Company believes this relationship also exists in Europe. Although the Company plans to focus on the United States and European cardiac surgery market for the foreseeable future, it plans to eventually broaden its focus to non-cardiac surgery using its platform technology. Most non-cardiac procedures are performed in operating suites that do not perform cardiac surgery. The Company believes

that its initial efforts in marketing its products for non-cardiac procedures will be focused on the large institutions where it has already sold its products for cardiac surgery, further leveraging its institutional relationships and field organization. As appropriate, the Company intends to develop relationships with leading physicians and hospitals in non-cardiac surgical areas in order to complete clinical development for a critical mass of procedures for each surgical specialty that it targets.

CLINICAL CONTRIBUTIONS

CARDIAC SURGERY

The Company's initial focus will be in cardiac surgery. The Company's technology is designed to perform through ports the fine tissue manipulations required for cardiac surgery with the precision required to complete the procedure. The Company believes that cardiac surgeons using its technology will be able to accomplish these manipulations more easily and precisely than can be accomplished with existing instruments for Modified Cardiac Surgery, and will also eventually be able to accomplish many of these procedures through ports. In addition, the Company believes motion scaling, ENDOWRIST technology and superior visualization may make it possible for certain tissue manipulations to be accomplished with even greater precision than is possible in open surgery. Some of the contributions that Intuitive believes it can make to cardiac surgery are as follows:

IMA DISSECTION. In a CABG procedure, a blocked coronary artery is bypassed with a graft. When available, an artery from the chest called the internal mammary artery ("IMA") is dissected from its natural position and grafted into place to perform the bypass. Because the IMA is located on the underside of the anterior surface of the thorax, dissection of the vessel is challenging using existing surgical instruments through the three to five inch incision currently used in Modified CABG. The Company's products have multiple joints that emulate the surgeon's shoulders and elbows, allowing exact positioning of the instruments inside the patient's thorax. In addition, the ENDOWRIST technology permits the surgeon to reach behind the tissues for easier dissection of the IMA. Thus, the Company believes that the IMA can be dissected with greater ease and precision using Intuitive's technology. In addition, the Company believes that its technology can be used to dissect the IMA using ports.

MULTI-VESSEL CORONARY ANASTOMOSIS. CABG surgery and Modified CABG demand that the surgeon delicately dissect and precisely suture very small structures (less than two millimeters) under significant magnification. These procedures are difficult when performed in open surgery; they are even more difficult when performed using an endoscopic or limited incision approach. Intuitive's technology is designed to allow surgeons to perform scaled instrument movements that may be even more precise than the movements used in open surgery, including precise suturing of multiple coronary vessels, while viewing the surgical field through a 3-D monitor. The combination of precision, superior visualization, use of ports and maneuverability is designed to capture many of the advantages of both open CABG and Modified CABG.

MITRAL AND AORTIC VALVE REPAIR/REPLACEMENT. Valve repair and replacement surgeries are challenging even when using open surgical techniques. Significant exposure of the surgical field is essential to the identification and precise manipulation of valvular and intracardiac structures, and is key to successful surgical outcomes with minimal complications. The limitations inherent in modified cardiac valve surgery are similar to those in Modified CABG surgery because the restricted surgical field made possible by the three to five inch incisions make visualization and repetition of precise surgical movements challenging. Replacement of valves will always require a small incision, even if the majority of the procedure is eventually performed through ports using the Company's technology because the replacement valve itself is too large to be inserted into the chest through a port. The Company believes that its technology will help cardiac surgeons perform valve replacement and repair procedures in confined spaces with greater ease and precision than is possible with existing modified approaches to these procedures. In addition, the motion scaling capability of the Company's technology may make it possible for surgeons to perform certain extremely fine tissue manipulations that are important in valve repair surgery with greater precision

than is possible even with open surgery, expanding the ability of cardiac surgeons to repair some valves instead of replace them.

NON-CARDIAC CLINICAL APPLICATIONS

Although the Company intends to focus its efforts on the cardiac surgery market for the foreseeable future, the Company believes its technology will enhance or enable a number of other procedures in a variety of surgical specialties outside of cardiac surgery. Some of these applications include the following:

AORTIC ANEURYSMS. A common vascular procedure is the repair of aortic aneurysms--sacs formed by the dilation of the wall of an artery caused primarily by atherosclerosis. Surgical treatment involves clamping the aorta and making long incisions at multiple sites to resect and replace the aneurysm with a synthetic graft. Once the aorta is clamped, time is of the essence, since procedures are typically done without cardiopulmonary bypass, allowing a narrow window of time for completion. Currently, some aneurysms are treated by intravascular stent-grafts. These stent-grafts can be inserted through the femoral artery, and do not require an incision. However, the necessity of traversing the femoral artery to gain access to the aorta limits the usage of this technique. The Company believes that the ability of its technology to deliver dexterity and the ability to suture grafts, alone or in conjunction with stent-grafts, will help convert this procedure from open surgery to INTUITIVE surgery.

AORTO-FEMORAL BYPASS. The lower portion of the abdominal aorta is often a location of atherosclerosis. Atherosclerotic blockage of this portion of the aorta restricts blood flow to the lower body. To treat this condition using open surgery, a synthetic graft is attached to the vasculature above and below the blockage. This procedure currently requires open surgery because of the need to suture the grafts in place. The Company believes that with its technology, the surgeon will be able to perform the required anastomosis through ports and avoid the large incision currently required.

CHOLECYSTECTOMY. Removal of the gallbladder or cholecystectomy is the most common procedure performed by the general surgeon. Although a laparoscopic approach is now well accepted for routine cases, there is great variability in the level of skill required to accomplish the procedure. The skill level necessary to complete a laparoscopic cholecystectomy is dependent on the pathology or disease status the surgeon discovers after the abdomen is entered. For example, acute cholecystitis can result in inflammation and adhesion formation that can require very meticulous surgery to access gallbladder anatomy. Similarly, during the operation the surgeon may find a condition known as choledocolithiasis, or stones in the common bile duct. The surgeon may choose to incise or cut the common duct to extract stones that are caught between the liver and intestine. Exploration of the common bile duct is an extremely delicate procedure that requires micro-sutures to be placed in the common duct. Most surgeons will not do this procedure laparoscopically because of the difficulty of the procedure. This usually results in a conversion to open technique or another surgical or delicate gastrointestinal endoscopic procedure to extract the stones. With its technology, the Company believes that the surgeon will have expanded capability to deal with complicated cholecystectomies and can avoid subjecting the patient to a second procedure.

NISSEN FUNDOPLICATION. Nissen fundoplication is a general surgical procedure which is performed to correct esophageal reflux. As an elective procedure, it is currently performed on only a small fraction of candidates who suffer from reflux esophagitis because the open surgical procedure is quite invasive. An MIS alternative exists, but there are only a limited number of surgeons who are skilled in the procedure. The Company believes that its technology will significantly improve the ease of performing the Nissen procedure through ports. Specifically, Intuitive's technology will address the two most difficult steps in this procedure, which are made more difficult by existing MIS techniques (i) esophageal dissection and (ii) suturing of the fundus of the stomach. If adoption of Intuitive's technology becomes widespread for Nissen procedures, the Company believes that the number of surgeons able to do a Nissen procedure using port-based techniques might be expanded. Further, the Company expects that the widespread availability of a port-based approach may significantly expand the number of surgeries performed.

COLON RESECTION. Removal of the colon or large bowel is a common general surgical procedure done for both benign and malignant disease. Colon resection is accomplished in a variety of ways by removing all or part of the colon. These procedures are complicated and involve resecting a portion of diseased tissue and then re-anastomosing the two ends of the colon to re-establish continuity of intestinal flow. When using existing MIS techniques, the challenge is to have enough manipulating capability to perform fine dissection of the colon from its peritoneal attachment and then to be able to sew or staple the ends of the bowel to accomplish the re-anastomosis. The MIS procedure is currently performed by only a small fraction of general surgeons. By making dissection significantly more precise, the Company believes that its products will allow port-based colon resection to be performed more widely.

HERNIA REPAIR. Repair of inguinal hernia is the second most common procedure done in general surgery. A hernia is caused by a defect or weakness in the inguinal fascia in the pelvic region. There are a variety of hernia procedures available that use both open and MIS techniques. However, the lack of precise dissection capability inhibits adoption of the MIS procedures. Specifically, the delicate dissection of the spermatic cord structures and the peritoneal sac, which is often adherent to the inguinal anatomy, is very difficult for surgeons to accomplish using MIS techniques. The Company believes that its technology will encourage surgeons to convert hernia procedures to the port-based approach by removing the training barrier that limits adoption.

GENERAL GYNECOLOGY. Laparoscopy has been used for several decades in a large number of diagnostic infertility procedures. Although there are a variety of therapeutic infertility procedures which can currently be performed by some gynecologists using existing MIS techniques, these procedures are relatively difficult to perform using existing MIS tools because of the lack of tissue control, inability to perform fine dissection, and limited suturing capability. The Company believes that its technology will provide gynecologists with the ability to do sophisticated procedures such as tubal re-anastomosis and dissection of ovarian cysts, as well as common procedures such as oophorectomy and salpingectomy.

HYSTERECTOMY. This is one of the most commonly performed surgeries in gynecology and involves removal of the uterus. It can be done by using open or MIS techniques. Like colon resection, it demands a significant degree of tissue manipulation in the dissection and ligation of blood vessels, ligaments and other pelvic structures. Further, laparoscopic techniques used in this procedure increase the risk of injury to the ureters, vital structures that provide the conduit for urine between the kidney and bladder. It is often difficult to ensure the identification and prevention of injury to the ureters and bladder with conventional MIS instruments because of the limited angles at which these instruments can be positioned. The Company believes that its products will increase the surgeon's dexterity in this procedure and, as a result, will have a significant impact on safety, operating time, and rate of adoption of MIS techniques in hysterectomy.

BLADDER NECK SUSPENSION. Bladder incontinence is a widespread condition affecting middle aged women, which can be treated surgically with a procedure known as bladder neck suspension. This procedure involves the elevation of the bladder neck by suspension with sutures, surgically recreating the normal angle of the urethra and re-establishing bladder sphincter control. The procedure works well in open surgery and is the "gold standard" for correction of bladder incontinence. However, because of its long recovery time, most women who would be candidates are discouraged from undergoing the procedure using open surgical technique. Instead, they use adult diapers for their incontinence which is an embarrassment and inconvenience. Bladder neck suspension can currently be done laparoscopically but is difficult to perform because of the need to suture at awkward angles using existing MIS instruments. The Company believes that its technology may provide a better solution for suturing the bladder neck and would represent an advance in the ease of performing incontinence surgery.

ORTHOPEDICS. Many knee surgeries are accomplished by an MIS technique called arthroscopy. This technique is well accepted in the surgical community. However, many of the more sophisticated maneuvers in arthroscopy, such as suturing torn meniscal tissue, are very difficult with existing MIS instruments. The Company believes that its technology and the capabilities of its instruments with ENDOWRIST flexibility will

increase the ease with which complex arthroscopy can be performed. Further, the emerging techniques of MIS spine surgery, which involves completion of the very common procedure of disc removal and spinal fusion, requires an approach to the spine through the abdomen, involving very advanced laparoscopic technique. The Company believes that its technology may make this procedure safer, easier and more precise.

CLINICAL TRIALS AND EXPERIENCE

The Company has conducted extensive laboratory testing of various prototypes since early 1996. This testing has been directed at establishing the clinical requirements for Intuitive's products and verifying that the final products will meet those requirements. Clinical experience has also been important in developing protocols and procedures for using its technology in the operating room.

In March 1997, clinical investigators in Belgium performed five human surgeries using an early prototype employing Intuitive's technology. All five procedures were completed after minimal training of the physicians and operating room staff. Two of these procedures were laparoscopic cholecystecomies, and a third was a lysis of adhesions. The purpose of these three procedures, all of which were performed successfully through ports, was to establish that third generation surgery could be used to perform procedures previously converted to MIS techniques with equal or better results. The procedures were completed successfully, and they demonstrated the prototype's ability to perform successfully in an endoscopic environment. In two additional procedures, a vascular surgeon performed an anastomosis between a small artery and a small vein in the arm, using open surgical incisions. The goal of these two successful anastomoses was to demonstrate that third generation surgery was capable of performing precise anastomoses in small blood vessels only slightly larger in size than the coronary vessels on which anastomosis are performed in CABG procedures. Patency (blood flow) of the anastomoses was deemed by the surgeon to be equal to or better than similar anastomoses he performs using open surgical techniques. All five procedures were performed without complication, and all patients recovered at the same rates as for conventional laparoscopic or open surgery, respectively.

In addition, the goals for these five procedures included gathering clinical experience to help finalize specifications for the Company's initial products. The Company used this experience to further develop its current prototypes. One of the current prototypes is being tested in animal surgery and on cadavers. In 1998, the Company expects to begin human clinical testing in certain cardiac and other surgical procedures in Europe. The Company intends to use the results of these tests to finalize the current design of its products. In addition, the Company has received approval from the FDA for an IDE to conduct a clinical trial using the surgeon's console, patient-side cart and certain resposable instruments necessary for performing most surgical procedures, including scissors, scalpels, forceps/pickups, needle holders, clip appliers and electrocautery (the "Pending Instruments"), in certain laparoscopic and thoracoscopic surgical procedures. The Company intends to use the data from this trial in order to seek clearance or approval from the FDA for the Pending Instruments. There can be no assurance that this clinical trial will be completed in a timely manner or that the results will demonstrate safety and efficacy. Even if the results of the clinical trial demonstrate the safety and efficacy of the Pending Instruments, FDA clearance or approval could be delayed or prevented for other reasons. See "Risk Factors--Early Stage of Clinical Testing; No Assurance of Safety, Efficacy or Commercialization," "--Need for Federal and State Regulatory Clearance or Approval" and "Business--Government Regulation."

MARKETING AND DISTRIBUTION

The Company plans to derive its revenues from the direct sale of two types of interlinked proprietary products (i) a surgeon's console and patient-side cart and (ii) a range of resposable instruments. The resposable instruments are resterilizable and reusable for a defined number of uses. An electronic chip with a proprietary interlock monitors the number of surgical procedures that each resposable instrument performs. The interlock will not allow the instrument to be used more than the prescribed number of uses.

This will help the Company keep the number of uses of the instrument lower than the tested usage of the resposable so that its performance meets specifications during each procedure. In addition, because of this controlled reusability, the Company can effectively charge for resposable instruments on a per procedure basis.

The Company initially intends to market its products through a direct sales force in the United States and Europe. Based on industry data, the Company believes that the largest 200 cardiac centers account for approximately 45% of the cardiac procedures performed in the United States. These 200 cardiac centers and their surgeons have been identified by the Company as potential prospects and will be the object of concentrated sales efforts when, and if, the Pending Instruments receive regulatory approvals. The Company believes that the concentrated nature of the cardiac market in the United States will allow it to address this market with a small, targeted sales force.

The Company's marketing and sales strategy in the United States and Europe will involve the use of a combination of sales representatives and field clinical specialists. The role of sales representatives will be to educate physicians and surgeons on the advantages of INTUITIVE surgery and the clinical applications that the Company's technology makes possible. The Company also plans to train its sales representatives to educate hospital management on the potential benefits of early adoption of Intuitive's technology and the potential for increased local market share that may result. The role of the field clinical specialist will be to coordinate installations of the Company's products and provide training to physicians and other hospital staff on their use. Intuitive will employ service technicians to provide non-clinical technical expertise, upgrades, service and maintenance for its surgeon's consoles and patient-side carts. The Company believes that this combination of sales representatives, field clinical specialists and service technicians will provide an appropriate balance of professional selling skills while maintaining an appropriate level of technical expertise in the field.

An important element of the Company's marketing strategy to date has been to develop relationships with prominent academic surgeons who have a history of research and publications in peer-reviewed journals concerning cardiac surgery techniques. The Company's strategy is to leverage these relationships with leading cardiac surgeons to gain market acceptance of its products. The Company intends to continue to build these relationships through clinical investigator meetings and participation in symposia and meetings to discuss clinical issues and treatments.

The Company has no experience marketing and selling its products. If the Company receives required regulatory clearance or approval, the Company intends to initially market its products through a direct sales force in the United States and Europe. Substantial efforts and significant management and financial resources are required to establish marketing and sales capabilities sufficient to support sales in commercial quantities. The Company cannot be certain that it will be able to build such a marketing staff or sales force, that this strategy will be cost-effective or that such sales and marketing efforts will be successful. Failure to successfully market its products or any future products could reduce the Company's revenues and may result in additional losses. See "Risk Factors--Limited Sales, Marketing and Distribution Experience."

INTELLECTUAL PROPERTY

Since the inception of the Company in late 1995, Intuitive has encountered and solved a number of technical hurdles, and has attempted to patent or otherwise protect the technology that it developed to overcome such hurdles. In addition to developing its own patent portfolio, Intuitive has spent significant resources in acquiring license rights to necessary patents and intellectual property from SRI and IBM, who were early leaders in performing research on using robotics in surgery. The Company owns exclusive field-of-use licenses for 15 issued United States patents and 23 issued foreign patents. In addition, the Company owns or has licensed numerous pending United States patent applications, of which 8 have been allowed by the United States Patent and Trademark Office, and has filed numerous corresponding foreign patent

applications that are currently pending in Europe, Japan and Canada. The Company's patents and patent applications relate to a number of important aspects of the Company's technology, including the technology related to the Company's surgeon's console, surgical manipulators, and articulated surgical instruments. The Company intends to file additional patent applications to seek protection for other proprietary aspects of its technology in the future.

SRI INTERNATIONAL AGREEMENT

An option to acquire a license covering the original technology for the Company's system was acquired by John G. Freund, M.D., a founder and director of the Company, from SRI in 1995, and transferred to the Company in connection with its formation and initial venture financing. SRI conducted research after receiving funding in 1990 from the U. S. Advanced Research Projects Agency to develop "telesurgery" to allow surgeons to perform surgery on the battlefield from a remote location. A multidisciplinary SRI team developed the precise electromechanics, force-feedback systems, vision systems and surgical instruments needed to build and demonstrate a prototype system that could faithfully reproduce the surgeon's hand motions with remote surgical instruments.

Under the terms of the SRI License Agreement dated December 20, 1995 (the "SRI License"), the Company was granted an exclusive, worldwide, royalty-free license to use the SRI technology developed prior to September 12, 1997 related to the manipulation of human tissues and medical devices for animal and human surgery, including but not limited to surgery, laparoscopic surgery and microsurgery (the "Field"). The Company also has the right of first negotiation with respect to SRI technology in the Field developed after September 12, 1997 but before September 12, 1999. As consideration for the SRI License, the Company issued to SRI and certain designated employees of SRI a total of 585,000 shares of the Company's Common Stock. The Company also paid SRI for patent prosecution costs of $116,000 incurred before the execution of the SRI License and is responsible for all subsequent patent prosecution costs relating to the SRI License. In addition, under the terms of the SRI License, the Company granted SRI a non-exclusive royalty-free license to the Company's technology developed prior to September 12, 1997 for use outside the Field and non-commercial research inside the Field.

Under the terms of the SRI License, the Company is required to use commercially reasonable and diligent efforts to conduct research and development and clinical trials and to market products for use in surgery when they are approved for marketing by the FDA. If the Company fails to commercialize its products by September 12, 2002, SRI has the option of converting the exclusive license to a non-exclusive license. The SRI License will terminate upon the last expiration of the patents licensed from SRI or December 20, 2012, whichever is later. Currently, the last patent expiration date is June 5, 2016, although this could change due to subsequently issued patents. The SRI License may also be terminated by SRI in the event of a material uncured breach of the Company's obligations under the SRI License. In the event of such termination, there can be no assurance that necessary licenses could be reacquired by the Company from SRI on satisfactory terms, if at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

IBM AGREEMENT

IBM conducted research in the application of computers and robotics to surgery during the late 1980s and early 1990s. As part of this project, a Laparoscopic Assistant Robot System (LARS) was designed and developed at IBM in conjunction with the Johns Hopkins Medical Center. IBM's system used an image-guided surgical robot to work as a third hand to assist a human surgeon in a variety of common laparoscopic surgical tasks. The system was built around a specially designed seven-axis remote-center surgical robot and featured a Cartesian motion controller, image-processing capabilities, telerobotic and semi-autonomous control modalities, and a variety of man-machine interfaces for easy and natural control of system functions. The initial focus was on applications of the system to camera navigation and tissue biopsies within the context of laparoscopic surgical procedures.

In December 1997, the Company entered into a license with IBM covering certain technology related to the application of computers and robotics to surgery (the "IBM License"). Under the IBM License, the Company was granted an exclusive, worldwide, royalty-free license to certain IBM patents in the field of surgery. Excluded from the field were neurology, ophthalmology, orthopedics and biopsies, but the Company has also been granted a non-exclusive license to practice in these fields. The IBM License is also subject to a number of pre-existing license agreements of IBM. As consideration for the IBM License, the Company paid IBM a non-refundable license fee and is obligated to pay additional amounts upon achievement of certain milestones, including $5.0 million within ten days of the closing of this offering.

The IBM License will terminate upon the last expiration of the licensed patents. Currently, the last patent expiration date is December 9, 2014, although this could change due to subsequently issued patents. However, the license may also be terminated by IBM in the event that the Company fails to make the required payments and such failure is not cured within a 90 days of written notice of the failure. In the event of such termination, there can be no assurance that necessary licenses could be reacquired by the Company from IBM on satisfactory terms, if at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

PATENTS

The Company's success will depend in part on its ability to obtain patent and copyright protection for its products and processes, to preserve its trade secrets, to operate without infringing or violating the proprietary rights of third parties, and to prevent others from infringing on the proprietary rights of the Company. The Company's strategy is to actively pursue patent protection in the United States and in foreign jurisdictions for technology that it believes to be proprietary and that offers a potential competitive advantage. The Company owns or has licensed patents covering fundamental aspects of its technology.

The patent positions of medical device companies, including those of the Company, are uncertain and involve complex and evolving legal and factual questions. The coverage sought in a patent application either can be denied or significantly reduced before or after the patent is issued. Consequently, there can be no assurance that any patents, patents issuing from pending patent applications or from any future patent application will be issued, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if subsequently challenged or that others will not claim rights in or ownership of the patents and other proprietary rights held by the Company. Since patent applications are secret until patents are issued in the United States or corresponding applications are published in international countries if at all, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that it was the first to make the inventions covered by each of its pending patent applications or that it was the first to file patent applications for such inventions. In addition, there can be no assurance that competitors, many of which have substantial resources and have made substantial investments in competing technologies, have not applied for and will not seek to apply for and obtain patents that will prevent, limit or interfere with the Company's ability to make, use or sell its products either in the United States or in international markets. Further, the laws of certain foreign countries do not protect the Company's intellectual property rights to the same extent as do the laws of the United States. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce patent or other intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents from infringement or claims of invalidity or to defend itself from alleged infringement of third-party patents.

In addition to patents, the Company relies on trade secrets and proprietary know-how to compete, which it seeks to protect, in part, through appropriate confidentiality and proprietary information

agreements. These agreements generally provide that all confidential information developed or made known to individuals by the Company during the course of the relationship with the Company is to be kept confidential and not disclosed to third parties, except in specific circumstances. The agreements also generally provide that all inventions conceived by the individual in the course of rendering service to the Company and properly assigned to the Company shall be the exclusive property of the Company. There can be no assurance that proprietary information or confidentiality agreements with employees, consultants and others will not be breached, that the Company will have adequate remedies for any breach, or that the Company's trade secrets will not otherwise become known to or independently developed by competitors. In addition, confidentiality agreements with consultants and others may conflict with, or be subject to, the rights of third parties with whom such individuals have employment or consulting relationships.

The medical device industry has been characterized by extensive litigation regarding patents and other intellectual property rights, and companies in the medical device industry have employed intellectual property litigation to gain a competitive advantage. There can be no assurance that the Company will not become subject to patent infringement claims or litigation in a court of law, or interference proceedings declared by the PTO to determine the priority of inventions or an opposition to a patent grant in a foreign jurisdiction. The defense and prosecution of intellectual property suits, PTO interference or opposition proceedings and related legal and administrative proceedings are both costly and time-consuming. Any litigation, opposition or interference proceedings will result in substantial expense to the Company and significant diversion of effort by the Company's technical and management personnel. An adverse determination in litigation or interference proceedings to which the Company may become a party could subject the Company to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the Company to cease using such technology. Although patent and intellectual property disputes in the medical device area have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include payment of ongoing royalties. Furthermore, there can be no assurance that necessary licenses from others would be available to the Company on satisfactory terms, if at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is aware of certain patents owned or licensed by others and relating to telesurgery and MIS surgery. Certain enhancements of the Company's technology are still in the design and preclinical testing phase. Depending on the ultimate design specifications and results of preclinical testing of these enhancements, the Company may need to obtain licenses to third-party patents. There can be no assurance that the Company would be able to obtain a license to such third-party's patents or that a court would find that such third-party's patents are either not infringed by the Company's enhanced products or are invalid. Further, there can be no assurance that owners or licensees of these patents will not attempt to enforce their patent rights against the Company in a patent infringement suit or other legal proceeding, regardless of the likely outcome of such suit or proceeding.

RESEARCH AND DEVELOPMENT

As of March 31, 1998, substantially all of the Company's research and development activity is performed internally by the Company's team of 51 scientists, engineers and technicians, in consultation with the Company's Scientific Advisory Board and outside consultants. The Company's research and development team is divided into four groups: software engineering, systems analysis, electrical engineering and mechanical engineering. In addition, various members of the research and development team support the design and development of the manufacturing processes to be used in fabricating its products.

The Company's current research and development goals include the completion of necessary clinical trials, optimizing the functionality of its products and refining the design of its products in anticipation of commercial distribution. Research and development expenses for the period from inception (November 9, 1995) to December 31, 1996, the year ended December 31, 1997 and the three months ended March 31, 1998 were $2.9 million, $14.3 million and $6.8 million, respectively. The Company intends to continue to make significant investments in research and development for the foreseeable future.

MANUFACTURING

The Company has a 9,000 square feet manufacturing facility in Mountain View, California. The facility includes a cleanroom equipped for the assembly of resposable instruments. The Company has used its facility and its manufacturing personnel to complete the prototypes and resposable instruments that will be used in clinical trials. The manufacture of the Company's products is a complex operation involving a number of separate processes and components. The Company purchases both custom and off-the-shelf components from a large number of suppliers. Each product is assembled and individually tested by the Company in accordance with FDA requirements.

The Company has no experience manufacturing its products in the volumes that will be necessary for the Company to achieve significant commercial sales, and there can be no assurance that reliable, high-volume manufacturing capacity can be established or maintained at commercially reasonable costs. If the Company receives FDA clearance or approval for its products, it will need to expend significant capital resources and develop manufacturing expertise to establish large-scale manufacturing capabilities. Manufacturers often encounter difficulties in scaling up production of new products, including problems involving production yields, quality control and assurance, component supply shortages, shortages of qualified personnel, compliance with FDA regulations, and the need for further FDA approval of new manufacturing processes. In addition, in the event demand for the Company's products exceeds manufacturing capacity, the Company could develop a substantial backlog of customer orders. If the Company is unable to establish and maintain large-scale manufacturing capabilities, sales of the Company's products could be substantially diminished, which would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's manufacturing facilities are subject to periodic inspection by regulatory authorities, and the Company's operations will continue to be regulated by the FDA with respect to Quality System Regulations ("QSR") compliance. The Company will be required to comply with QSR requirements in order to produce products for sale in the United States and with ISO 9001 standards in order to produce products for sale in Europe. If the Company fails to comply with QSR or ISO 9001 standards, it may be required to cease all or part of its operations for some period of time until it can demonstrate that appropriate steps have been taken to comply with such regulations. The Company cannot be certain that its facilities will comply with QSR or ISO 9001 standards in future audits by regulatory authorities. The State of California also requires that the Company obtain a license to manufacture medical devices. The Company received a device manufacturing license from the California Department of Health Services ("CDHS") in March 1998, but the Company will continue be subject to periodic inspections by the CDHS. If the Company were unable to maintain this license following any future inspections, it would be unable to manufacture or ship any products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

Components and raw materials are purchased from various qualified suppliers and subjected to stringent quality specifications. The Company conducts quality audits of suppliers and is establishing a vendor certification program. A number of the components such as motors, endoscopes, monitors, and certain integrated circuit components are provided by sole source suppliers. For certain of these components, there are relatively few alternative sources of supply, and establishing additional or replacement vendors for such components cannot be accomplished quickly. The Company plans to qualify additional suppliers if and when future production volumes increase. Because of the long lead time

required for some components that are currently available from a single source, a vendor's inability to supply such components in a timely manner could impede the Company's ability to manufacture and market its products and therefore could have a material adverse effect on its business, financial condition and results of operations. See "Risk Factors--Limited Manufacturing Experience; Scale-Up Risk" and "--Dependence on Key Suppliers."

COMPETITION

At present, the Company considers its primary competition to be existing open or MIS surgical procedures. For the Company to be successful it must convince hospitals, surgeons and patients to convert procedures from open or existing MIS surgery to INTUITIVE surgery. In addition, several companies are developing new approaches and new products for MIS and, in particular, minimally invasive cardiac surgery. Many of these companies have an established presence in the field of MIS, including Boston Scientific Corporation, CardioThoracic Systems, Inc., C.R. Bard, Inc., Guidant Corporation, Heartport, Inc., Ethicon Endo-Surgery, Inc., a division of Johnson & Johnson, Medtronic, Inc. and United States Surgical Corporation. In addition, a limited number of companies are using robots in surgery, including Computer Motion, Inc. and Integrated Surgical Systems, Inc. which may develop products which directly compete with the Company's products.

The Company believes that the primary competitive factors in the market it plans to address are capability, safety, efficacy, ease of use, price, quality, reliability and effective sales, support, training and service. The length of time required for products to be developed and to receive regulatory and reimbursement approval is also an important competitive factor. The medical device industry is characterized by rapid and significant technological change. Accordingly, the Company's success will depend in part on its ability to respond quickly to medical and technological changes through the development and introduction of new products.

However, many of the Company's potential competitors have substantially greater financial and other resources than the Company, including larger research and development staffs and more experience and capabilities in conducting research and development activities, testing products in clinical trials, obtaining regulatory approvals, and manufacturing, marketing and distributing products. There can be no assurance that the Company will succeed in developing and marketing technologies and products that are more clinically efficacious and cost-effective than the more established treatments or the new approaches and products developed and marketed by its competitors. Furthermore, there can be no assurance that the Company will succeed in developing new technologies and products that are available prior to competitors' products. The failure of the Company to demonstrate the efficacy and cost advantages of its products over those of its competitors or the failure to develop new technologies and products before its competitors could have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors--Significant Competition; Rapid Technological Change."

GOVERNMENT REGULATION

UNITED STATES

Clinical testing, manufacture and sale of the Company's products are subject to regulation by numerous governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. Pursuant to the FDC Act, the FDA regulates the clinical testing, manufacture, labeling, distribution and promotion of medical devices. Noncompliance with applicable requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the government to grant premarket clearance or premarket approval for devices, withdrawal of marketing approvals, a recommendation by the FDA that the Company not be permitted to enter into government contracts and criminal prosecution. The FDA also has the authority to

request repair, replacement or refund of the cost of any device manufactured or distributed by the Company.

In the United States, medical devices are classified into one of three classes, Class I, II or III, on the basis of the controls deemed by the FDA to be necessary to reasonably ensure their safety and effectiveness. Class I devices are subject to general controls such as labeling, premarket notification and adherence to QSR. Class II devices are subject to general controls and to special controls (such as performance standards, postmarket surveillance, patient registries, and FDA guidelines). Generally, Class III devices are those that must receive premarket approval by the FDA to assure their safety and effectiveness. Class III devices generally are life-sustaining, life-supporting and implantable devices, or new devices which have not been found substantially equivalent to legally marketed Class I and Class II devices.

Before a new device can be introduced into the market, the manufacturer must generally obtain marketing clearance through a premarket notification under Section 510(k) of the FDC Act ("510(k)") or an approval of a premarket approval application ("PMA application") under Section 515 of the FDC Act. A 510(k) clearance typically will be granted if the submitted information establishes that the proposed device is "substantially equivalent" to a predicate Class I or II medical device or to a Class III medical device for which the FDA has not called for PMAs. If a company cannot establish that a proposed device is substantially equivalent to a legally marketed predicate device, the company must seek premarket approval of the proposed device from the FDA through the submission of a PMA application. Commercial distribution of a medical device for which a 510(k) clearance or PMA is required cannot begin until clearance is received from the FDA.

In a 510(k) notification, a company must provide information to support a claim of substantial equivalence, which may include laboratory test results or the results of clinical trials of the device in humans. The FDA recently has been requiring a more rigorous demonstration of substantial equivalence than in the past and is more likely to require the submission of clinical trial data. Based upon industry and FDA publications, the Company believes that it generally takes from four to twelve months from the date of submission to obtain a 510(k) clearance, but it may take longer. Commercial distribution of a medical device for which a 510(k) clearance is required can only begin after the FDA issues an order finding the device to be "substantially equivalent" to a predicate device. The FDA may determine that a proposed device is not substantially equivalent to a predicate device, or that additional information is needed before a substantial equivalence determination can be made. A "not substantially equivalent" determination, or a request for additional information, could delay the market introduction of new products that fall into this category.

For any devices that are cleared through the 510(k) process, modifications or enhancements that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, will require new 510(k) submissions. There can be no assurance that the FDA will not require the submission of a new 510(k) notification for any of the modifications. If the FDA were to take such action, marketing the modified device could be delayed until a new 510(k) notification was cleared by the FDA.

If a company cannot establish that a proposed device is substantially equivalent to a predicate device, the company must seek premarket approval of the proposed device from the FDA through the submission of a PMA application. A PMA application must be supported by valid scientific evidence that typically includes extensive data, including preclinical and clinical data, to demonstrate the safety and efficacy of the device. If clinical trials of a device are required and the device presents a "significant risk," the sponsor of the trial (usually the manufacturer or the distributor of the device) is required to file an IDE application with the FDA prior to commencing clinical trials. The IDE application must be supported by data, typically including the results of animal and laboratory testing. If the IDE application is approved by the FDA and one or more appropriate institutional review boards ("IRBs"), clinical trials may begin at a specific number of investigational sites with a specific number of patients, as approved by the FDA. An IDE supplement must be submitted to, and be approved by, the FDA before a sponsor or an investigator may

make a change to the investigational plan that may affect its scientific soundness or the rights, safety or welfare of human subjects.

A PMA application must contain the results of clinical trials, the results of all relevant bench tests, laboratory and animal studies, a complete description of the device and its components, and a detailed description of the methods, facilities and controls used to manufacture the device. In addition, the submission must include the proposed labeling, advertising literature and training methods (if required). Upon receipt of a PMA application, the FDA makes a threshold determination as to whether the application is sufficiently complete to permit a substantive review. If the FDA determines that the PMA application is sufficiently complete to permit a substantive review, the FDA will accept the application. Once the submission is accepted, the FDA begins an in-depth review of the PMA application. Based upon industry and FDA publications, the Company believes that an FDA review of a PMA application generally takes one to three years. The review time is often significantly extended by the FDA asking for more information or clarification of information already provided in the submission.

If the FDA's evaluation of the PMA application is favorable, the FDA may issue either a clearance letter or request for additional information in the form of an "approvable" letter which usually contains a number of conditions that must be met in order to secure final approval of the PMA application. When and if those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue a final clearance letter, authorizing commercial marketing of the device for certain indications. If the FDA evaluation of the PMA application is not favorable, the FDA will deny approval of the PMA or issue a "not approvable" letter. The FDA may also determine that additional clinical trials are necessary, in which case approval may be delayed for an indeterminate period of time while additional clinical trials are conducted and submitted as an amendment to the PMA application. The PMA process can be expensive, uncertain and lengthy, and a number of devices for which FDA approval has been sought by other companies have never been approved for marketing.

In July 1997, the Company received 510(k) clearance from the FDA for the surgeon's console and patient-side cart for use with rigid endoscopes, blunt dissectors, retractors and stabilizer instruments. A subsequent 510(k) submission covering additional resposable instruments necessary for performing most surgical procedures, including scissors, scalpels, forceps / pickups, needle holders, clip appliers and electrocautery (the "Pending Instruments"), was withdrawn in November 1997 after the FDA indicated that clinical data would be required prior to a determination of substantial equivalence for these additional surgical tools. In March 1998, the Company received approval of an IDE for a clinical trial to study the use of the surgeon's console and patient-side cart and certain of the resposable instruments, including the Pending Instruments in various thoracoscopic and laparoscopic surgical procedures. Upon completion of the clinical trial, the Company intends to submit the data obtained from the trial as part of a new 510(k) notification. There can be no assurance as to when the clinical trial will be completed or whether the results obtained will support a finding of substantial equivalence to a legally marketed device. Accordingly, there can be no assurance that the FDA will not require the Company to submit a PMA application for the Pending Instruments. If 510(k) clearance is granted, the Company believes based upon discussions with the FDA that the clearance will permit distribution and promotion of the Pending Instruments for broad use in endoscopic surgery. There can be no assurance, however, that the FDA will not require additional 510(k) clearances to be obtained before the Pending Instruments could be distributed or promoted for use in other specific surgical procedures. In addition, there can be no assurance that the Company will be able to obtain necessary regulatory approvals or clearances on a timely basis or at all. Any delay in receipt of approval or clearance or failure to receive such approval or clearance or failure to comply with existing or future regulatory requirements would have a material adverse effect on the Company's business, financial condition and results of operations.

Subsequent to receipt of FDA approval or clearance, the Company will continue to be regulated by the FDA with regard to, among other things, the reporting of adverse events related to its products and ongoing QSR compliance, which includes elaborate testing, control, documentation and other quality

assurance procedures. The Company's manufacturing facility must be registered with the FDA and will be subject to periodic inspections. The Company's facilities have not yet been inspected by the FDA. Labeling and promotional activities are subject to scrutiny by FDA and, in certain circumstances, by the Federal Trade Commission. Current FDA enforcement policy prohibits the marketing of approved medical devices for unapproved ("off label") uses. See "Risk Factors--Need for Federal and State Regulatory Clearance or Approval."

CALIFORNIA

The State of California requires that the Company obtain a license to manufacture medical devices. The Company's facilities and manufacturing processes were inspected in February 1998. The Company passed the inspection and received a device manufacturing license from the Food and Drug Branch of the CDHS in March 1998. The Company will be subject to periodic inspections by the CDHS. If the Company were unable to maintain this license following any future inspections, it would be unable to manufacture or ship any product, which inability would have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors--Need for Federal and State Regulatory Clearance or Approval."

INTERNATIONAL

In order for the Company to market its products in Europe and certain other foreign jurisdictions, the Company must obtain required regulatory approvals and clearances and otherwise comply with extensive regulations regarding safety and manufacturing processes and quality. These regulations, including the requirements for approvals or clearance to market and the time required for regulatory review, vary from country to country. There can be no assurance that the Company will obtain regulatory approvals in such countries or that it will not be required to incur significant costs in obtaining or maintaining its foreign regulatory approvals. Delays in receipt of approvals to market the Company's products, failure to receive these approvals or future loss of previously received approvals could have a material adverse effect on the Company's business, financial condition and results of operations.

The time required to obtain approval for sale in foreign countries may be longer or shorter than that required for FDA approval, and the requirements may differ. In addition, there may be foreign regulatory barriers other than premarket approval, and the FDA must approve exports of devices that require a PMA but are not yet approved domestically. The current rules provide that, in order to obtain FDA export approval, the Company must provide the FDA with data and information to demonstrate that the device (i) is not contrary to public health and safety and (ii) has the approval of the country to which it is intended for export. So that the FDA can determine that export of a device is not contrary to public health and safety, the Company is required to submit basic data regarding the safety of the device unless the device is the subject of an FDA-approved IDE and it will be marketed or used for clinical trials in the importing country for the same intended use, or at least two IRBs in the United States have determined that the device is a nonsignificant risk device and the device will be marketed or used for clinical trials in the importing country for the same intended use. The Company also must submit a letter to the FDA from the foreign country approving importation of the device.

The Company is in the process of obtaining approvals for initiating clinical trials in Germany, France and Belgium. Beginning in mid-1998, the EU requires that medical products receive the right to affix the CE mark, an international symbol of adherence to quality assurance standards and compliance with applicable European medical device directives. The Company has implemented policies and procedures intended to allow the Company to receive ISO 9001 certification, one of the CE mark certification prerequisites for its manufacturing facility in Mountain View, California. While the Company intends to satisfy the requisite policies and procedures that will permit it to receive the CE mark certification, there can be no assurance that the Company will be successful in meeting the European certification requirements and failure to receive the right to affix the CE mark will prohibit the Company from selling its products in member countries of the European Union. See "Risk Factors--Lack of International Regulatory Clearance or Approval."

THIRD-PARTY REIMBURSEMENT

A combination of the government and health insurance companies is responsible for hospital and surgeon reimbursement for virtually all surgical procedures except for cosmetic surgery, in both the United States and elsewhere. Governments and insurance companies generally reimburse hospitals and physicians for surgery when the procedures are considered non-experimental and non-cosmetic. The Company believes that the cardiac procedures that will be the subject of its initial focus, as well as the majority of non-cardiac procedures it may eventually target, are generally already reimbursable by governments and insurance companies. Accordingly, the Company believes hospitals and surgeons in the United States will generally not be required to obtain new billing authorizations or codes in order to be compensated for performing surgery using the Company's products once such products have obtained FDA approval, but there can be no assurance that this is the case.

Governments and insurance companies carefully review and increasingly challenge the prices charged for medical products and services. Reimbursement rates from private companies vary depending on the procedure performed, the third-party payor, the insurance plan and other factors. Medicare reimburses hospitals a prospectively determined fixed amount for the costs associated with an in-patient hospitalization based on the patient's discharge diagnosis, and reimburses physicians a prospectively determined fixed amount based on the procedure performed, regardless of the actual costs incurred by the hospital or physician in furnishing the care and unrelated to the specific devices used in that procedure. Thus, the reimbursements that hospitals obtain for performing surgery with Intuitive's products will generally have to cover any additional costs that hospitals incur in purchasing the Company's products.

In countries outside the United States, reimbursement is obtained from a variety of sources, including governmental authorities, private health insurance plans, and labor unions. In most foreign countries, there are also private insurance systems that may offer payments for some therapies. Although not as prevalent as in the United States, health maintenance organizations are emerging in certain European countries. The Company may need to seek international reimbursement approvals, although there can be no assurance that any such approvals will be obtained in a timely manner or at all. Failure to receive international reimbursement approvals could have an adverse effect on market acceptance of the Company's products in the international markets in which such approvals are sought.

The Company believes that the overall escalating cost of medical products and services has led to and will continue to lead to increased pressures on the health care industry, both foreign and domestic, to reduce the cost of products and services, including products offered by the Company. There can be no assurance that third-party reimbursement and coverage will be available or adequate either in United States or foreign markets, that current reimbursement amounts will not be decreased in the future or that future legislation, regulation, or reimbursement policies of third-party payors will not otherwise adversely affect the demand for the Company's products or its ability to sell its products on a profitable basis, particularly if the Company's systems are more expensive than other cardiac surgery products. Moreover, the Company is unable to predict whether additional legislation or regulation relating to the healthcare industry or third-party reimbursement will be enacted in the future, or the effect of such legislation or regulation on the sale of the Company's products. If third-party payor coverage or reimbursement is unavailable or inadequate, the Company's business, financial condition, and results of operations could be materially adversely affected. See "Risk Factors--Uncertainty Related to Third-Party Reimbursement."

PRODUCT LIABILITY AND INSURANCE

The development, manufacture and sale of medical products entail significant risk of product liability claims and product failure claims. The Company has conducted only limited clinical trials and does not yet have, and will not have for a number of years, sufficient clinical data to allow the Company to measure the risk of such claims with respect to its products. The Company faces an inherent business risk of financial exposure to product liability claims in the event that the use of its products results in personal injury or

death. The Company also faces the possibility that defects in the design or manufacture of its products might necessitate a product recall. There can be no assurance that the Company will not experience losses due to product liability claims or recalls in the future. The Company currently maintains product liability insurance, and there can be no assurance that the coverage limits of the Company's insurance policies will be adequate. Any claims against the Company, regardless of their merit or eventual outcome, could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Risk Factors--Risk of Product Liability."

EMPLOYEES

As of March 31, 1998, the Company had 100 employees, 54 of whom were engaged directly in research, development, regulatory and clinical activities, 23 in manufacturing and quality assurance and 23 in marketing, sales, and administrative activities. No employee of the Company is covered by collective bargaining agreements, and the Company believes that its relationship with its employees is good.

FACILITIES

The Company leases approximately 50,000 square feet in Mountain View, California, approximately 16,000 square feet of which is subleased to a third-party until November 1998. The facility is leased through February 2002, at which time the Company has an option to extend the lease for an additional three-year term. The Company believes that this facility will be adequate to meet its needs through 1998.

INVESTIGATORS AND COLLABORATORS

An important part of the Company's strategy is to build upon relationships with institutions and surgeons in order to gain acceptance of its products in the marketplace. The Company has assembled a group of prominent medical investigators and collaborators to consult with the Company's engineers and clinical research staff and to advise the Company on the design and development of its products and on other scientific and medical matters in the areas of the Company's business. The Company has formed a Scientific Advisory Board to assist it in the development of cardiac procedures. The Scientific Advisory Board includes the following cardiac surgeons:

ALAIN CARPENTIER, M.D., PH.D. is the Professor of Cardiac Surgery, University of Paris and Chief, Department of Cardiovascular and Thoracic Surgery, Hospital Broussais, Paris, France.

W. RANDOLPH CHITWOOD, M.D. is the Chairman, Department of Surgery and Chief of Cardiothoracic Surgery, East Carolina University School of Medicine, Greenville, North Carolina. Dr. Chitwood received a B.S. from Hampden-Sydney College and an M.D. from the University of Virginia.

LAWRENCE H. COHN, M.D. is a Professor of Surgery, Harvard Medical School and Chief of Division of Cardiac Surgery, Brigham & Women's Hospital, Boston, Massachusetts. Dr. Cohn received a B.A. from the University of California at Berkeley, an M.D. from Stanford University and an M.A. from the Harvard University School of Medicine.

PAUL J. CORSO, M.D. is the Director, Section of Cardiac Surgery, Washington Heart at Washington Hospital Center, Washington, D.C. Dr. Corso received both a B.A. and an M.D. from The George Washington University.

DELOS M. COSGROVE, M.D. is the Chairman, Thoracic and Cardiovascular Surgery, The Cleveland Clinic Foundation, Cleveland, Ohio. Dr. Cosgrove received an undergraduate degree from Williams College and an M.D. from the University of Virginia School of Medicine.

ALBERT STARR, M.D. is the Director of Heart Institute at St. Vincent's Hospital and Medical Center located in Portland, Oregon. He received a B.A. from Columbia College and an M.D. from Columbia's College of Physicians and Surgeons.

The Company has also formed a Clinical Advisory Board to assist it in the development of its products and clinical protocols. The Clinical Advisory Board includes the following cardiac and general surgeons:

GUY BERNARD CADIERE, M.D., PH.D. is a full Professor of Surgery at both St. Pierre University Hospital, Brussels, Belgium and University Paul Sabatier of Toulouse, France.

JACQUES HIMPENS, M.D. is an attending surgeon at Sint Blasius Hospital, Dendermonde, Belgium, and at St. Pierre University Hospital, Brussels, Belgium. He received an M.D. from University Hospital of Leuven, Belgium.

BARRY N. GARDINER, M.D. is a general surgeon in private practice in Oakland, California. He is also Associate Clinical Professor, Department of Surgery, the University of California Davis Medical Center. He received a B.A. from the University of Utah and an M.D. from the University of Pennsylvania.

MARK M. SUZUKI, M.D. is a cardiovascular surgeon in private practice in Pittsburgh, Pennsylvania. He received a B.S. from the University of California Davis and an M.D. from The George Washington University.

WILLIAM P. SWEEZER, M.D. is a cardiovascular surgeon in private practice in Concord, California. He attended Michigan State University for his pre-med curriculum and received an M.D. from Meharry Medical College.

CHRISTOPHER ZARINS, M.D. is a professor in the Department of Surgery at Stanford University Medical Center. Dr. Zarins is also Chief of Vascular Surgery at Stanford University Medial Center. He received a B.A. from Lehigh University and an M.D. from the Johns Hopkins School of Medicine.

Each of the Company's investigators and collaborators has entered into a confidentiality and non-disclosure agreement with the Company. These investigators and collaborators are generally employed by employers other than the Company and may have commitments to or consulting advisory contracts with other entities that may limit their availability to the Company. Although generally each investigator and collaborator agrees not to perform services for another person or entity which would create a conflict of interest with the individual's services for the Company, there can be no assurance that such conflict will not arise.

OFFICERS AND DIRECTORS

The officers and directors of the Company, and their ages and positions as of March 31, 1998, are as follows:

NAME	AGE	POSITION
Lonnie M. Smith	53	President, Chief Executive Officer and Director
Susan K. Barnes	44	Vice President, Finance, Chief Financial Officer and Assistant Secretary
Frederic H. Moll, M.D.	46	Vice President, Medical Director and Director
Robert G. Younge	46	Vice President, Engineering
Thierry B. Thaure	35	Vice President, Sales and Marketing
Michael A. Daniel	46	Vice President, Regulatory, Clinical Affairs and Quality
Marc N. Hoffman	41	Vice President, Manufacturing and Services
Douglas M. Bruce	40	Vice President, Program Management
K. Iain McAusland	32	Chief Patent Counsel
Alan C. Mendelson	50	Secretary
John G. Freund, M.D.(1)	44	Director
Scott S. Halsted (1)	38	Director
Russell C. Hirsch, M.D., Ph.D.(2)	35	Director
Petri T. Vainio, M.D., Ph.D.(2)	38	Director

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(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

LONNIE M. SMITH has served as President and Chief Executive Officer of the Company since May 1997 and has served as a director of the Company since December 1996. From 1977 until joining the Company, Mr. Smith was with Hillenbrand Industries, Inc., a public holding company, serving as the Senior Executive Vice President, a member of the Office of the President, and director since 1982, as Executive Vice President of American Tourister, Inc. (a wholly owned subsidiary) from 1978 to 1982, and as Senior Vice President of Corporate Planning from 1977 to 1978. Mr. Smith has also held positions with The Boston Consulting Group and IBM. Mr. Smith currently serves as a director of Biosite Diagnostics, Inc. Mr. Smith received a B.S.E.E. from Utah State University and an M.B.A. from Harvard Business School.

SUSAN K. BARNES has served as Vice President, Finance, Chief Financial Officer and Assistant Secretary of the Company since May 1997. From January 1995 to September 1996, Ms. Barnes founded and served as Managing Director of the Private Equity Group of Jefferies and Company, Inc., an investment bank. From January 1994 to January 1995, she founded and served as Managing General Partner of Westwind Capital Partners, a private equity fund. From June 1991 to January 1994, Ms. Barnes served as Chief Financial Officer and Managing Director of Richard C. Blum & Associates, Inc., a merchant banking firm. From September 1985 to June 1991, she served as Vice President and Chief Financial Officer of NeXT Computer, Inc., a computer company. Ms. Barnes received a B.A. from Bryn Mawr College and an M.B.A. from the Wharton School, University of Pennsylvania.

FREDERIC H. MOLL, M.D. is a co-founder of the Company and has served as Vice President, Medical Director and a director since inception. In 1989, Dr. Moll co-founded Origin Medsystems, Inc., a medical

device company ("Origin") and served as Medical Director through 1995. Origin was acquired by Eli Lilly & Company in 1992 and is now a wholly owned subsidiary of Guidant Corporation, a medical device company. In 1984, Dr. Moll founded Endotherapeutics, Inc., a medical device company, which was acquired by United States Surgical Corporation in 1992. Dr. Moll received a B.A. from the University of California, Berkeley, an M.S. in Management from Stanford University's Sloan Program and an M.D. from the University of Washington.

ROBERT G. YOUNGE is a co-founder of the Company and has served as Vice President, Engineering since inception. Mr. Younge co-founded Acuson Corporation, a medical device company ("Acuson"), in 1981 and served as Vice President, Engineering and in various capacities until founding the Company. From 1994 to December 1995, Mr. Younge managed the Product Engineering Group at Acuson which introduced the Aspen System in 1996. In 1991, he founded Acuson's Transducer Division and served as its General Manager until 1994. The Transducer Division introduced Acuson's first flexible endoscopic transducer. Mr. Younge received both a B.S.E.E. and an M.S.E.E. from Stanford University.

THIERRY B. THAURE has served as Vice President, Sales and Marketing of the Company since May 1997. From January 1994 to April 1997, Mr. Thaure served as Director of International Sales and Marketing for Guidant Corporation's Minimally Invasive System Group, and from January 1993 to January 1994, he served as Manager, International Sales and Marketing of Guidant Corporation. From July 1990 to December 1992, Mr. Thaure held various positions in Marketing and Business Development at Advanced Cardiovascular Systems, Inc., a wholly owned subsidiary of Guidant Corporation. Mr. Thaure received a B.S. from Duke University and an M.M. from Northwestern University.

MICHAEL A. DANIEL has served as Vice President, Regulatory, Clinical Affairs and Quality of the Company since February 1997. From June 1995 to February 1997, Mr. Daniel served as Vice President, Product Assurance of FemRx, Inc., a medical device company. From April 1993 to June 1995, he served as Manager, Product Assurance and Regulatory Affairs of SmithKline Beckman Instruments, Inc., a medical device company. From June 1988 to April 1993, Mr. Daniel served as Director, Quality Assurance and Director NIH Product Development Programs of Novacor, a division of Baxter Healthcare Corporation. Mr. Daniel received a B.S. from Michigan State University, an M.S. from Illinois Institute of Technology and an M.B.A. from the University of California, Berkeley.

MARC N. HOFFMAN has served as Vice President, Manufacturing and Services of the Company since January 1998. From August 1995 to December 1997, Mr. Hoffman served as Vice President, Operations, Engines, of AlliedSignal Aerospace, a manufacturer of aircraft engines and a division of AlliedSignal, Inc. ("AlliedSignal"), and from August 1994 to July 1995, he served as Vice President, Manufacturing, Aerospace Sector, of AlliedSignal. From January 1993 to July 1994, Mr. Hoffman served as a Senior Management Consultant of TBM Consulting Group, a consulting firm, and from February 1981 to December 1992, he served as Plant Manager, Components Manufacturing Company, of General Electric Company. Mr. Hoffman received a B.S. from Cornell University.

DOUGLAS M. BRUCE has served as Vice President, Program Management of the Company since December 1997 and as a Program Manager from May 1997 to December 1997. From February 1997 to May 1997, Mr. Bruce served as Vice President, Engineering of Acuson and from December 1995 to January 1997, he served as its Director of Engineering. From August 1994 to December 1995, Mr. Bruce served as a Program Manager of Acuson and from October 1987 to August 1994, he served as Mechanical Engineering Manager. Mr. Bruce received a B.S. from the University of California, Berkeley and an M.S. from the University of Santa Clara.

K. IAIN MCAUSLAND has served as Chief Patent Counsel of the Company since June 1996. From September 1991 to June 1996, Mr. McAusland was an associate at Fish & Neave. Mr. McAusland received a B.A. from Pembroke College at Cambridge University and a J.D. from Boston College Law School.

ALAN C. MENDELSON has served as Secretary of the Company since inception. He has been a partner of Cooley Godward LLP, counsel to the Company, since 1980 and served as Managing Partner of its Palo Alto office from 1990 to 1995 and from November 1996 to September 1997. Mr. Mendelson also served as Secretary and Acting General Counsel of Amgen, Inc., a biopharmaceutical company, from 1990 to 1991, and served as Acting General Counsel of Cadence Design Systems, Inc., an electronic design automation software company, from November 1995 to June 1996. Mr. Mendelson currently serves as a director of Acuson, CoCensys, Inc. and Isis Pharmaceuticals, Inc. Mr. Mendelson received a B.A. from the University of California, Berkeley and a J.D. from the Harvard Law School.

JOHN G. FREUND, M.D. is a co-founder of the Company and has served as a director since inception. At the time of inception, he also served briefly as the Company's Chief Executive Officer. Dr. Freund has served as Managing Director of the General Partner of Skyline Venture Partners, L.P., a venture capital firm, since October 1997. He served as Managing Director in the Alternative Assets Group of Chancellor Capital Management, Inc. (later Chancellor LGT Asset Management, Inc.), from August 1995 to September 1997. From July 1988 through December 1994, Dr. Freund was employed at Acuson, where he was Vice President, Corporate Development and later Executive Vice President. Previously, he was a partner in Morgan Stanley Venture Partners, a venture capital firm, and also co-founded the healthcare group in the corporate finance department of Morgan Stanley & Co. Incorporated. Dr. Freund currently serves as a director of LJL BioSystems, Inc. and several private companies. Dr. Freund received a B.A. from Harvard College, an M.D. from the Harvard Medical School and an M.B.A. from Harvard Business School where he was a Baker Scholar.

SCOTT S. HALSTED has served as a director of the Company since March 1997. Mr. Halsted joined Morgan Stanley Venture Partners, a venture capital firm, in 1987, and has been a general partner since 1997. Mr. Halsted currently serves as a director of several private healthcare companies. Mr. Halsted received an A.B. and B.E. degrees in Biomechanical Engineering from Dartmouth College and an M.M. from Northwestern University.

RUSSELL C. HIRSCH, M.D., PH.D., has served as a director of the Company since December 1995. He joined Mayfield Fund, a venture capital firm, in 1992, and has been a managing member of several venture capital funds affiliated with Mayfield Fund since 1995. From 1984 to 1992, Dr. Hirsch conducted research in the laboratories of Nobel Laureate Harold Varmus, M.D., and Don Ganem, M.D., at the University of California, San Francisco. Dr. Hirsch currently serves as a director of Megabios Corp. Dr. Hirsch received a B.S. in Chemistry from the University of Chicago and an M.D. and a Ph.D. from the University of California, San Francisco.

PETRI T. VAINIO, M.D., PH.D. has served as a director of the Company since December 1995. He joined Sierra Ventures, a venture capital firm, in 1988, and has been a general partner of Sierra Ventures since 1990. Dr. Vainio currently serves as a director of Heartport, Inc. and Symphonix Devices, Inc. Dr. Vainio received an M.D. and a Ph.D. from the University of Helsinki, Finland, and an M.B.A. from Stanford University.

The Company's Bylaws currently authorize one or more directors, the number of directors to be determined from time to time by resolution of the Board of Directors. The Company's Board of Directors is currently comprised of six directors. Directors are elected by the stockholders at each annual meeting of stockholders to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified. Executive officers are elected by, and serve at the discretion of, the Board. The Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, both of which will become effective upon the closing of this offering, provide that as soon as the Company is no longer subject to Section 2115 of the California Corporations Code ("Section 2115"), the Board of Directors will be divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms. The Class I directors, initially Mr. Halsted and Dr. Vainio, will stand for re-election or election at the 1999 annual meeting of stockholders. The Class II directors, initially Drs. Hirsch and

Freund, will stand for re-election or election at the 2000 annual meeting of stockholders and the Class III directors, initially Dr. Moll and Mr. Smith, will stand for re-election or election at the 2001 annual meeting of stockholders. Until the Company is no longer subject to Section 2115, the directors will each be elected each year to serve one year terms. In addition, stockholders may, in certain circumstances, be entitled to cumulate votes with respect to the election of directors. See "Description of Capital Stock."

BOARD COMMITTEES

The Company's Compensation Committee was formed in February 1997, to review and approve the compensation and benefits for the Company's key executive officers, administer the Company's stock purchase and stock option plans and make recommendations to the Board regarding such matters. The Compensation Committee is currently composed of Drs. Hirsch and Vainio. The Audit Committee was formed in February 1997, to review the internal accounting procedures of the Company and to consult with and review the services provided by the Company's independent auditors. The Audit Committee is currently composed of Dr. Freund and Mr. Halsted.

DIRECTOR COMPENSATION

Directors currently receive no cash compensation from the Company for their services as members of the Board of Directors. They are reimbursed for certain expenses in connection with attendance at Board and Committee meetings.

All of the Company's non-employee directors are entitled to receive non-discretionary stock option grants under the Company's 1998 Non-Employee Directors' Stock Option Plan (the "Directors' Plan"). Options granted under the Directors' Plan are intended by the Company not to qualify as incentive stock options under the Code. Each option granted pursuant to the Directors' Plan has an exercise price equal to the fair market value of the Common Stock on the date of grant. The Directors' Plan provides for the grant of an option to purchase 25,000 shares for each non-employee director who joins the Board following the initial public offering (the "Initial Grant"). The Initial Grant vests with respect to 1/8(th) of the option shares on the six-month anniversary of the date of grant and the remaining option shares vest in equal monthly installments over the following 42 months. In addition to the Initial Grant, the Directors' Plan provides for the grant of an option to purchase 2,500 shares (which amount shall be prorated for non-employee directors who do not continuously serve as a non-employee director of the Company for the 12 months prior to such grant) immediately following each annual meeting of stockholders, beginning with a grant in calendar year 1999 (the "Annual Grant"). The Annual Grant vests in 36 equal monthly installments over a 3-year period measured from the date of grant.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

From the Company's inception through February 1997, the Board of Directors made all determinations with respect to executive officer compensation. Since March 1997, the Compensation Committee has made all determinations relating to executive officer compensation.

EXECUTIVE COMPENSATION

The following table sets forth certain summary information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities by the Company's Chief

Executive Officer and each of the Company's executive officers who earned more than $100,000 during the year ended December 31, 1997 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION(1) SALARY($)	ANNUAL COMPENSATION(1) OTHER ANNUAL COMPENSATION($)	LONG TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS(#)
Lonnie M. Smith..... President and Chief Executive Officer	1997	$ 212,500	$ 62,532(2)	300,000
Susan K. Barnes..... Vice President, Finance, Chief Financial Officer and Assistant Secretary	1997	105,705	--	200,000
Frederic H. Moll, M.D..... Vice President and Medical Director	1997	170,000	--	300,000
Robert G. Younge..... Vice President, Engineering	1997	160,025	--	300,000

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(1) In accordance with the rules of the Securities and Exchange Commission (the "Commission"), other annual compensation in the form of perquisites and other personal benefits has been omitted where the aggregate amount of such perquisites and other personal benefits constitutes less than the lesser of $50,000 or 10% of the total annual salary and bonus for the Named Executive Officer for the year.

(2) Includes reimbursement of expenses incurred in connection with relocating to California as follows: $32,607 in direct reimbursement and $29,925 in tax gross-up.

OPTION GRANTS IN 1997

The following table sets forth certain information regarding stock options granted to each of the Named Executive Officers during the year ended December 31, 1997.

NAME	INDIVIDUAL GRANTS(1) NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	INDIVIDUAL GRANTS(1) PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(2)	EXERCISE OR BASE PRICE ($/SH)(3)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4) 5%($)	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4) 10%($)
Lonnie M. Smith.....	300,000	11.6%	$ 0.50	05/08/07		
Susan K. Barnes.....	200,000	7.7	0.50	05/18/07		
Frederic H. Moll, M.D.....	300,000	11.6	0.50	05/08/07		
Robert G. Younge.....	300,000	11.6	0.50	05/08/07		

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(1) Options granted under the Company's 1996 Equity Incentive Plan. These options are immediately exercisable. They vest as to 1/8(th) of the option shares on the six-month anniversary of the date of grant and the remaining option shares vest in equal monthly installments over the following 42 months. These options have a term of ten years. Upon certain changes of control of the Company, this vesting schedule will accelerate as to 100% of any shares that are then unvested. See "Employee Benefit Plans" for a description of the material terms of these options.

(2) Based on an aggregate of 2,585,950 options granted to employees, consultants and directors of the Company in 1997, including the Named Executive Officers.

(3) The exercise price is equal to 100% of the fair market value of the Common Stock on the date of grant, as determined by the Board of Directors.

(4) The potential realizable value is calculated based on the term of the option at the time of grant (ten years). Stock price appreciation of five percent and ten percent is assumed pursuant to rules promulgated by the Commission and does not represent the Company's prediction of its stock price performance. The potential realizable value at 5% and 10% appreciation is calculated by assuming that the assumed initial public offering price ($ per share) appreciates at the indicated rate for the entire term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price.

AGGREGATE OPTION EXERCISES IN 1997 AND YEAR-END OPTION VALUES

The following table sets forth information regarding the exercise of stock options by the Named Executive Officers during 1997 and stock options held as of December 31, 1997, by the Named Executive Officers.

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1997(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1997($)(2)	
NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)(1)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Lonnie M. Smith.....	300,000	$	--	--	--	--
Susan K. Barnes.....	200,000		--	--	--	--
Frederic H. Moll, M.D.....	300,000		--	--	--	--
Robert G. Younge.....	--	--	300,000	--	$	--

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(1) Value realized is based on the assumed initial offering price of the Company's Common Stock ($ per share), less the exercise price, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option. Certain shares acquired on exercise remain subject to a right of repurchase by the Company.

(2) Based on the assumed initial offering price of the Company's Common Stock ($ per share), less the exercise price, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option.

EMPLOYEE BENEFIT PLANS

1998 EQUITY INCENTIVE PLAN. In January 1996, the Board adopted, and the stockholders approved, the 1996 Equity Incentive Plan. In April 1998, the Board adopted, subject to stockholder approval, the 1998 Equity Incentive Plan (the "Incentive Plan") as an amendment and restatement of the Company's 1996 Equity Incentive Plan. The Company has reserved a total of 7,340,000 shares for issuance under the Incentive Plan; provided that such amount shall be increased on January 1 of each year, beginning with January 1, 1999, by an amount equal to 3% of the total outstanding shares of Common Stock (calculated on a fully diluted, fully converted basis) measured as of the immediately preceding December 31. The Incentive Plan provides for grants of incentive stock options that qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to employees (including officers and employee directors) of the Company or any affiliate and nonstatutory stock options, restricted stock purchase awards, stock bonuses and stock appreciation rights to employees (including officers and employee directors), directors of and consultants to the Company or any affiliate. The number of shares granted pursuant to stock bonuses shall at no time exceed 10% of the then current share reserve. The Incentive

Plan shall be administered by the Board or a committee appointed by the Board (references herein to the Board shall include any such committee). It is intended that the Incentive Plan will be administered by the Compensation Committee currently consisting of Drs. Hirsch and Vainio, both of whom are "non-employee directors" under applicable securities laws and "outside directors," as defined under the Code. The Board has the authority to determine which recipients and what types of awards are to be granted, including the exercise price, number of shares subject to the award and the exercisability thereof.

The term of a stock option granted under the Incentive Plan generally may not exceed ten years. The exercise price of options granted under the Incentive Plan is determined by the Board, but, in the case of an incentive stock option, cannot be less than 100% of the fair market value of the Common Stock on the date of grant. Options granted under the Incentive Plan vest at the rate specified in the option agreement. Except as expressly provided by the terms of a nonstatutory stock option agreement, no option may be transferred by the optionee other than by will or the laws of descent or distribution or, in certain limited instances, pursuant to a qualified domestic relations order, provided that an optionee may designate a beneficiary who may exercise the option following the optionee's death. An optionee whose relationship with the Company or any related corporation ceases for any reason (other than by death or permanent and total disability) may exercise vested options in the three-month period following such cessation (unless such options terminate or expire sooner by their terms) or in such longer period as may be determined by the Board and set forth in the option agreement. Vested options may be exercised for up to twelve months after an optionee's relationship with the Company or its affiliate ceases due to disability and for up to eighteen months after such relationship with the Company or its affiliate ceases due to death.

No incentive stock option may be granted to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the Company or any affiliate of the Company, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and the term of the option does not exceed five (5) years from the date of grant. In addition, the aggregate fair market value, determined at the time of grant, of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year (under the Incentive Plan and all other stock plans of the Company and its affiliates) may not exceed $100,000. The options, or portions thereof, which exceed this limit are treated as nonstatutory options.

When the Company becomes subject to Section 162(m) of the Code (which denies a deduction to publicly held corporations for certain compensation paid to specific employees in a taxable year to the extent that the compensation exceeds $1.0 million, no person may be granted options under the Incentive Plan covering more than 1,000,000 shares of Common Stock in any calendar year.

Shares subject to stock awards which have lapsed or terminated, without having been exercised in full, and any shares repurchased by the Company pursuant to a repurchase option provided under the Incentive Plan may again become available for the grant of awards under the Incentive Plan. Shares subject to stock appreciation rights exercised in accordance with the Incentive Plan may not again become available for the grant of awards under the Incentive Plan. In the event of a decline in the value of the Company's Common Stock, the Board of Directors has the authority to offer optionees the opportunity to replace outstanding options with new options for the same or a different number of shares. Both the original and the new option will count towards the per-person, calendar year limitation set forth above.

Restricted stock purchase awards granted under the Incentive Plan may be granted pursuant to a repurchase option in favor of the Company in accordance with a vesting schedule determined by the Board. The purchase price of such awards will be at least 85% of the fair market value of the Common Stock on the date of grant. Stock bonuses may be awarded in consideration for past services without a purchase payment. Rights under a stock bonus or restricted stock bonus agreement may not be transferred other than by will, the laws of descent and distribution or a qualified domestic relations order while the stock awarded pursuant to such an agreement remains subject to the agreement, provided that an optionee

may designate a beneficiary who may exercise the option following optionee's death. Stock appreciation rights authorized for issuance under the Incentive Plan may be tandem stock appreciation rights, concurrent stock appreciation rights or independent stock appreciation rights.

Upon certain changes in control of the Company, all outstanding stock awards under the Incentive Plan shall either be assumed or substituted by the surviving entity. If the surviving entity determines not to assume or substitute such awards, then with respect to persons whose service with the Company or an affiliate has not terminated prior to such change in control, the time during which such awards may be exercised shall be accelerated and the awards terminated if not exercised prior to such change in control and any Company repurchase option or reacquisition right with respect to such person shall lapse. Further, certain stock award agreements may provide that, with respect to persons whose service with the Company or an affiliate has not terminated prior to a change in control, if upon or within 24 months following a change in control certain triggering events occur, then such person's stock awards will automatically become fully vested and exercisable and any Company repurchase option or reacquisition right with respect to such person's stock awards shall lapse.

As of April 15, 1998, 2,477,695 shares had been issued upon the exercise of options granted under the Incentive Plan and options to purchase 1,059,100 shares were outstanding with 3,703,205 shares reserved for future grants or purchases under the Incentive Plan. In addition, the Company has also granted stock awards to purchase 100,000 shares of Common Stock to consultants pursuant to the Incentive Plan. The Incentive Plan will terminate in April 2008, unless terminated sooner by the Board. See Note 4 of Notes to Financial Statements.

1998 EMPLOYEE STOCK PURCHASE PLAN. In April 1998, the Board adopted, subject to stockholder approval, the 1998 Employee Stock Purchase Plan (the "Purchase Plan") covering an aggregate of 1,500,000 shares of Common Stock. The Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. Under the Purchase Plan, the Board may authorize participation by eligible employees, including officers, in periodic offerings following the adoption of the Purchase Plan. The offering period for any offering will be no more than 27 months.

Employees are eligible to participate if they are employed by the Company, or an affiliate of the Company designated by the Board, for at least 20 hours per week and are employed by the Company, or an affiliate of the Company designated by the Board, for at least five months per calendar year. Employees who participate in an offering can have up to 10% of their earnings withheld pursuant to the Purchase Plan. The amount withheld will then be used to purchase shares of the Common Stock on specified dates determined by the Board. The price of Common Stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Common Stock on the commencement date of each offering period or on the specified purchase date. Employees may end their participation in the offering at any time during the offering period. Participation ends automatically on termination of employment with the Company.

In the event of certain changes of control of the Company, the Board has discretion to provide that each right to purchase Common Stock will be assumed or an equivalent right substituted by the successor corporation, or the Board may shorten the offering period and provide for all sums collected by payroll deductions to be applied to purchase Common Stock immediately prior to the change in control. The Purchase Plan will terminate at the Board's discretion. The Board has the authority to amend or terminate the Purchase Plan, subject to the limitation that no such action may adversely affect any outstanding rights to purchase Common Stock. See Note 7 of Notes to Financial Statements.

1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN. In April 1998, the Board adopted, subject to stockholder approval, the 1998 Non-Employee Directors' Stock Option Plan (the "Directors' Plan") to provide for the automatic grant of options to purchase shares of Common Stock to non-employee directors of the Company. The Directors' Plan is administered by the Board, unless the Board delegates administration to a committee comprised of members of the Board.

The aggregate number of shares of Common Stock that may be issued pursuant to options granted under the Directors' Plan is 200,000. Pursuant to the terms of the Directors' Plan, each director of the Company who is not an employee of the Company (a "Non-Employee Director") and who is first elected or appointed to be a Non-Employee Director after the closing of this offering shall automatically be granted an option to purchase 25,000 shares of Common Stock upon the date of such election or appointment (an "Initial Grant"). In addition, each Non-Employee Director who continues to serve as a Non-Employee Director of the Company will automatically be granted an option to purchase 2,500 shares of Common Stock immediately following the annual meeting of stockholders of the Company (an "Annual Grant"), which amount shall be pro-rated for any Non-Employee Director who has not continuously served as a director for the 12 month period prior to the date of such annual meeting of stockholders. Each Initial Grant shall vest as to 1/8(th) of the option shares on the six-month anniversary of the date of grant and the remaining option shares shall vest in equal monthly installments over the following 42 months. Each Annual Grant shall vest in 36 equal monthly installments over a 3-year period measured from the grant date.

In the event of certain changes of control of the Company and the occurrence of a triggering event within 24 months of such change of control of the Company, then such Non-Employee Director's options will automatically become fully vested and exercisable.

No option granted under the Directors' Plan may be exercised after the expiration of ten years from the date it was granted. The exercise price of options under the Directors' Plan will equal the fair market value of the Common Stock on the date of grant. The Directors' Plan will terminate in April 2008, unless earlier terminated by the Board. See Note 7 of Notes to Financial Statements.

As of April 15, 1998, no options to purchase Common Stock have been granted pursuant to the Directors' Plan.

EXECUTIVE OFFICER AND EMPLOYMENT ARRANGEMENTS

In February 1997, the Company entered into an agreement with Mr. Smith providing that, in the case of involuntary termination other than for cause, his salary and benefits will continue to be paid for a period of one year from the date of termination.

CERTAIN TRANSACTIONS

Since November 1995, the Company has sold the following shares of Common Stock and Preferred Stock in private placement transactions: in November 1995 and December 1995, 3,385,000 shares of Common Stock at a price of $0.001 per share; in December 1995 and January 1996, 5,442,500 shares of Series A Preferred Stock at a price of $1.00 per share; in January 1996, 470,000 shares of Series B Preferred Stock at a price of $0.10 per share; in December 1996 and January 1997, 910,000 shares of Common Stock at a price of $0.05 per share; in January 1997 and March 1997, 6,000,000 shares of Series C Preferred Stock at a price of $5.00 per share and in November 1997, 2,125,000 shares of Series D Preferred Stock at a price of $8.00 per share. The Company also issued a warrant to purchase 11,000 shares of Common Stock at an exercise price of $5.00 per share in April 1997.

The purchasers of Common Stock and Preferred Stock described above included, among others, the following officers, directors and holders of more than five percent of the Company's voting securities:

		SHARES OF PREFERRED STOCK			
	COMMON STOCK	SERIES A	SERIES B	SERIES C	SERIES D
DIRECTORS AND EXECUTIVE OFFICERS					
John G. Freund, M.D.	500,000	50,000	--	--	--
Frederic H. Moll, M.D.	1,050,000	150,000	--	--	--
Lonnie M. Smith	700,000	--	--	--	--
Robert G. Younge	1,100,000	100,000	--	--	--
ENTITIES AFFILIATED WITH DIRECTORS					
Mayfield Fund	150,000	2,700,000	--	960,000	355,400
Sierra Ventures	--	2,300,000	--	600,000	125,000
Morgan Stanley Venture Partners	--	--	--	1,500,000	--
OTHER 5% STOCKHOLDERS					
Allan G. Lozier	--	--	--	1,200,000	116,000

INVESTOR RIGHTS AGREEMENT. The Company, the holders of Preferred Stock, and Drs. Freund and Moll and Mr. Younge (the "Founders") have entered into an Amended and Restated Investor Rights Agreement, dated November 14, 1997 (the "Investor Rights Agreement"), pursuant to which the holders of all Preferred Stock have certain registration rights with respect to their shares of Common Stock following the closing of this offering. See "Description of Capital Stock--Registration Rights."

STOCKHOLDERS AGREEMENT. The Company, the Founders, Mr. Smith, and entities affiliated with Mayfield Fund, Sierra Ventures and Morgan Stanley Venture Partners have entered into a Stockholders Agreement dated December 20, 1995, as amended March 27, 1997 (the "Stockholders Agreement"). The Stockholders Agreement provides all shares of voting capital stock of the Company registered in the parties' respective names or beneficially owned by them shall be voted at the election of directors so that one director shall be the Company's Chief Executive Officer, two directors shall be nominees designated by the Founders, two directors shall be nominees designated by Mayfield Fund, one director shall be a nominee designated by Sierra Ventures and one director shall be a nominee designated by Morgan Stanley Venture Partners. The Stockholders Agreement terminates upon the closing of this offering.

The Company intends to enter into indemnification agreements with its directors and officers for the indemnification of and advancement of expenses to such persons to the full extent permitted by law. The Company also intends to execute such agreements with its future directors and officers.

See also "Management--Executive Officer and Employment Arrangements."

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of March 31, 1998 held by (i) each person known to the Company to be the beneficial owner of more than 5% of its outstanding shares of Common Stock, (ii) each director of the Company, (iii) each of the Named Executive Officers of the Company, and (iv) all directors and executive officers of the Company as a group. Except as otherwise noted below, the address of each person listed below is c/o the Company, 1340 W. Middlefield Road, Mountain View, California 94043.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED(1)	PERCENTAGE OF SHARES BENEFICIALLY OWNED(1) PRIOR TO OFFERING	PERCENTAGE OF SHARES BENEFICIALLY OWNED(1) AFTER OFFERING
Entities affiliated with Mayfield Fund (2) 2800 Sand Hill Road Menlo Park, California 94025	4,165,400	20.0%	
Entity affiliated with Sierra Ventures (3) 3000 Sand Hill Road Building 4, Suite 210 Menlo Park, California 94025	3,025,000	14.5%	
Entities affiliated with Morgan Stanley Venture Partners (4) 3000 Sand Hill Road Building 4, Suite 250 Menlo Park, California 94025	1,500,000	7.2%	
Frederic H. Moll, M.D. (5)	1,500,000	7.2%	
Allan G. Lozier c/o Lozier Corporation 6226 Pershing Drive Omaha, Nebraska 67810	1,316,000	6.3%	
Robert G. Younge (6)	1,298,000	6.1%	
Russell C. Hirsch, M.D., Ph.D. (2)	4,165,400	20.0%	
Petri T. Vainio, M.D., Ph.D. (3)	3,025,000	14.5%	
Scott S. Halsted (4)	1,500,000	7.2%	
Lonnie M. Smith (7)	1,000,000	4.8%	
John G. Freund, M.D. (8)	550,000	2.6%	
Susan K. Barnes (9)	200,000	1.0%	
All directors and executive officers as a group (8 persons) (10)	13,238,400	62.5%	

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(1) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Beneficial ownership also includes shares of stock subject to options and warrants currently exercisable or convertible, or exercisable or convertible within 60 days of March 31, 1998. Percentage of beneficial ownership is based on 20,874,779 shares of Common Stock outstanding as of March 31, 1998, and shares of Common Stock outstanding after the closing of this offering assuming the Underwriters' over-allotment option is not exercised. Unless otherwise indicated below, to the knowledge of the

Company, all persons listed below have sole voting and investment power with respect to their shares of Common Stock, except to the extent authority is shared by spouses under applicable law.

(2) Represents 3,957,130 shares held by Mayfield VIII and 208,270 shares held by Mayfield Associates Fund II. Dr. Hirsch, a director of the Company, is a managing member of the general partner of Mayfield VIII and a general partner of Mayfield Associates Fund II. Dr. Hirsch disclaims beneficial ownership of shares held by such entities except to the extent of his proportionate partnership interest therein.

(3) Represents 3,025,000 shares held by Sierra Ventures V, L.P. Dr. Vainio, a director of the Company, is a general partner of the general partner of such entity. Dr. Vainio disclaims beneficial ownership of shares held by such entity except to the extent of his proportionate partnership interest therein.

(4) Represents 1,368,600 shares held by Morgan Stanley Venture Partners III, L.P. and 131,400 shares held by Morgan Stanley Venture Investors III, L.P. Mr. Halsted, a director of the Company, is a general partner of the general partner of such entities. Mr. Halsted disclaims beneficial ownership of shares held by such entities except to the extent of his proportionate partnership interest therein.

(5) Includes 645,000 shares subject to a right of repurchase by the Company 60 days from March 31, 1998.

(6) Includes 30,000 shares held by Diane Lauren Sotos, Trustee of the Younge Irrevocable Trust fbo Ellen Sotos McCoy dated June 25, 1996 and 3,000 shares held by Arthur G. Closson, Custodian fbo Eric Roy Younge, under the CUTMA, to age 21. Also includes 440,000 shares subject to a right of repurchase by the Company 60 days from March 31, 1998 and 300,000 shares Mr. Younge has the right to acquire pursuant to options exercisable within 60 days of March 31, 1998. Mr. Younge disclaims beneficial ownership of the shares held for the benefit of Ellen Sotos McCoy and Eric Roy Younge.

(7) Includes 200,000 shares held by McKRAM Investors, L.P. ("McKRAM"). Also includes 702,667 shares subject to a right of repurchase by the Company 60 days from March 31, 1998. Mr. Smith, a partner of McKRAM, disclaims beneficial ownership of shares held by such entity.

(8) Represents (i) 450,000 shares held by the Freund/Sexton Living Trust dated February 8, 1991, (ii) 75,000 shares held by the Freund/Sexton 1997 Children's Trust dated January 20, 1997 ("Children's Trust") and (iii) 25,000 shares held by the Sexton/Freund 1984 Family Trust ("Family Trust"). Dr. Freund does not have sole voting and investment power with respect to the shares held by the Children's Trust. Dr. Freund disclaims beneficial ownership of shares in the Children's Trust and Family Trust.

(9) Includes 150,000 shares subject to a right of repurchase by the Company 60 days from March 31, 1998.

(10) Includes 8,690,400 shares held by entities affiliated with certain directors of the Company. Also includes 1,937,667 shares subject to a right of repurchase by the Company 60 days from March 31, 1998 and 300,000 shares subject to options exercisable within 60 days of March 31, 1998.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, the authorized capital stock of the Company will consist of 75,000,000 shares of Common Stock, par value $0.001, and 10,000,000 shares of Preferred Stock, par value $0.001.

The Company may be subject to Section 2115 of the California Corporations Code. Section 2115 provides that, regardless of a company's legal domicile, certain provisions of California corporate law will apply to that company if the company meets certain requirements relating to its property, payroll and sales in California and if more than one-half of its outstanding voting securities are held of record by persons having addresses in California. Among other things, Section 2115 may limit the ability of the Company to elect a classified Board of Directors. The Company will not be subject to Section 2115 (i) at such time as the Company is qualified for trading as a national market security on the Nasdaq National Market and has 800 stockholders as of the record date of its most recent annual meeting of stockholders or (ii) at the end of any income year during which a certificate shall have been filed showing that less than one-half of its outstanding voting securities are held of record by persons having addresses in California or that one of the other tests of Section 2115 is not met.

COMMON STOCK

Upon the closing of this offering, based on the number of shares outstanding on March 31, 1998, there will be shares of Common Stock outstanding (plus up to 11,000 shares that may be issued upon the exercise of an outstanding warrant). The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Until the Company is no longer subject to Section 2115, the holders of Common Stock are entitled to cumulative voting rights with respect to the election of directors. At such time or times as the Company is no longer subject to Section 2115, the holders of Common Stock will not be entitled to cumulate voting rights with respect to the election of directors, and as a consequence, minority stockholders will not be able to elect directors on the basis of their votes alone.

Subject to preferences that may be applicable to any Preferred Stock outstanding at the time, the holders of outstanding shares of Common Stock are entitled to receive dividends out of assets legally available therefor at such time and in such amounts as the Board of Directors may from time to time determine. See "Dividend Policy." Upon liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of Preferred Stock. Holders of Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are, and all shares of Common Stock to be outstanding upon closing of this offering will be, fully paid and nonassessable.

PREFERRED STOCK

Upon the closing of this offering, each outstanding share of Preferred Stock will be converted into of a share of Common Stock. Pursuant to the Company's Amended and Restated Certificate of Incorporation, to be effective upon the closing of this offering, the Board of Directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, without any further vote or action by the stockholders. The issuance of Preferred Stock could adversely affect the voting power of holders of Common Stock and the likelihood that such holders will receive dividend payments and payments upon liquidation may have the effect of delaying, deferring or preventing a change in control of

the Company, which could have a depressive effect on the market price of the Company's Common Stock. The Company has no present plan to issue any shares of Preferred Stock.

WARRANT

In April 1997, the Company issued a warrant to purchase 11,000 shares of its Common Stock at an exercise price of $5.00 per share, exercisable at any time through April 15, 2003, in connection with an equipment lease.

REGISTRATION RIGHTS

Upon the closing of this offering, the holders (or their permitted transferees) ("Holders") of 14,037,500 shares of Common Stock are entitled to certain rights with respect to the registration of such shares under the Securities Act. If the Company proposes to register any of its securities under the Securities Act, either for its own account or for the account of other security holders, the Holders are entitled to notice of the registration and are entitled to include, at the Company's expense, such shares therein. In addition, certain of the Holders may require the Company at its expense on not more than two occasions at any time beginning approximately six months from the date of this Prospectus to file a Registration Statement under the Securities Act, with respect to their shares of Common Stock, and the Company is required to use its best efforts to effect the registration, subject to certain conditions and limitations. Further, the Holders may require the Company at its expense to register their shares on Form S-3 when such form becomes available to the Company, subject to certain conditions and limitations.

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER PROVISIONS

The Company is subject to Section 203 of the Delaware General Corporation Law ("Section 203"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer or (iii) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include (i) any merger or consolidation involving the corporation and the interested stockholder, (ii) any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation, (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder or (iv) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person. See "Risk Factors--Anti-Takeover Effect of Delaware Law and Certain Charter and Bylaw Provisions."

The Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws"), both of which will become effective upon the closing of this offering, provide that at such time or times that the Company is no longer subject to Section 2115, the Company will have a classified Board of Directors. Accordingly, at that time, each director will serve for a three-year term, with approximately one-third of the directors to be elected annually. Candidates for director may be nominated only by the Board of Directors or by a stockholder who gives written notice to the Company no later than 60 days prior nor earlier than 90 days prior to the first anniversary of the last annual meeting of stockholders. The Board may consist of one or more members to be determined from time to time by resolution of the Board. The Board currently consists of six members. Between stockholder meetings, the Board may appoint new directors to fill vacancies or newly created directorships. The Certificate of Incorporation and Bylaws provide that at such time as the Company is no longer subject to Section 2115, cumulative voting at stockholder meetings for the election of directors will not be allowed. As a result, stockholders controlling more than 50% of the outstanding Common Stock will be able to elect the entire Board of Directors, while stockholders controlling 49% of the outstanding Common Stock may not be able to elect any directors. The Certificate of Incorporation and Bylaws also provide that during such time as the Company is subject to Section 2115, a director may be removed with or without cause by the affirmative vote of the holders of at least a majority of the then outstanding shares of voting stock. At such time that the Company is no longer subject to Section 2115, the Certificate of Incorporation and Bylaws provide that a director may be removed from office for cause by the affirmative vote of a majority of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of directors.

The Company's Certificate of Incorporation and Bylaws require that upon the closing of this offering, any action required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of stockholders and may not be effected by a consent in writing. The Company's Certificate of Incorporation also provides that the authorized number of directors may be changed only by resolution of the Board of Directors. See "Management--Officers and Directors." Delaware Law and these charter provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of the Company, which could have a depressive effect on the market price of the Company's Common Stock.

LIMITATION OF LIABILITY AND INDEMNIFICATION

The Company's Certificate of Incorporation and Bylaws contain certain provisions permitted under Delaware Law relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in certain circumstances involving certain wrongful acts, such as (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derives an improper personal benefit. These provisions do not limit or eliminate the rights of the Company or any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of director's fiduciary duty. These provisions will not alter a director's liability under federal securities laws. The Company's Certificate of Incorporation and Bylaws also contain provisions indemnifying the directors and officers of the Company to the fullest extent permitted by Delaware General Corporation Law. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors and officers.

The Company intends to enter into indemnification agreements with its directors and officers for the indemnification of and advancement of expenses to such persons to the full extent permitted by law. The Company also intends to execute such agreements with its future directors and officers.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock of the Company is BankBoston, N.A. (the "Transfer Agent"). The telephone number of the Transfer Agent is (781) 575-2000.

LISTING

The Company has applied to have the Common Stock quoted on the Nasdaq National Market under the symbol "ISRG."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices from time to time. Furthermore, since no shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale (as described below), sales of substantial amounts of Common Stock of the Company in the public market after these restrictions lapse could adversely affect the prevailing market price and the ability of the Company to raise equity capital in the future.

Upon the closing of this offering, the Company will have outstanding an aggregate of shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options and a warrant. Of these shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act (the "Affiliates"). The remaining 20,874,779 shares of Common Stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration described below under Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below. As a result of such contractual restrictions and the provisions of Rules 144, 144(k) and 701, the Restricted Shares will be available for sale in the public market as follows: (i) no shares will be eligible for immediate sale on the date of this Prospectus and (ii) approximately 18,447,659 shares (excludes approximately 2,693,361 shares subject to repurchase by the Company and includes approximately 255,241 shares subject to outstanding vested options and 11,000 shares subject to an outstanding warrant) will be eligible for sale upon expiration of the lock-up agreements 180 days after the date of this Prospectus. All officers, directors, stockholders and option holders of the Company have agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly (or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of), any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock, for a period of 180 days after the date of this Prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated may in its sole discretion choose to release a certain number of these shares from such restrictions prior to the expiration of such 180 day period.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least one year (including the holding period of any prior owner except an Affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) 1% of the number of shares of Common Stock then outstanding (which will equal approximately shares immediately after this offering); or (ii) the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144; therefore, unless otherwise restricted, shares will qualify as "144(k) shares" on the date of this Prospectus and may be sold immediately upon the completion of this offering.

Subject to certain limitations on the aggregate offering price of a transaction and other conditions, employees, directors, officers, consultants or advisors may rely on Rule 701 with respect to the resale of

securities originally purchased from the Company prior to the date the issuer becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options (including exercises after the date of this Prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this Prospectus, may be sold by persons other than Affiliates subject only to the manner of sale provisions of Rule 144, and by Affiliates under Rule 144 without compliance with its holding period requirements.

Upon the closing of this offering, the holders of approximately 14,037,500 shares of Common Stock, or their transferees, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act (except for share purchases by affiliates) immediately upon the effectiveness of such registration.

The Company intends to file registration statements under the Securities Act covering 9,040,000 shares of Common Stock reserved for issuance under the Incentive Plan, the Purchase Plan and the Directors' Plan. See "Management--Employee Benefit Plans." Such registration statements are expected to be filed and become effective as soon as practicable after the effective date of this offering. Accordingly, shares registered under such registration statements will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market, beginning 180 days after the date of the Prospectus, unless such shares are subject to vesting restrictions with the Company.

UNDERWRITERS

Under the terms of and subject to the conditions contained in an Underwriting Agreement dated the date of this Prospectus hereof (the "Underwriting Agreement"), the Underwriters named below (the "Underwriters"), for whom Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc. and BT Alex. Brown Incorporated are serving as Representatives (the "Representatives"), have severally agreed to purchase, and the Company has agreed to sell to the Underwriters severally, the respective number of shares of Common Stock set forth opposite the names of such Underwriters below:

NAME	NUMBER OF SHARES
Morgan Stanley & Co. Incorporated	
Bear, Stearns & Co. Inc.	
BT Alex. Brown Incorporated	
Total	

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of Common Stock offered hereby (other than the shares covered by the over-allotment option described below) if any such shares are taken.

The Underwriters initially propose to offer part of the shares of Common Stock directly to the public at the initial public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ a share under the initial public offering price. Any Underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other Underwriters or to certain dealers. After the initial offering of the shares of Common Stock, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Company has granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of additional shares of Common Stock at the initial public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option to purchase solely for the purpose of covering over-allotments, if any, incurred in the sale of the shares of Common Stock offered hereby. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of Common Stock as the number set forth next to such Underwriter's name in the preceding table bears to the total number of shares of Common Stock offered hereby to the Underwriters.

The Representatives have informed the Company that they will not make sales of the Common Stock offered hereby to accounts over which they exercise discretionary authority without prior specific written approval of the customer.

In March 1997, Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P., entities affiliated with Morgan Stanley & Co. Incorporated, purchased an aggregate of 1,500,000 shares of the Company's Preferred Stock at a purchase price of $5.00 per share, for an aggregate of $7,500,000. Such shares will convert into 1,500,000 shares of Common Stock upon the closing of this offering.

See "Shares Eligible for Future Sale" for a description of certain arrangements by which all officers, directors, stockholders and option holders of the Company have agreed not to sell or otherwise dispose of Common Stock or convertible securities of the Company for up to 180 days after the date of this Prospectus without the prior consent of Morgan Stanley & Co. Incorporated. The Company has agreed in the Underwriting Agreement that it will not, directly or indirectly, without the prior written consent of Morgan Stanley & Co. Incorporated, offer, pledge, sell, lend, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, for a period of 180 days after the date of this Prospectus, except under certain circumstances.

In order to facilitate the offering of Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may over-allot in connection with the offering, creating a short position in the Common Stock for their own account. In addition, to cover the over-allotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Common Stock in the offering, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The offering is being conducted in accordance with Rule 2720 ("Rule 2720") of the Conduct Rules promulgated by the National Association of Securities Dealers, Inc. (the "NASD") which provides that, among other things, when an NASD member firm participates in the offering of equity securities of a company with whom such member has a "conflict of interest" (as defined in Rule 2720), the initial public offering price can be no higher than that recommended by a "qualified independent underwriter" (as defined in Rule 2720) (a "QIU"). Morgan Stanley & Co. Incorporated is deemed to have such a conflict of interest with the Company due to the fact that certain entities affiliated with Morgan Stanley & Co. Incorporated own shares of the Company's Preferred Stock as described above. is serving as the QIU in the offering and will recommend a price in compliance with the requirements of Rule 2720. has performed due diligence investigations and reviewed and participated in the preparation of this Prospectus and the Registration Statement of which this Prospectus forms a part. , in its capacity as QIU, will receive no additional compensation as such in connection with the offering.

The Underwriters have reserved for sale, at the initial public offering price, up to five percent of the Common Stock offered hereby for employees and directors of the Company and certain others who have expressed an interest in purchasing such shares of Common Stock in the offering. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as other shares offered hereby.

PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the Common Stock or any other securities of the Company. The initial public offering price for the Common Stock will be determined by negotiations between the Company and the Representatives. Among the factors that will be considered in determining the initial public offering price are the future prospects of the Company and its industry in general; sales, earnings and certain other financial and operating information of the Company in recent periods; and certain ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of the Company.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Cooley Godward LLP, Palo Alto, California. GC&H Investments, an entity affiliated with Cooley Godward LLP, beneficially owns 30,000 shares of the Company's Preferred Stock which shares will convert into shares of the Company's Common Stock upon the closing of this offering. Certain legal matters will be passed upon for the Underwriters by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California.

EXPERTS

The financial statements of the Company as of December 31, 1996, and 1997 and for the period from inception (November 9, 1995) to December 31, 1996 and for the year ended December 31, 1997 appearing in this Prospectus and Registration Statement have been included herein and in the Registration Statement in reliance upon the reports of Ernst & Young LLP, independent certified accountants appearing elsewhere herein, and upon authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission, Washington, D.C. 20549, a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedule filed therewith. Certain items are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and the exhibits and schedule filed therewith. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement, and the exhibits and schedule filed therewith, may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and the Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048, and copies of all or any part of the Registration Statement may be obtained from such offices upon the payment of the fees prescribed by the Commission. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is http://www.sec.gov. The Registration Statement, including all exhibits thereto and amendments thereof, has been filed with the Commission through the Electronic Data Gathering, Analysis and Retrieval system (EDGAR).

INTUITIVE SURGICAL, INC.
(A DEVELOPMENT STAGE COMPANY)

INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Intuitive Surgical, Inc.

We have audited the accompanying balance sheets of Intuitive Surgical, Inc. (a development stage company) as of December 31, 1996 and 1997, and the related statements of operations, stockholders' equity and cash flows for the year ended December 31, 1997, the period from inception (November 9, 1995) to December 31, 1996, and the period from inception (November 9, 1995) to December 31, 1997 (not separately presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intuitive Surgical, Inc. (a development stage company) at December 31, 1996 and 1997, and the results of its operations and its cash flows for the year ended December 31, 1997, the period from inception (November 9, 1995) to December 31, 1996, and the period from inception (November 9, 1995) to December 31, 1997 (not separately presented herein), in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Palo Alto, California
February 6, 1998,
except for Note 7, as to which the date is
April 21, 1998

INTUITIVE SURGICAL, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31,		MARCH 31,	UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY AT MARCH 31,
	1996	1997	1998	1998
			(UNAUDITED)	(NOTE 7)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,494	$ 17,034	$ 7,625	
Short-term investments	--	15,640	18,678	
Prepaid expenses	70	196	317	
Total current assets	1,564	32,870	26,620	
Property and equipment, net	725	2,804	3,487	
	$ 2,289	$ 35,674	$ 30,107	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 472	$ 1,811	$ 2,857	
Accrued liabilities	47	377	568	
Accrued license fee	--	5,000	5,000	
Current portion of capital lease obligations	--	258	403	
Total current liabilities	519	7,446	8,828	
Capital lease obligations, noncurrent	--	897	1,297	
Commitments and contingencies				
Stockholders' equity:				
Convertible preferred stock, 15,000,000 shares authorized, $0.001 par value, issuable in series: 14,412,500 designated, 14,037,500 shares issued and outstanding, aggregate liquidation preference of $52,489,500 at March 31, 1998; none pro forma	6	14	14	$ --
Common stock, 35,000,000 shares authorized, $0.001 par value, 3,833,000, 6,594,520 and 6,837,279 shares issued and outstanding at December 31, 1996, December 31, 1997, and March 31, 1998, respectively, and 20,874,779 pro forma	4	7	7	21
Additional paid-in capital	5,447	56,430	57,450	57,450
Deferred compensation	--	(1,831)	(2,185)	(2,185)
Deficit accumulated during the development stage	(3,687)	(27,289)	(35,304)	(35,304)
Total stockholders' equity	1,770	27,331	19,982	$ 19,982
	$ 2,289	$ 35,674	$ 30,107	

SEE ACCOMPANYING NOTES.

INTUITIVE SURGICAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	THREE MONTHS ENDED MARCH 31,		PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO MARCH 31, 1998
			1997	1998	
			(UNAUDITED)		(UNAUDITED)
Operating costs and expenses:					
Research and development	$ 2,934	$ 14,282	$ 1,793	$ 6,764	$ 23,980
General and administrative	951	4,434	686	1,627	7,012
Technology license	--	6,000	--	--	6,000
Total operating costs and expenses	3,885	24,716	2,479	8,391	36,992
Loss from operations	(3,885)	(24,716)	(2,479)	(8,391)	(36,992)
Interest income	198	1,244	70	423	1,865
Interest expense	--	(130)	--	(47)	(177)
Net loss	$ (3,687)	$ (23,602)	$ (2,409)	$ (8,015)	$ (35,304)
Pro forma net loss per share		$ (1.85)		$ (0.47)	
Shares used in computing pro forma net loss per share		12,730		17,207	

SEE ACCOMPANYING NOTES.

INTUITIVE SURGICAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY

PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO MARCH 31, 1998

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION
	SHARES	AMOUNT	SHARES	AMOUNT		
Issuance of common stock to founders at $0.001 per share in December 1995 for technology license, cash and services....	--	--	3,385,000	$ 4	$ --	$ --
Issuance of Series A stock to investors at $1.00 per share in December 1995 for cash, net of issuance costs of $53.....	5,442,500	5	--	--	5,384	--
Issuance of Series B stock to investors at $0.10 per share in January 1996 for cash, net of issuance costs of $5.....	470,000	1	--	--	41	--
Issuance of common stock to employees and consultants at $0.05 per share for cash and services.....	--	--	448,000	--	22	--
Net loss from Inception (November 9, 1995) to December 31, 1996.....	--	--	--	--	--	--
Balances at December 31, 1996.....	5,912,500	6	3,833,000	4	5,447	--
Issuance of Series C stock to investors at $5.00 per share in January 1997 and March 1997 for cash, net of issuance costs of $51.....	6,000,000	6	--	--	29,943	--
Issuance of Series D stock to investors at $8.00 per share in November 1997 for cash, net of issuance costs of $75.....	2,125,000	2	--	--	16,923	--
Issuance of common stock to employees and consultants at $0.05-$1.50 per share for cash and services.....	--	--	2,874,853	3	864	--
Repurchase of common stock from employees at $0.05 per share.....	--	--	(113,333)	--	(6)	--
Deferred compensation resulting from grant of options.....	--	--	--	--	3,259	(3,259)
Amortization of deferred compensation.....	--	--	--	--	--	1,428
Net loss.....	--	--	--	--	--	--
Balances at December 31, 1997.....	14,037,500	14	6,594,520	7	56,430	(1,831)
Issuance of common stock to employees and consultants at $0.05-$3.00 per share for cash (unaudited).....	--	--	242,759	--	155	--
Deferred compensation resulting from grant of options (unaudited).....	--	--	--	--	865	(865)
Amortization of deferred compensation (unaudited).....	--	--	--	--	--	511
Net loss (unaudited).....	--	--	--	--	--	--
Balances at March 31, 1998 (unaudited).....	14,037,500	$ 14	6,837,279	$ 7	$ 57,450	$ (2,185)

	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL STOCKHOLDERS' EQUITY
Issuance of common stock to founders at $0.001 per share in December 1995 for technology license, cash and services....	$ --	$ 4
Issuance of Series A stock to investors at $1.00 per share in December 1995 for cash, net of issuance costs of $53.....	--	5,389
Issuance of Series B stock to investors at $0.10 per share in January 1996 for cash, net of issuance costs of $5.....	--	42
Issuance of common stock to employees and consultants at $0.05 per share for cash and services.....	--	22
Net loss from Inception (November 9, 1995) to December 31, 1996.....	(3,687)	(3,687)
Balances at December 31, 1996.....	(3,687)	1,770
Issuance of Series C stock to investors at $5.00 per share in January 1997 and March 1997 for cash, net of issuance costs of $51.....	--	29,949
Issuance of Series D stock to investors at $8.00 per share in November 1997 for cash, net of issuance costs of $75.....	--	16,925
Issuance of common stock to employees and consultants at $0.05-$1.50 per share for		

cash and services	--	867
Repurchase of common stock from employees at $0.05 per share	--	(6)
Deferred compensation resulting from grant of options	--	--
Amortization of deferred compensation	--	1,428
Net loss	(23,602)	(23,602)
Balances at December 31, 1997	(27,289)	27,331
Issuance of common stock to employees and consultants at $0.05-$3.00 per share for cash (unaudited)	--	155
Deferred compensation resulting from grant of options (unaudited)	--	--
Amortization of deferred compensation (unaudited)	--	511
Net loss (unaudited)	(8,015)	(8,015)
Balances at March 31, 1998 (unaudited)	$ (35,304)	$ 19,982

SEE ACCOMPANYING NOTES.

INTUITIVE SURGICAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(IN THOUSANDS)

	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	THREE MONTHS ENDED MARCH 31		PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO MARCH 31, 1998
			1997	1998	
			(UNAUDITED)		(UNAUDITED)
OPERATING ACTIVITIES					
Net loss	$ (3,687)	$ (23,602)	$ (2,409)	$ (8,015)	$ (35,304)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	173	706	133	265	1,144
Amortization of deferred compensation	--	1,428	67	511	1,939
Changes in operating assets and liabilities:					
Prepaid expenses	(70)	(126)	(86)	(121)	(317)
Accounts payable	472	1,339	(208)	1,046	2,857
Accrued liabilities	47	330	60	191	568
Accrued license fee	--	5,000	--	--	5,000
Net cash used in operating activities	(3,065)	(14,925)	(2,443)	(6,123)	(24,113)
INVESTING ACTIVITIES					
Capital expenditures	(898)	(2,785)	(1,190)	(948)	(4,631)
Purchase of short-term investments, net	--	(15,640)	--	(3,038)	(18,678)
Net cash used in investing activities	(898)	(18,425)	(1,190)	(3,986)	(23,309)
FINANCING ACTIVITIES					
Proceeds from issuance of preferred stock, net	5,431	46,874	29,949	--	52,305
Proceeds from issuance of common stock	26	861	105	155	1,042
Proceeds from long-term borrowings	--	1,359	--	644	2,003
Repayment of long-term borrowings	--	(204)	--	(99)	(303)
Net cash provided by financing activities	5,457	48,890	30,054	700	55,047
Net increase (decrease) in cash and cash equivalents	1,494	15,540	26,421	(9,409)	7,625
Cash and cash equivalents at beginning of period	--	1,494	1,494	17,034	--
Cash and cash equivalents at end of period	$ 1,494	$ 17,034	$ 27,915	$ 7,625	$ 7,625

SEE ACCOMPANYING NOTES.

NOTES TO FINANCIAL STATEMENTS

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Intuitive Surgical, Inc., formerly Intuitive Surgical Devices, Inc. (the "Company") was incorporated in Delaware on November 9, 1995 and is engaged in the development of products designed to provide the flexibility of open surgery while operating through ports. The Company is a development stage company, has generated no revenue from product sales and has experienced significant operating losses. As of March 31, 1998, the Company had an accumulated deficit of $35.3 million. To date, the Company has engaged primarily in researching, developing, testing and pursuing regulatory clearances for its products. The Company expects to expend substantial additional funds and continue to incur significant operating losses for the foreseeable future as it continues to fund clinical trials in support of regulatory approvals, expands research and development activities, establishes commercial-scale manufacturing capabilities and expands sales and marketing activities.

The Company's results of operations for the period from inception (November 9, 1995) to December 31, 1995 were not material.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity from date of purchase of three months or less to be cash equivalents for the purpose of balance sheet and statement of cash flows presentation. The Company's excess cash is invested in a Government Portfolio Class A Institutional Money Market Fund, which is classified as a cash equivalent. The carrying value of cash and cash equivalents approximates market value at December 31, 1996 and 1997 and March 31, 1998.

SHORT-TERM INVESTMENTS

All short-term investments are classified as available-for-sale and therefore carried at fair value. The Company's short-term investments primarily consist of commercial paper with maturity dates greater than three months and less than one year from date of purchase. Unrealized gains and losses on such securities, when material, are reported as a separate component of stockholders' equity. Realized gains and losses on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated amortization and depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows: computer equipment--three years; lab and manufacturing equipment--five years; office furniture and equipment--five years; leasehold improvements--the shorter of the remaining term of the related lease or five years; and software--the shorter of the life of the license or three years. Equipment under capital lease is amortized over the related lease term.

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development costs, which include clinical and regulatory costs, are expensed to operations as incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

INTERIM FINANCIAL INFORMATION

The financial information at March 31, 1998 and for the three months ended March 31, 1997 and 1998 is unaudited but includes all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair presentation of the financial position at such date and the operating results and cash flows for those periods. Results of the March 31, 1998 period are not necessarily indicative of the results for the entire year.

NET LOSS PER SHARE

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously required fully diluted earnings per share. Stock options, warrants and common stock subject to a right of repurchase have been excluded from the computation as their effect is antidilutive.

Pro forma net loss per share for 1997 and the three months ended March 31, 1998 has been computed to give effect to the automatic conversion of convertible preferred stock into 14,037,500 shares of common stock upon completion of the Company's initial public offering (using the as-if-converted method) from the original date of issuance.

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A reconciliation of shares used in the calculation of basic and diluted and pro forma net loss per share follows:

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1996	1997	1997	1998
Net loss	$ (3,687,000)	$ (23,602,000)	$ (2,409,000)	$ (8,015,000)
Basic and Diluted:				
Weighted average shares of common stock outstanding	1,286,912	2,099,605	1,662,272	3,169,328
Basic and diluted net loss per share	$ (2.86)	$ (11.24)	$ (1.45)	$ (2.53)
Pro forma:				
Shares used in computing basic and diluted net loss per share		2,099,605		3,169,328
Adjusted to reflect the effect of the assumed conversion of preferred stock		10,629,966		14,037,500
Weighted average shares used in computing pro forma net loss per share		12,729,571		17,206,828
Pro forma net loss per share		$ (1.85)		$ (0.47)

Had the Company been in a net income position, diluted earnings per share would have included additional shares relating to outstanding options, warrants, and common stock subject to a right of repurchase determined using the treasury stock method. Options, warrants, and common stock subject to a right of repurchase amounted to 2,615,768 and 4,523,834 at December 31, 1996 and 1997, respectively, and 3,748,033 and 4,447,576 at March 31, 1997 and 1998, respectively.

UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY

If the initial public offering is consummated, all of the convertible preferred stock outstanding as of the closing date will automatically be converted into 14,037,500 shares of common stock, based on the shares of convertible preferred stock outstanding as of March 31, 1998. Pro forma stockholders' equity at March 31, 1998, as adjusted for the conversion of preferred stock is disclosed on the balance sheet.

STOCK COMPENSATION

Effective for the fiscal year ended December 31, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). In accordance with the provisions of SFAS No. 123, the Company applies APB Opinion 25 ("APB 25"), "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option grants to employees and directors with an exercise price equal to or in excess of the fair value of the shares at the date of grant.

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-LIVED ASSETS

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective January 1, 1996. The Company continually reviews long-lived assets to assess recoverability based upon undiscounted cash flow analysis. Impairments, if any, are recognized in operating results in the period in which a permanent diminution in value is determined.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), and Statement No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS No. 131"). The Company is required to adopt these Statements in fiscal 1998. SFAS No. 130 establishes new standards for reporting and displaying comprehensive income and its components. SFAS No. 131 requires disclosure of certain information regarding operating segments, products and services, geographic areas of operation and major customers. Adoption of these Statements is expected to have no impact on the Company's financial position, results of operations or cash flows.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,		MARCH 31,
	1996	1997	1998
Computer equipment	$ 348	$ 1,300	$ 1,572
Lab/manufacturing equipment	167	643	810
Office furniture/equipment	76	542	655
Leasehold improvements	--	476	834
Software	307	722	760
	898	3,683	4,631
Less accumulated depreciation and amortization	(173)	(879)	(1,144)
Property and equipment, net	$ 725	$ 2,804	$ 3,487

3. COMMITMENTS

OPERATING LEASES

Effective March 1997, the Company entered into two operating lease arrangements for office space in Mountain View, California which expire February 28, 2002. Both of these leases include an option to renew the lease for one additional three-year term.

Rent expense was approximately $179,000 for the three months ended March 31, 1998, $586,000 for the year ended December 31, 1997, $99,000 for the period from inception to December 31, 1996 and $864,000 for the period from inception to March 31, 1998.

3. COMMITMENTS (CONTINUED)

Future minimum rental commitments under the operating leases as of December 31, 1997 are as follows (in thousands):

1998	$ 825
1999	855
2000	855
2001	855
2002	65
	$ 3,455

CAPITAL LEASES

In April 1997, the Company entered into a master lease agreement with a third party for an equipment lease line against which the Company has drawn approximately $1.4 million at December 31, 1997. The term of the lease is 48 months and provides for monthly payments of approximately $33,000 with a final payment of approximately $204,000 in March 1999. The Company has granted to the third party a security interest in all equipment leased under this agreement. Assets capitalized under capital leases totaled approximately $1.4 million at December 31, 1997, and are included in computer equipment, lab equipment, office furniture and equipment and software. Accumulated amortization for assets capitalized under capital leases totaled approximately $577,000 at December 31, 1997. Amortization of leased assets is included in depreciation expense. Future minimum lease payments under capital lease obligations at December 31, 1997 are as follows (in thousands):

1998	$ 401
1999	401
2000	401
2001	271
Total minimum lease payments	1,474
Less amount representing interest	(319)
Present value of net minimum lease payments	1,155
Less current portion	(258)
Long-term portion	$ 897

In February 1998, the Company entered into an additional lease agreement with a third party for an equipment lease line totaling approximately $644,000. The term of the lease is 42 months and provides for monthly payments of approximately $17,000 with a final payment of approximately $97,000. The Company has granted to the third party a security interest in all equipment leased under this agreement. Assets capitalized under this lease agreement include computer equipment, lab equipment, office furniture and equipment and software.

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

4. STOCKHOLDERS' EQUITY

At December 31, 1997, the Company was authorized to issue up to 15,000,000 shares of preferred stock, issuable in series, with the rights and preferences of each designated series to be determined by the Company's board of directors. At December 31, 1997, 5,442,500 shares have been designated as Series A preferred stock, 470,000 shares as Series B preferred stock, 6,000,000 shares as Series C preferred stock and 2,500,000 shares as Series D preferred stock. The outstanding shares of convertible preferred stock automatically convert into common stock upon the closing of an underwritten public offering of common stock under the Securities Act of 1933 in which the Company receives at least $10.0 million in gross proceeds and the price per share is at least $10.00 as adjusted for stock splits, recapitalization and the like, or at the election of the holders of at least two-thirds of the then outstanding shares of Series A, B, C and D preferred stock.

PREFERRED STOCK

Preferred stock at December 31, 1997 and March 31, 1998 is as follows:

	DESIGNATED	SHARES ISSUED AND OUTSTANDING	PAR VALUE	NET PROCEEDS	LIQUIDATION PREFERENCE
Series A convertible.....	5,442,500	5,442,500	$ 0.001	$ 5,389,499	$ 5,442,500
Series B convertible.....	470,000	470,000	0.001	41,750	47,000
Series C convertible.....	6,000,000	6,000,000	0.001	29,948,787	30,000,000
Series D convertible.....	2,500,000	2,125,000	0.001	16,924,873	17,000,000
		14,037,500		$ 52,304,909	$ 52,489,500

Each share of Series A, B, C and D convertible preferred stock is convertible, at the option of the holder, into common stock on a one-for-one basis, subject to certain adjustments for dilution, if any, resulting from future stock issuances.

Series A, B, C and D convertible preferred stockholders are entitled to noncumulative dividends, before and in preference to any dividends paid on common stock, at the rate of 8% of the original issuance price per annum on each outstanding share of preferred stock as adjusted for stock splits, recapitalization and the like. Dividends will be paid only when declared by the board of directors out of legally available funds. No dividends have been declared as of March 31, 1997.

The Series A, B, C and D convertible preferred stockholders are entitled to receive, upon liquidation, dissolution or winding up of the Company, an amount per share equal to the original issuance price, plus all declared but unpaid dividends. Thereafter, the remaining assets and funds, if any, shall be distributed pro rata among the common stockholders. If the assets or property were not sufficient to allow full payment to the Series A, B, C and D stockholders, the available assets or property shall be distributed ratably among the Series A, B, C and D stockholders.

The Series A, B, C and D convertible preferred stockholders have voting rights equal to the shares of common stock issuable upon conversion.

4. STOCKHOLDERS' EQUITY (CONTINUED)

COMMON STOCK

The Company has previously issued shares of common stock which are subject to the Company's right to repurchase at the original issuance price upon the occurrence of certain events, as defined in the agreements relating to the sale of such stock. At December 31, 1996 and 1997, approximately 2,217,768 and 3,523,425 shares, respectively, were subject to repurchase.

Subject to the preferences of preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for payment. In the event of the liquidation, dissolution, or winding up of the Company, holders of common stock are entitled to receive, after payment of the full liquidation price on the preferred stock, the balance of any remaining assets of the Company.

WARRANT TO PURCHASE COMMON STOCK

In April 1997, in connection with the capital lease agreement discussed in Note 3, the Company issued a warrant to purchase 11,000 shares of common stock at an exercise price of $5.00. The warrant, which is currently exercisable, expires in April 2003. The Company has reserved 11,000 common shares for the exercise of this warrant. The fair value of the warrant is not material.

1996 EQUITY INCENTIVE PLAN

In January 1996, the board of directors adopted, and the stockholders approved, the 1996 Equity Incentive Plan (the "1996 Plan") for issuance of common stock to employees, consultants and directors. Incentive stock options granted under the 1996 Plan are at prices not less than the fair value on the date of grant while nonstatutory options granted under the 1996 Plan are at prices not less than 85% of the fair value on the date of grant. Options granted under the 1996 Plan expire 10 years from the date of grant. Options generally become exercisable upon grant subject to repurchase rights in favor of the Company until vested. Options generally vest ratably over a period of four years from the date of grant; however, options may be granted with different vesting terms from time to time. A total of 4,340,000 shares of common stock have been authorized for issuance pursuant to the 1996 Plan.

(INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED)

4. STOCKHOLDERS' EQUITY (CONTINUED)

Stock activity under the 1996 Equity Incentive Plan was as follows:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
Authorized	1,500,000	--	--
Granted	(743,000)	743,000	$ 0.05
Exercised	--	(345,000)	$ 0.05
Balance as of December 31, 1996	757,000	398,000	$ 0.05
Authorized	2,840,000	--	
Granted	(2,585,950)	2,585,950	$ 0.56
Exercised	--	(1,989,853)	$ 0.39
Canceled	4,688	(4,688)	$ 0.66
Balance as of December 31, 1997	1,015,738	989,409	$ 0.68
Authorized	--	--	--
Granted	(239,600)	239,600	$ 1.90
Exercised	--	(242,759)	$ 0.64
Canceled	9,000	(9,000)	$ 0.50
Balance as of March 31, 1998	785,138	977,250	$ 0.99

Since the Company's inception through December 31, 1997, options to purchase a total of 3,328,950 shares were granted at prices ranging from $0.05 to $1.50 per share. Deferred compensation of approximately $3.3 million was recorded for these option grants based on the deemed fair value of common stock (ranging from $0.35 to $5.00 per share). In the first quarter of 1998, the Company granted options to purchase 239,600 shares of common stock at prices ranging from $1.50 to $3.00 per share for which deferred compensation of approximately $865,000 was recorded based on the deemed fair value of common stock (ranging from $5.00 to $7.00 per share).

The following table summarizes information concerning outstanding and vested options at December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS OUTSTANDING AND VESTED	
EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING AND VESTED	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.05	92,000	8.70	$ 0.05	7,017	$ 0.05
$ 0.50	675,709	9.40	$ 0.50	61,082	$ 0.50
$ 1.50	221,700	9.80	$ 1.50	1,665	$ 1.50
	989,409			69,764	

4. STOCKHOLDERS' EQUITY (CONTINUED)

The following table summarizes information concerning outstanding and vested options at March 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS OUTSTANDING AND VESTED	
EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING AND VESTED	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.05	35,000	8.30	$ 0.05	--	$ 0.05
$ 0.50	536,150	9.20	$ 0.50	76,697	$ 0.50
$ 1.50	345,600	9.70	$ 1.50	15,137	$ 1.50
$ 3.00	60,500	10.00	$ 3.00	--	$ 3.00
	977,250			91,834	

STOCK-BASED COMPENSATION

During 1996, the Company adopted SFAS No. 123. In accordance with SFAS No. 123, the Company follows APB 25 in accounting for option grants to employees under the 1996 Plan, and, accordingly, does not recognize compensation expense for options granted to employees at fair value. However, as noted earlier in this footnote, the Company has recorded deferred compensation expense based on the deemed fair value of common stock which is higher than the originally determined fair value.

Pro forma information regarding net loss and loss per share is required by SFAS No. 123, which also requires that the information be determined as if the Company has accounted for its employee stock options under the fair value method of SFAS No. 123. The Company has evaluated the effects of SFAS No. 123 and determined that the effect of applying the minimum value method allowed under SFAS No. 123 to options granted to employees in 1996 and 1997 did not result in a pro forma net loss that is materially different from historical amounts reported. Therefore, such pro forma information is not presented herein. The minimum value method was applied using the following weighted-average assumptions: risk-free interest rate of 6.5%, a weighted average expected option life of 2.16 years; and no annual dividends. Future pro forma results of operations may be materially different from actual amounts reported.

5. INCOME TAXES

No provision for income taxes has been made due to operating losses with no current tax benefit.

5. INCOME TAXES (CONTINUED)

Deferred income taxes reflect tax carryforwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amount used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	AS OF DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Net operating loss carryforward	$ 35,000	$ 5,200,000
Research credits	150,000	900,000
Expenses capitalized for tax purposes	1,400,000	5,300,000
Total deferred tax assets	1,585,000	11,400,000
Valuation allowance for deferred tax assets	(1,585,000)	(11,400,000)
Total	$ --	$ --

The state and federal net operating loss and credit carryforwards (above) will expire at various dates from 2004 through 2012, if not utilized. The utilization of such carryforwards may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

6. TECHNOLOGY LICENSE AGREEMENT

In December 1997, the Company executed a license agreement with IBM. In conjunction with the execution of the license agreement, a payment of $1.0 million was made in December 1997. The license agreement also provides that the Company pay a sum of $5.0 million within 10 days after the closing of the first underwritten public offering registered under the Securities Act of 1933, as amended, but in any event not later than September 1, 1998, which date may be extended until October 1, 1998, upon a showing of good cause by the Company. During 1997, the Company recorded $6.0 million to operating costs and expenses related to this license agreement. The license agreement also provides for payments of $1.0 million each upon the Company reaching revenue milestones, as defined, of $25.0 million and $50.0 million. Each $1.0 million payment is due and payable after the end of the fiscal year in which the cumulative total of all sales of products and services in that year meet the revenue milestone. Both payments may become due in the same year. No further payments are required under the license agreement. The license agreement expires upon the expiration of the last patent covered under the agreement. The license agreement may not be terminated by the licensor without cause.

7. SUBSEQUENT EVENTS

INITIAL PUBLIC OFFERING

In April 1998, the board of directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its common stock to the public. If the initial public offering is closed under the terms presently anticipated, all

7. SUBSEQUENT EVENTS (CONTINUED)
of the preferred stock outstanding will automatically convert into 14,037,500 shares of common stock. Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the preferred stock, is set forth on the balance sheet.

1998 EQUITY INCENTIVE PLAN

In April 1998, the Company's Board of Directors adopted, subject to stockholder approval, the 1998 Equity Incentive Plan (the "Incentive Plan") as an amendment and restatement of the Company's 1996 Equity Incentive Plan. The key provisions of the Incentive Plan are generally consistent with that of the 1996 Equity Incentive Plan. In connection with the amendment and restatement, an additional 3,000,000 shares were authorized for issuance under the Incentive Plan.

1998 EMPLOYEE STOCK PURCHASE PLAN

In April 1998, the Company's Board of Directors adopted, subject to stockholder approval, the 1998 Employee Stock Purchase Plan (the "Purchase Plan") covering an aggregate of 1,500,000 shares of the Company's common stock. Under the Purchase Plan, the Board of Directors may authorize participation by eligible employees, including officers, in periodic offerings which can be no more than 27 months. Eligible employees can have up to 10% of their earnings withheld in order to purchase shares of common stock at 85% of the lower of the fair market value of the common stock on the commencement date of each offering period or on the specified purchase date.

1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

In April 1998, the Company's Board of Directors adopted, subject to stockholder approval, the 1998 Non-Employee Directors' Stock Option Plan (the "Directors' Plan") to provide for the automatic grant of options to purchase shares of Common Stock to non-employee directors of the Company. The aggregate number of shares of Common Stock that can be issued under the Directors' Plan is 200,000. Stock options granted under the Directors' Plan are at prices not less than the fair value on the date of grant and expire 10 years from the date of grant. Options generally ratably vest over a period of three or four years from the date of grant.

CARDIAC SURGERY

OPEN CABG SURGERY: FULL STERNOTOMY

[Photo of open CABG surgery]

- LARGE INCISION (30 CM LONG)
- EXTENDED RANGE OF MOTION

MODIFIED CABG SURGERY:
MINI-THORACOTOMY

[Photo of modified CABG surgery]

- - SMALLER INCISION (7 TO 12 CM LONG)
- - REDUCED RANGE OF MOTION

INTUITIVE CABG SURGERY: FULLY ENDOSCOPIC

[Photo of Intuitive CABG Surgery performed on a cadaver]

- SMALL INCISIONS (1 CM LONG)
- EXTENDED RANGE OF MOTION

INTUITIVE CABG being practiced on a cadaver

[INTUITIVE LOGO]

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses, other than the underwriting discounts and commissions, payable by the Registrant in connection with the sale of the Common Stock being registered. All the amounts are estimates except for the registration fee and the NASD filing fee.

Registration fee	$ 14,750
Nasdaq National Market listing fee	
NASD filing fee	5,500
Blue sky qualification fees and expenses	15,000
Printing and engraving expenses	125,000
Legal fees and expenses	350,000
Accounting fees and expenses	125,000
Transfer agent and registrar fees	
Directors' and Officers' Insurance	150,000
Miscellaneous	
Total	$

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under Section 145 of the Delaware General Corporation Law, the Registrant has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). The Registrant's Bylaws also provide that the Registrant will indemnify its directors and executive officers and may indemnify its other officers, employees and agents to the fullest extent permitted by Delaware law. The Company intends to enter into indemnification agreements with its directors and officers for the indemnification of and advancement of expenses to such persons to the full extent permitted by law. The Company also intends to execute such agreements with its future directors and officers.

The Company's Certificate of Incorporation provides for the elimination of liability for monetary damages for breach of the directors' fiduciary duty of care to the Registrant and its stockholders. These provisions do not eliminate the directors' duty of care and, in appropriate circumstances, equitable remedies such an injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Registrant, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for any transaction from which the director derived an improper personal benefit, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

The Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement, will provide for indemnification by the Underwriters and their controlling persons, on the one hand, and of the Registrant and its controlling persons on the other hand, for certain liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since inception, the Company has sold and issued the following unregistered securities:

(1) From November 1995 through the date hereof, the Registrant has granted stock options to purchase 3,550,900 shares of the Common Stock to employees, consultants and directors pursuant to its 1998 Equity Incentive Plan (the "Plan"). Of these options, 14,105 have been canceled without being exercised, 2,477,695 have been exercised and 1,059,100 remain outstanding. From November

1995 through the date hereof, the Registrant has also granted stock awards to purchase 100,000 shares of Common Stock to consultants pursuant to the Incentive Plan.

(2) In November 1995 and December 1995, the Registrant issued an aggregate of 3,385,000 shares of Common Stock to 14 purchasers at $0.001 per share, for an aggregate purchase price of $3,385.

(3) In December 1995 and January 1996, the Registrant issued an aggregate of 5,442,500 shares of Series A Preferred Stock to 13 purchasers at $1.00 per share, for an aggregate purchase price of $5,442,500. Shares of Series A Preferred Stock are convertible into shares of Common Stock at the rate of one share of Common Stock for each share of Series A Preferred Stock owned.

(4) In January 1996, the Registrant issued an aggregate of 470,000 shares of Series B Preferred Stock to one purchaser at $0.10 per share, for an aggregate purchase price of $47,000. Shares of Series B Preferred Stock are convertible into shares of Common Stock at the rate of one share of Common Stock for each share of Series B Preferred Stock owned.

(5) In May 1996, the Registrant issued 50,000 shares of Common Stock to one purchaser at $0.05 per share, for a purchase price of $2,500.

(6) In June 1996, the Registrant issued 3,000 shares of Common Stock for services rendered.

(7) In December 1996 and January 1997, the Registrant issued an aggregate of 910,000 shares of Common Stock to four purchasers at $0.05 per share, for an aggregate purchase price of $45,500.

(8) In January 1997 and March 1997, the Registrant issued an aggregate of 6,000,000 shares of Series C Preferred Stock to 21 purchasers at a purchase price of $5.00 per share, for an aggregate purchase price of $30,000,000. Shares of Series C Preferred Stock are convertible into shares of Common Stock at the rate of one share of Common Stock for each share of Series C Preferred Stock owned.

(9) In April 1997, the Registrant issued a warrant to purchase 11,000 shares of the Common Stock of the Registrant to Lease Management Services, Inc., for an exercise price of $5.00 per share, issuable upon exercise of the warrant.

(10) In November 1997, the Registrant issued an aggregate of 2,125,000 shares of Series D Preferred Stock to 23 purchasers at a purchase price of $8.00 per share for an aggregate purchase price of $17,000,000. Shares of Series D Preferred Stock are convertible into shares of Common Stock at the rate of one share of Common Stock for each share of Series D Preferred Stock owned.

(11) In November 1997, the Registrant issued 25,000 shares of Common Stock for services rendered in connection with the Series D Preferred Stock financing.

(12) In April 1998, the Registrant issued 10,000 shares of Common Stock to one purchaser at $3.00 per share, for a purchase price of $30,000.

The sales and issuances of securities described in paragraph (1) above were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 of the Securities Act in that they were offered and sold either pursuant to a written compensatory benefit plan or pursuant to a written contract relating to compensation, as provided by Rule 701. The sales and issuances of securities described in paragraphs (2) through (12) above were deemed to be exempt from registration under the Securities Act by virtue of Rule 4(2), Regulation D or Regulation S promulgated thereunder. With respect to the grant of options described in paragraph (1), an exemption from registration was unnecessary in that none of the transactions involved a "sale" of securities as such term is used in Section 2(3) of the Act.

Appropriate legends are affixed to the stock certificates issued in the aforementioned transactions. Similar legends were imposed in connection with any subsequent sales of any such securities. All recipients either received adequate information about the Registrant or had access, through employment or other relationships, to such information.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following is a list of exhibits filed as a part of this Registration Statement:

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of the Registrant.
3.2*	Certificate of Amendment of Restated Certificate of Incorporation of the Registrant.
3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant to be effective upon the closing of the offering.
3.4	Bylaws of the Registrant.
3.5	Form of Amended and Restated Bylaws of the Registrant to be effective upon the closing of the offering.
4.1	Reference is made to Exhibits 3.1 through 3.5.
4.2*	Specimen Stock Certificate.
5.1*	Opinion of Cooley Godward LLP.
10.1	Form of Indemnity Agreement.
10.2	1998 Equity Incentive Plan.
10.3	Form of Stock Option Grant Notice.
10.4	Form of Stock Option Agreement.
10.5	1998 Non-Employee Directors' Stock Option Plan.
10.6	Form of Nonstatutory Stock Option.
10.7	1998 Employee Stock Purchase Plan.
10.8	Amended and Restated Investor Rights Agreement dated November 14, 1997.
10.9	Equipment Financing Agreement (No. 10809), dated April 2, 1997, between the Registrant and Lease Management Services, Inc., and related addendums.
10.10	Warrant, dated April 15, 1997, to purchase Common Stock of the Registrant issued to Lease Management Services, Inc.
10.11*	License Agreement, dated December 20, 1995, between the Registrant and SRI International.
10.12*	License Agreement, dated December 29, 1997, between the Registrant and International Business Machines Corporation.
10.13	Lease, dated September 9, 1996, between the Registrant and Zappettini Investment Co.
10.14	Lease, dated February 5, 1997, between the Registrant and Zappettini Investment Co.
10.15	Employment Agreement, dated February 28, 1997, between the Registrant and Lonnie M. Smith.
23.1	Consent of Ernst & Young LLP.
23.2*	Consent of Cooley Godward LLP. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. See Signature Page.
27.1	Financial Data Schedule.

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* To be filed by amendment.

ITEM 17. UNDERTAKINGS.

The Registrant hereby undertakes to provide the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the provisions described in Item 14 or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will governed by the final adjudication of such issue.

The undersigned Registrant undertakes that: (1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of the registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective, and (2) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, in the City of Mountain View, County of Santa Clara, State of California, on the 22nd day of April, 1998.

INTUITIVE SURGICAL, INC.

By: /s/ LONNIE M. SMITH

Lonnie M. Smith
President, Chief Executive Officer and Director
(PRINCIPAL EXECUTIVE OFFICER)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW HEREBY CONSTITUTES AND APPOINTS, JOINTLY AND SEVERALLY, LONNIE M. SMITH AND SUSAN K. BARNES, AND EACH OF THEM, HIS ATTORNEYS-IN-FACT, WITH FULL POWER OF SUBSTITUTION, FOR HIM IN ANY AND ALL CAPACITIES, TO SIGN ANY AND ALL AMENDMENTS TO THIS REGISTRATION STATEMENT (INCLUDING POST-EFFECTIVE AMENDMENTS), AND ANY AND ALL REGISTRATION STATEMENTS FILED PURSUANT TO RULE 462 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN CONNECTION WITH OR RELATED TO THE OFFERING CONTEMPLATED BY THIS REGISTRATION STATEMENT AND ITS AMENDMENTS, IF ANY, AND TO FILE THE SAME, WITH EXHIBITS THERETO AND OTHER DOCUMENTS IN CONNECTION THEREWITH, WITH THE SECURITIES AND EXCHANGE COMMISSION, HEREBY RATIFYING AND CONFIRMING OUR SIGNATURES AS THEY MAY BE SIGNED BY OUR SAID ATTORNEY TO ANY AND ALL AMENDMENTS TO SAID REGISTRATION STATEMENT.

IN ACCORDANCE WITH THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT WAS SIGNED BELOW BY THE FOLLOWING PERSON IN THE CAPACITIES AND ON THE DATES STATED.

SIGNATURE	TITLE	DATE
/s/ LONNIE M. SMITH Lonnie M. Smith	President, Chief Executive Officer and Director (PRINCIPAL EXECUTIVE OFFICER)	April 22, 1998
/s/ SUSAN K. BARNES Susan K. Barnes	Vice President, Finance, Chief Financial Officer and Assistant Secretary (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)	April 22, 1998
/s/ JOHN G. FREUND, M.D. John G. Freund, M.D.	Director	April 22, 1998
/s/ SCOTT S. HALSTED Scott S. Halsted	Director	April 22, 1998
/s/ RUSSELL C. HIRSCH, M.D., PH.D. Russell C. Hirsch, M.D., Ph.D.	Director	April 22, 1998
/s/ FREDERIC H. MOLL, M.D. Frederic H. Moll, M.D.	Director	April 22, 1998
/s/ PETRI T. VAINIO, M.D., PH.D Petri T. Vainio, M.D., Ph.D.	Director	April 22, 1998

EXHIBIT INDEX

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3.2*	Certificate of Amendment of Restated Certificate of Incorporation of the Registrant.
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3.4	Bylaws of the Registrant.
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4.2*	Specimen Stock Certificate.
5.1*	Opinion of Cooley Godward LLP.
10.1	Form of Indemnity Agreement.
10.2	1998 Equity Incentive Plan.
10.3	Form of Stock Option Grant Notice.
10.4	Form of Stock Option Agreement.
10.5	1998 Non-Employee Directors' Stock Option Plan.
10.6	Form of Nonstatutory Stock Option.
10.7	1998 Employee Stock Purchase Plan.
10.8	Amended and Restated Investor Rights Agreement dated November 14, 1997.
10.9	Equipment Financing Agreement (No. 10809), dated April 2, 1997, between the Registrant and Lease Management Services, Inc., and related addendums.
10.10	Warrant, dated April 15, 1997, to purchase Common Stock of the Registrant issued to Lease Management Services, Inc.
10.11*	License Agreement, dated December 20, 1995, between the Registrant and SRI International.
10.12*	License Agreement, dated December 29, 1997, between the Registrant and International Business Machines Corporation.
10.13	Lease, dated September 9, 1996, between the Registrant and Zappettini Investment Co.
10.14	Lease, dated February 5, 1997, between the Registrant and Zappettini Investment Co.
10.15	Employment Agreement, dated February 28, 1997, between the Registrant and Lonnie M. Smith.
23.1	Consent of Ernst & Young LLP.
23.2*	Consent of Cooley Godward LLP. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. See Signature Page.
27.1	Financial Data Schedules.

* To be filed by amendment.

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "INTUITIVE SURGICAL, INC." FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF NOVEMBER, A.D. 1997, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SEAL] /s/ Edward J. Freel

Edward J. Freel, Secretary of State

AUTHENTICATION: 8758079

DATE: 11-14-97

RESTATED CERTIFICATE OF INCORPORATION OF
INTUITIVE SURGICAL, INC.

Lonnie M. Smith and Alan C. Mendelson hereby certify that:

1. The original name of this corporation is Intuitive Surgical Devices, Inc. and the date of filing the original Certificate of Incorporation of this corporation with the Secretary of State of the State of Delaware is November 9, 1995.

2. They are the duly elected and acting Chief Executive Officer and Secretary, respectively, of Intuitive Surgical, Inc., a Delaware corporation.

3. The Certificate of Incorporation of this corporation is hereby amended and restated to read as follows:

I.

The name of the corporation is Intuitive Surgical, Inc. (the "Corporation" or the "Company").

II.

The address of the registered office of the Corporation in the State of Delaware is:

The Prentice-Hall Corporation System, Inc.
1013 Centre Road
Wilmington, DE 19805
County of New Castle

The name of the Corporation's registered agent at said address is The Prentice-Hall Corporation System, Inc.

III.

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

IV.

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is Fifty Million (50,000,000) shares, Thirty-Five Million (35,000,000) shares of which shall be Common Stock (the "Common Stock") and Fifteen Million (15,000,000) shares of which shall be Preferred Stock (the "Preferred Stock"). The Preferred Stock shall have a par value of one-tenth of one cent ($.001) per share and the Common Stock shall have a par value of one-tenth of one cent ($.001) per share.

B. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation (voting together on an as-if-converted basis).

C. The Preferred Stock may be issued from time to time in one or more series. Subject to compliance with applicable protective voting rights which have been or may be granted to the Preferred Stock or series thereto in Certificates of Determination or the Corporation's Certificate of Incorporation, the Board of Directors is hereby authorized, within the limitations and restrictions stated in this Restated Certificate, to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any such series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

D. Five Million Four Hundred Forty-Two Thousand Five Hundred (5,442,500) of the authorized shares of Preferred Stock are hereby designated "Series A Preferred Stock" (the "Series A Preferred"). Four Hundred Seventy Thousand (470,000) of the authorized shares of Preferred Stock are hereby designated "Series B Preferred Stock" (the "Series B Preferred"). Six Million (6,000,000) of the authorized shares of Preferred Stock are hereby designated "Series C Preferred Stock" (the "Series C Preferred"). Two Million Five Hundred Thousand (2,500,000) of the authorized shares of Preferred Stock are hereby designated "Series D Preferred Stock" (the "Series D Preferred"). "Preferred Stock", when used herein, includes Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred Stock.

E. The rights, preferences, privileges, restrictions and other matters relating to the Preferred Stock are as follows:

1. DIVIDEND RIGHTS.

(a) Holders of Preferred Stock, in preference to the holders of any other stock of the Company ("Junior Stock"), shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds that are legally available therefor, cash dividends at the rate of eight percent (8%) of the "Original Issue Price" per annum on each outstanding share of Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). The Original Issue Price of the Series A Preferred shall be one dollar ($1.00). The Original Issue Price of the Series B Preferred shall be ten cents ($0.10). The Original Issue Price of the Series C Preferred shall be five dollars ($5.00). The Original Issue Price of the Series D Preferred shall be eight dollars ($8.00). Such dividends shall be payable only when, as and if declared by the Board of Directors and shall be non-cumulative from the Original Issue Date (as defined in Section 4(e) below).

(b) So long as any shares of Preferred Stock shall be outstanding, no dividend, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on any Junior Stock, nor shall any shares of any Junior Stock of the Company be purchased, redeemed, or otherwise acquired for value by the Company (except for acquisitions of Common Stock by the Company pursuant to agreements which permit the Company to repurchase such shares upon termination of services to the Company or in exercise of the Company's right of first refusal upon a proposed transfer) until all dividends (set forth in Section 1(a) above) on the Preferred Stock shall have been paid or declared and set apart. In the event dividends are paid on any share of Common Stock, an additional dividend shall be paid with respect to all outstanding shares of Preferred Stock in an amount equal per share (on an as-if-converted to Common Stock basis) to the amount paid or set aside for each share of Common Stock. The provisions of this Section 1(b) shall not, however, apply to (i) a dividend payable in Common Stock, (ii) the acquisition of shares of any Junior Stock in exchange for shares of any other Junior Stock, or (iii) any repurchase of any outstanding securities of the Company that is unanimously approved by the Company's Board of Directors.

2. VOTING RIGHTS.

(a) GENERAL RIGHTS. Except as otherwise provided herein or as required by law, the Preferred Stock shall be voted with the shares of the Common Stock of the Company and not as a separate class, at any annual or special meeting of stockholders of the Company, and may act by written consent in the same manner as the Common Stock, in either case upon the following basis: each holder of shares of Preferred Stock shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Preferred Stock are convertible (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent. Each holder of Common Stock shall be entitled to one (1) vote for each share of Common Stock held.

(b) SEPARATE VOTE OF PREFERRED STOCK. For so long as at least One Million (1,000,000) shares of Preferred Stock remain outstanding, in addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least a majority of the outstanding Preferred Stock shall be necessary for effecting or validating the following actions:

(i) Any amendment, alteration, or repeal of any provision of the Restated Certificate or the Bylaws of the Company, that affects adversely the voting powers, preferences, or other special rights or privileges, qualifications, limitations, or restrictions of the Preferred Stock;

(ii) Any authorization or any increase, whether by reclassification or otherwise, in the authorized amount of any class of shares or series of equity securities of the Company senior to, or PARI PASSU with, the Preferred Stock in right of redemption, liquidation preference, voting or dividends;

(iii) Any redemption, repurchase, payment of dividends or other distributions with respect to Junior Stock (except for acquisitions of Common Stock by the

Company pursuant to agreements which permit the Company to repurchase such shares upon termination of services to the Company or in exercise of the Company's right of first refusal upon a proposed transfer); or

(iv) Any agreement by the Company or its stockholders regarding an Asset Transfer or Acquisition (each as defined in Section 3(c)).

(c) ELECTION OF BOARD OF DIRECTORS. For so long as at least 1,000,000 shares of Preferred Stock remain outstanding (i) the holders of Series A Preferred Stock, voting as a separate class, shall be entitled to elect three (3) members of the Company's Board of Directors at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors; and (ii) the holders of Common Stock and Preferred Stock, voting together as a class, shall be entitled to elect all remaining members of the Board of Directors.

3. LIQUIDATION RIGHTS.

(a) Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of Preferred Stock shall be entitled to be paid out of the assets of the Company an amount per share of Preferred Stock equal to the applicable Original Issue Price, plus all declared and unpaid dividends on such shares of Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares) for each share of Preferred Stock held by them.

(b) After the payment of the full liquidation preference of the Preferred Stock as set forth in Section 3(a) above, the remaining assets of the Company legally available for distribution, if any, shall be distributed ratably to the holders of the Common Stock.

(c) The following events shall be considered a liquidation under this Section:

(i) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, own less than fifty percent (50%) of the Company's voting power immediately after such consolidation, merger or reorganization, or any transaction or series of related transactions in which in excess of fifty percent (50%) of the Company's voting power is transferred (an "Acquisition"); or

(ii) a sale, lease or other disposition of all or substantially all of the assets of the Company (an "Asset Transfer").

(d) If, upon any liquidation, distribution, or winding up, the assets of the Company shall be insufficient to make payment in full to all holders of Preferred Stock of the liquidation preference set forth in Section 3(a), then such assets shall be distributed among the

holders of Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(e) In any of such events, if the consideration received by the Corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability:

1) If traded on a securities exchange or through NASDAQ National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty-day (30-day) period ending three (3) days prior to the closing;

2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sales prices (whichever is applicable) over the thirty-day (30-day) period ending three (3) days prior to the closing; and

3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the corporation and the holders of at least a majority of the voting power of all then-outstanding shares of Preferred Stock.

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (i) 1),2) or 3) to reflect the approximate fair market value thereof, as mutually determined by the Corporation and the holders of at least a majority of the voting power of all then-outstanding shares of such Preferred Stock.

4. CONVERSION RIGHTS.

The holders of the Preferred Stock shall have the following rights with respect to the conversion of the Preferred Stock into shares of Common Stock (the "Conversion Rights"):

(a) OPTIONAL CONVERSION. Subject to and in compliance with the provisions of this Section 4, any shares of Preferred Stock may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series A Preferred, Series B Preferred, Series C Preferred or Series D Preferred shall be entitled upon conversion shall be the product obtained by multiplying the "Series A Conversion Rate," "Series B Conversion Rate," "Series C Conversion Rate," or "Series D Conversion Rate," as applicable, then in effect (determined as provided in Section 4(b)) by the number of shares of Series A Preferred, Series B Preferred, Series C Preferred or Series D Preferred being converted.

(b) CONVERSION RATE. The conversion rate in effect at any time for conversion of (i) the Series A Preferred (the "Series A Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series A Preferred by the "Series A

Conversion Price," calculated as provided in Section 4(c); (ii) the Series B Preferred (the "Series B Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series B Preferred by the "Series B Conversion Price," calculated as provided in Section 4(c); (iii) the Series C Preferred (the "Series C Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series C Preferred by the "Series C Conversion Price," calculated as provided in Section 4(c); (iv) the Series D Preferred (the "Series D Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series D Preferred by the "Series D Conversion Price," calculated as provided in Section 4(c).

(c) CONVERSION PRICE. The conversion price for the Series A Preferred shall initially be the Original Issue Price of the Series A Preferred (the "Series A Conversion Price"). The conversion price for the Series B Preferred shall initially be the Original Issue Price of the Series B Preferred (the "Series B Conversion Price"). The conversion price for the Series C Preferred shall initially be the Original Issue Price of the Series C Preferred (the "Series C Conversion Price"). The conversion price for the Series D Preferred shall initially be the Original Issue Price of the Series D Preferred (the "Series D Conversion Price"). The term "Conversion Price" shall be read as referring to the Series A Conversion Price, Series B Conversion Price, the Series C Conversion Price, or the Series D Conversion Price as applicable. Each initial Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Conversion Price herein shall mean the Conversion Price as so adjusted.

(d) MECHANICS OF CONVERSION. Each holder of Preferred Stock who desires to convert the same into shares of Common Stock pursuant to this Section 4 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Preferred Stock, and shall give written notice to the Company at such office that such holder elects to convert the same. Such notice shall state the number of shares of Preferred Stock being converted. Thereupon, the Company shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined by the Board of Directors as of the date of such conversion), any declared and unpaid dividends on the shares of Series Preferred being converted. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Preferred Stock to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

(e) ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If the Company shall at any time or from time to time after the date that the first share of each series of Preferred Stock is issued (the "Original Issue Date") effect a subdivision of the outstanding Common Stock, each Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Company shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock into a smaller number of shares, each Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 4(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) ADJUSTMENT FOR COMMON STOCK DIVIDENDS AND DISTRIBUTIONS. If the Company at any time or from time to time after the Original Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, in each such event each Conversion Price that is then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying each Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, each Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter each Conversion Price shall be adjusted pursuant to this Section 4(f) to reflect the actual payment of such dividend or distribution.

(g) ADJUSTMENTS FOR OTHER DIVIDENDS AND DISTRIBUTIONS. If the Company at any time or from time to time after the Original Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than shares of Common Stock, in each such event provision shall be made so that the holders of the Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of other securities of the Company which they would have received had their Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 4 with respect to the rights of the holders of the Preferred Stock or with respect to such other securities by their terms.

(h) ADJUSTMENT FOR RECLASSIFICATION, EXCHANGE AND SUBSTITUTION. If at any time or from time to time after the Original Issue Date, the Common Stock issuable upon the conversion of the Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than an Acquisition or Asset Transfer as defined in Section 3(c) or a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4), in any such event each holder of Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Common Stock into which such shares of Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(i) REORGANIZATIONS, MERGERS, CONSOLIDATIONS OR SALES OF ASSETS. If at any time or from time to time after the Original Issue Date, there is a capital reorganization of the Common Stock (other than an Acquisition or Asset Transfer as defined in Section 3(c) or a

recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4), as a part of such capital reorganization, provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of the Company to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of Preferred Stock after the capital reorganization to the end that the provisions of this Section 4 (including adjustment of each Conversion Price then in effect and the number of shares issuable upon conversion of Preferred Stock) shall be applicable after that event and be as nearly equivalent as practicable.

(j) SALE OF SHARES BELOW EITHER CONVERSION PRICE.

(i) If at any time or from time to time after the Original Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (j) to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), other than as a dividend or other distribution on any class of stock as provided in Section 4(f) above, and other than a subdivision or combination of shares of Common Stock as provided in Section 4(e) above, for an Effective Price (as hereinafter defined) less than the then-effective Conversion Price for any series of Preferred Stock, then and in each such case the then existing Conversion Price for such series of Preferred Stock shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the then existing Conversion Price for such series of Preferred Stock by a fraction (i) the numerator of which shall be (A) the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale, plus (B) the number of shares of Common Stock which the aggregate consideration received (as defined in subsection (j)(ii)) by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale plus the total number of Additional Shares of Common Stock so issued. For the purposes of the preceding sentence, the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (A) the number of shares of Common Stock actually outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Preferred Stock could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock which could be obtained through the exercise or conversion of all other rights, options and convertible securities on the day immediately preceding the given date.

(ii) For the purpose of making any adjustment required under this Section 4(j), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board of Directors, and (C) if Additional Shares of Common Stock, Convertible Securities (as

hereinafter defined) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iii) For the purpose of the adjustment required under this Section 4(j), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into, Additional Shares of Common Stock (such convertible stock or securities being herein referred to as "Convertible Securities") and if the Effective Price of such Additional Shares of Common Stock is less than any Conversion Price, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; provided further that if the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities. No further adjustment of the Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Company on the conversion of such Convertible

Securities, provided that such readjustment shall not apply to prior conversions of Preferred Stock.

(iv) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 4(j), whether or not subsequently reacquired or retired by the Company other than (1) shares of Common Stock issued upon conversion of the Preferred Stock; (2) shares of Common Stock and/or options, warrants or other Common Stock purchase rights, and the Common Stock issued pursuant to such options, warrants or other rights (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like) issued or to be issued to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board; (3) shares of Common Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the Original Issue Date; (4) those shares of Common Stock and/or options, warrants or other Common Stock purchase rights, and the Common Stock issued pursuant to such options, warrants or other rights (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like) issued or to be issued to Stanford Research Institute ("SRI") in connection with that license agreement between the Company and SRI dated December 1995, and (5) those shares of Common Stock or Preferred Stock issued or to be issued to Guidant Corporation, its subsidiaries or affiliates prior to March 31, 1996. The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this Section 4(j), into the aggregate consideration received, or deemed to have been received by the Company for such issue under this Section 4(j), for such Additional Shares of Common Stock.

(k) ACCOUNTANTS' CERTIFICATE OF ADJUSTMENT. In each case of an adjustment or readjustment of either Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of Preferred Stock, if the Preferred Stock is then convertible pursuant to this Section 4, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Preferred Stock.

(l) NOTICES OF RECORD DATE. Upon (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any Acquisition (as defined in Section 3(c)) or other capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any Asset Transfer (as defined in Section 3(c)),

or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Preferred Stock at least twenty (20) days prior to the record date specified therein a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (2) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, and the material terms of such transaction, and (3) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up.

(m) AUTOMATIC CONVERSION.

(i) Each share of Preferred Stock shall automatically be converted into shares of Common Stock, based on each then-effective Conversion Price, (A) at any time upon the affirmative vote of the holders of at least two-thirds (2/3rds) of the outstanding shares of the Preferred Stock, or (B) immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company in which (i) the per share price is at least ten dollars ($10.00) (as adjusted for stock dividends, combinations, splits, recapitalizations and the like), and (ii) the gross cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least ten million dollars ($10,000,000.00). Upon such automatic conversion, any declared and unpaid dividends shall be paid in accordance with the provisions of Section 4(d).

(ii) Upon the occurrence of either event specified in paragraph (i) above, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Preferred Stock are either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Preferred Stock, the holders of Preferred Stock shall surrender the certificates representing such shares at the office of the Company or any transfer agent for the Preferred Stock. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Preferred Stock surrendered were convertible on the date on which such automatic conversion occurred, and the Company shall promptly pay in cash or, at the option of the Company, Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), or, at the option of the Company, both, all declared and unpaid dividends on the shares of Preferred Stock being converted, to and including the date of such conversion.

(n) FRACTIONAL SHARES. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Corporation shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined by the Board) on the date of conversion.

(o) RESERVATION OF STOCK ISSUABLE UPON CONVERSION. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(p) NOTICES. Any notice required by the provisions of this Section 4 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, having specified next day delivery, with written verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Company.

(q) PAYMENT OF TAXES. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Preferred Stock, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered.

(r) NO DILUTION OR IMPAIRMENT. The Company shall not amend its Restated Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of the holders of the Preferred Stock against dilution or other impairment.

4. REDEMPTION. Preferred Stock is not redeemable.

5. NO REISSUANCE OF PREFERRED STOCK. No share or shares of Preferred Stock acquired by the Corporation shall be reissued.

6. NO PREEMPTIVE RIGHTS. Stockholders shall have no preemptive rights except as granted by the Company pursuant to written agreements.

V.

A. A director of the corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

B. Any repeal or modification of this Article V shall be prospective and shall not affect the rights under this Article V in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VI.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

(i) The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. Except as set forth herein, the number of directors which shall constitute the whole Board of Directors shall be fixed by the Board of Directors in the manner provided in the Bylaws.

(ii) The Board of Directors may from time to time make, amend, supplement or repeal the Bylaws; provided, however, that the stockholders may change or repeal any Bylaw adopted by the Board of Directors by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation; and, provided further, that no amendment or supplement to the Bylaws adopted by the Board of Directors shall vary or conflict with any amendment or supplement thus adopted by the stockholders.

(iii) The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

VII.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this right."

* * * *

4. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. The total number of outstanding shares entitled to vote or act by written consent was Six Million Three Hundred Sixty Thousand Seven Hundred Twenty Nine (6,360,729) shares of Common Stock, Five Million Four Hundred Forty Two Thousand Five Hundred (5,442,500) shares of Series A Preferred, Four Hundred Seventy Thousand (470,000) shares of Series B Preferred, and Six Million (6,000,000) shares of Series C Preferred. A majority of the outstanding shares of Common Stock and a majority of the outstanding shares of Preferred Stock approved this Restated Certificate of Incorporation by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware and written notice of such was given by the Corporation in accordance with Section 228 of the General Corporation Law of the State of Delaware to those stockholders who did not consent in writing. This is also duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Intuitive Surgical, Inc. has caused this Restated Certificate of Incorporation to be signed by the Chief Executive Officer and Secretary in Palo Alto, California this 13th day of November, 1997.

INTUITIVE SURGICAL, INC.

By /s/ Lonnie M. Smith

LONNIE M. SMITH
Chief Executive Officer

By /s/ Alan C. Mendelson

ALAN C. MENDELSON
Secretary

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

INTUITIVE SURGICAL, INC.

Lonnie M. Smith does hereby certify:

1. He is the President and Chief Executive Officer of Intuitive Surgical, Inc., a corporation organized and existing under the laws of the state of Delaware.

2. The original name of this corporation is Intuitive Surgical Devices, Inc. and the original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on November 9, 1995.

3. The Certificate of Incorporation of this Corporation is hereby amended and restated as follows:

I

The name of this corporation is Intuitive Surgical, Inc. (the "Corporation" or the "Company").

II

The address of the registered office of the Corporation in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle, and the name of the registered agent of the Corporation in the State of Delaware at such address is The Prentice-Hall Corporation System, Inc.

III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

IV

A. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is eighty-five million (85,000,000) shares. Seventy-five million (75,000,000) shares shall be Common Stock, each having a par value of one tenth of one cent ($0.001). Ten million (10,000,000) shares shall be Preferred Stock, each having a par value of one tenth of one cent ($0.001).

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation")

pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

V

For the management of the business and for the conduct of the affairs of the corporation, and in further definition, limitation and regulation of the powers of the corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. (1) The management of the business and the conduct of the affairs of the corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

(2) ELECTION OF DIRECTORS.

a. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock to the public (the "Initial Public Offering") and during such time or times that the corporation is not subject to Section 2115(b) of the California General Corporation Law (the "CGCL"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the Initial Public Offering (assuming the corporation is not subject to Section 2115(b) of the CGCL), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering (assuming the corporation is not subject to Section 2115(b) of the CGCL), the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering (assuming the corporation is not subject to Section 2115(b) of the CGCL), the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders (assuming the corporation is not subject to Section 2115(b) of the CGCL), directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

b. Prior to the Initial Public Offering and in the event that the corporation is subject to Section 2115(b) of the CGCL at any time, or from time to time, Section A.(2)a.

of this Article V shall not apply and all directors shall be designated of the same class, each director shall hold office until the next annual meeting and the directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

c. (i) No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation is subject to Section 2115(b) of the CGCL.

(ii) During such time or times that the corporation is subject to Section 2115(b) of the CGCL, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholders votes on the same principal among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. The candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(3) REMOVAL OF DIRECTORS.

a. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, subject to the rights of the holders of any series of Preferred Stock and the limitations imposed by law, the Board of Directors or any individual director may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the then-outstanding shares of voting stock of the corporation, entitled to vote at an election of directors (the "Voting Stock"); provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

b. Following any date on which the corporation is no longer subject to Section 2115(b) of the CGCL, subject to the rights of the holders of any series of Preferred Stock and any limitations imposed by law, Section A.(3)a. above shall no longer apply and no director shall be removed without cause. Subject to the rights of the holders of any series of Preferred Stock and any limitations imposed by law, the Board of Directors or any individual director may

be removed from office at any time with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of Voting Stock.

(4) Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

B. (1) Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

(2) The directors of the corporation need not be elected by written ballot unless the Bylaws so provide.

(3) No action shall be taken by the stockholders of the corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws or by written consent of stockholders in accordance with the Bylaws prior to the closing of the Initial Public Offering and following the closing of the Initial Public Offering no action shall be taken by the stockholders by written consent.

(4) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), and shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

(5) Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the corporation shall be given in the manner provided in the Bylaws of the corporation.

VI

A. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware

General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the Delaware General corporation Law, as so amended.

B. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII

A. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Voting Stock required by law, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VII.

The foregoing Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors.

The foregoing Amended and Restated Certificate of Incorporation has been duly approved by the vote of the stockholders in accordance with Sections 242 and 245 of the Delaware General Corporation Law. The total number of outstanding shares of the Corporation entitled to vote on the amendment was _____ shares of Common Stock, _____ shares of Series A Preferred Stock, _____ shares of Series B Preferred Stock, _____ shares of Series C Preferred Stock and _____ shares of Series D Preferred Stock. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50% of the Common Stock and more than 50% of the Preferred Stock each voting separately as a separate class and more than 50% of the Common Stock and Preferred Stock voting together as a single class on an as-converted basis.

I further declare under penalty of perjury under the laws of the state of Delaware that the matters set forth in this Amended and Restated Certificate of Incorporation are true and correct.

_____, 1998

Lonnie M. Smith
President and
Chief Executive Officer

BYLAWS

OF

INTUITIVE SURGICAL, INC.
(A DELAWARE CORPORATION)

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BYLAWS

OF

INTUITIVE SURGICAL, INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the corporation in the State of Delaware shall be in the City of Dover, County of Kent. (Del. Code Ann., tit. 8, Section 131)

SECTION 2. OTHER OFFICES. The corporation shall also have and maintain an office or principal place of business in 86 Alejandra Avenue, Atherton, California, at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require. (Del. Code Ann., tit. 8, Section 122(8))

ARTICLE II

CORPORATE SEAL

SECTION 3. CORPORATE SEAL. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. (Del. Code Ann., tit. 8, Section 122(3))

ARTICLE III

STOCKHOLDERS' MEETINGS

SECTION 4. PLACE OF MEETINGS. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof. (Del. Code Ann., tit. 8, Section 211(a))

SECTION 5. ANNUAL MEETING. The annual meeting of the stockholders of the corporation, for the purpose of election of Directors and for such other business as may lawfully

come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. (Del. Code Ann., tit. 8, Section 211(b))

SECTION 6. SPECIAL MEETINGS. Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board, (ii) the President, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption)or (iv) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as they or he shall fix; PROVIDED, HOWEVER, that following registration of any of the classes of equity securities of the corporation pursuant to the provisions of the Securities Exchange Act of 1934, as amended, special meetings of the stockholders may only be called by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized Directors.

SECTION 7. NOTICE OF MEETINGS. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given. (Del. Code Ann., tit. 8, Sections 222, 229)

SECTION 8. QUORUM. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. Any shares, the voting of which at said meeting has been enjoined, or which for any reason cannot be lawfully voted at such meeting, shall not be counted to determine a quorum at such meeting. In the absence of a quorum any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the voting power represented at any meeting at which a quorum is present shall be valid and binding upon the corporation; PROVIDED, HOWEVER, that Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take

action with respect to that vote on that matter and the affirmative vote of the majority (plurality, in the case of the election of Directors) of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class. (Del. Code Ann., tit. 8, Section 216)

SECTION 9. ADJOURNMENT AND NOTICE OF ADJOURNED MEETINGS. Any meeting of stockholders, whether annual or special, may be adjourned from time to time by the vote of a majority of the shares represented thereat. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. (Del. Code Ann., tit. 8, Section 222(c))

SECTION 10. VOTING RIGHTS. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Except as may be otherwise provided in the Certificate of Incorporation or these Bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent, which proxy shall be filed with the Secretary at or before the meeting at which it is to be used. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period. All elections of Directors shall be by written ballot, unless otherwise provided in the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 211(e), 212(b))

SECTION 11. BENEFICIAL OWNERS OF STOCK.

(a) If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the General Corporation Law of Delaware, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of this subsection (c) shall be a majority or even-split in interest. (Del. Code Ann., tit. 8, Section 217(b))

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by

the pledgor on the books of the corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. (Del. Code Ann., tit. 8, Section 217(a))

SECTION 12. LIST OF STOCKHOLDERS. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof, and may be inspected by any stockholder who is present. (Del. Code Ann., tit. 8, Section 219(a))

SECTION 13. ACTION WITHOUT MEETING.

(a) Any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the Corporation in the manner herein required, written consents signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. (Del. Code Ann., tit. 8, Section 228)

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

SECTION 14. ORGANIZATION.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, the most senior Vice President present, or in the absence of any such officer, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies, and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless, and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

SECTION 15. NUMBER AND TERM OF OFFICE. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. The number of authorized Directors may be modified from time to time by amendment of this Section 15 in accordance with the provisions of Section 44 hereof. Except as provided in Section 17, the Directors shall be elected by the stockholders at their annual meeting in each year and shall hold office until the next annual meeting and until their successors shall be duly elected and qualified. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws. No reduction of the authorized number of Directors shall have the effect of removing any Director before the Director's term of office expires, unless such removal is made pursuant to the provisions of Section 19 hereof. (Del. Code Ann., tit. 8, Sections 141(b), 211(b), (c))

SECTION 16. POWERS. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation. (Del. Code Ann., tit. 8, Section 141(a))

SECTION 17. VACANCIES. Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office for the unexpired portion of the term of the Director whose place shall be vacant and until his successor shall have been duly elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 17 in the case of the death, removal or resignation of any Director, or if the stockholders fail at any meeting of stockholders at which Directors are to be elected (including any meeting referred to in Section 19 below) to elect the number of Directors then constituting the whole Board of Directors. (Del. Code Ann., tit. 8, Section 223(a), (b))

SECTION 18. RESIGNATION. Any Director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more Directors shall resign from the Board of Directors, effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified. (Del. Code Ann., tit. 8, Sections 141(b), 223(d))

SECTION 19. REMOVAL. At a special meeting of stockholders called for the purpose in the manner hereinabove provided, subject to any limitations imposed by law or the Certificate of Incorporation, the Board of Directors, or any individual Director, may be removed from office, with or without cause, and a new Director or Directors elected by a vote of stockholders holding a majority of the outstanding shares entitled to vote at an election of Directors. (Del. Code Ann., tit. 8, Section 141(k))

SECTION 20. MEETINGS.

(a) ANNUAL MEETINGS. The annual meeting of the Board of Directors shall be held immediately after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) REGULAR MEETINGS. Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been determined by the Board of Directors. (Del. Code Ann., tit. 8, Section 141(g))

(c) SPECIAL MEETINGS. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place

within or without the State of Delaware whenever called by the President or a majority of the Directors. (Del. Code Ann., tit. 8, Section 141(g))

(d) TELEPHONE MEETINGS. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. (Del. Code Ann., tit. 8, Section 141(i))

(e) NOTICE OF MEETINGS. Written notice of the time and place of all special meetings of the Board of Directors shall be given at least one (1) day before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. (Del. Code Ann., tit. 8, Section 229)

(f) WAIVER OF NOTICE. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the Directors not present shall sign a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in any written waiver of notice or consent unless so required by the Certificate of Incorporation or these Bylaws. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. (Del. Code Ann., tit. 8, Section 229)

SECTION 21. QUORUM AND VOTING.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 42 hereof, for which a quorum shall be one-third of the exact number of Directors fixed from time to time in accordance with Section 15 hereof, but not less than one (1), a quorum of the Board of Directors shall consist of a majority of the exact number of Directors fixed from time to time in accordance with Section 15 of these Bylaws, but not less than one (1); PROVIDED, HOWEVER, at any meeting whether a quorum be present or otherwise, a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting. (Del. Code Ann., tit. 8, Section 141(b))

(b) At each meeting of the Board of Directors at which a quorum is present all questions and business shall be determined by a vote of a majority of the Directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws. (Del. Code Ann., tit. 8, Section 141(b))

SECTION 22. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the

Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. (Del. Code Ann., tit. 8, Section 141(f))

SECTION 23. FEES AND COMPENSATION. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor. (Del. Code Ann., tit. 8, Section 141(h))

SECTION 24. COMMITTEES.

(a) EXECUTIVE COMMITTEE. The Board of Directors may by resolution passed by a majority of the whole Board of Directors, appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and specifically granted by the Board of Directors, shall have and may exercise when the Board of Directors is not in session all powers of the Board of Directors in the management of the business and affairs of the corporation, including, without limitation, the power and authority to declare a dividend or to authorize the issuance of stock, except such committee shall not have the power or authority to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, to recommend to the stockholders of the corporation a dissolution of the corporation or a revocation of a dissolution or to amend these Bylaws. (Del. Code Ann., tit. 8, Section 141(c))

(b) OTHER COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, from time to time appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors, and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall such committee have the powers denied to the Executive Committee in these Bylaws. (Del. Code Ann., tit. 8, Section 141(c))

(c) TERM. The members of all committees of the Board of Directors shall serve a term coexistent with that of the Board of Directors which shall have appointed such committee. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Section 24, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more Directors as alternate members of any committee, who may

replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. (Del. Code Ann., tit. 8, Section 141(c))

(d) MEETINGS. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 24 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any Director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee. (Del. Code Ann., tit. 8, Sections 141(c), 229)

SECTION 25. ORGANIZATION. At every meeting of the Directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the Directors present, shall preside over the meeting. The Secretary, or in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

SECTION 26. OFFICERS DESIGNATED. The officers of the corporation shall be the Chairman of the Board of Directors, the President, one or more Vice Presidents, the Secretary and the Chief Financial Officer or Treasurer, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The order of the seniority of the Vice Presidents shall be in the order of their nomination, unless otherwise determined by the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the

corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors. (Del. Code Ann., tit. 8, Sections 122(5), 142(a), (b))

SECTION 27. TENURE AND DUTIES OF OFFICERS.

(a) GENERAL. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors. (Del. Code Ann., tit. 8, Section 141(b), (e))

(b) DUTIES OF CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 27. (Del. Code Ann., tit. 8, Section 142(a))

(c) DUTIES OF PRESIDENT. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(d) DUTIES OF VICE PRESIDENTS. The Vice Presidents, in the order of their seniority, may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(e) DUTIES OF SECRETARY. The Secretary shall attend all meetings of the stockholders and of the Board of Directors, and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders, and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have

such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(f) DUTIES OF CHIEF FINANCIAL OFFICER OR TREASURER. The Chief Financial Officer or Treasurer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner, and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer or Treasurer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer or Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct any Assistant Treasurer to assume and perform the duties of the Chief Financial Officer or Treasurer in the absence or disability of the Chief Financial Officer or Treasurer, and each Assistant Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

SECTION 28. DELEGATION OF AUTHORITY. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

SECTION 29. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer. (Del. Code Ann., tit. 8, Section 142(b))

SECTION 30. REMOVAL. Any officer may be removed from office at any time, either with or without cause, by the vote or written consent of a majority of the Directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND

VOTING OF SECURITIES OWNED BY THE CORPORATION

SECTION 31. EXECUTION OF CORPORATE INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws,

and such execution or signature shall be binding upon the corporation. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the corporation, shall be executed, signed or endorsed by the Chairman of the Board of Directors, or the President or any Vice President, and by the Secretary or Chief Financial Officer or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

SECTION 32. VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the President, or any Vice President. (Del. Code Ann., tit. 8, Section 123)

ARTICLE VII

SHARES OF STOCK

SECTION 33. FORM AND EXECUTION OF CERTIFICATES. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Where such certificate is countersigned by a transfer agent other than the corporation or its employee, or by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the designations, preferences,

limitations, restrictions on transfer and relative rights of the shares authorized to be issued. (Del. Code Ann., tit. 8, Section 158)

SECTION 34. LOST CERTIFICATES. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed. (Del. Code Ann., tit. 8, Section 167)

SECTION 35. TRANSFERS.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares. (Del. Code Ann., tit. 8, Section 201, tit. 6, Section 8-401(1))

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware. (Del. Code Ann., tit. 8, Section 160 (a))

SECTION 36. FIXING RECORD DATES.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record

date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. (Del. Code Ann., tit. 8, Section 213)

SECTION 37. REGISTERED STOCKHOLDERS. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware. (Del. Code Ann., tit. 8, Sections 213(a), 219)

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

SECTION 38. EXECUTION OF OTHER SECURITIES. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 33), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; PROVIDED, HOWEVER, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee

as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

SECTION 39. DECLARATION OF DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 170, 173)

SECTION 40. DIVIDEND RESERVE. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created. (Del. Code Ann., tit. 8, Section 171)

ARTICLE X

FISCAL YEAR

SECTION 41. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

SECTION 42. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS.

(a) DIRECTORS AND EXECUTIVE OFFICERS. The corporation shall indemnify its Directors and executive officers to the fullest extent not prohibited by the Delaware General

Corporation Law; PROVIDED, HOWEVER, that the corporation may limit the extent of such indemnification by individual contracts with its Directors and executive officers; and, PROVIDED, FURTHER, that the corporation shall not be required to indemnify any Director or executive officer in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the corporation or its Directors, officers, employees or other agents unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation or (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law.

(b) OTHER OFFICERS, EMPLOYEES AND OTHER AGENTS. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the Delaware General Corporation Law.

(c) GOOD FAITH.

(1) For purposes of any determination under this Bylaw, a Director or executive officer shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe that his conduct was unlawful, if his action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

(i) one or more officers or employees of the corporation whom the Director or executive officer believed to be reliable and competent in the matters presented;

(ii) counsel, independent accountants or other persons as to matters which the Director or executive officer believed to be within such person's professional competence; and

(iii) with respect to a Director, a committee of the Board upon which such Director does not serve, as to matters within such Committee's designated authority, which committee the Director believes to merit confidence; so long as, in each case, the Director or executive officer acts without knowledge that would cause such reliance to be unwarranted.

(2) The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(3) The provisions of this paragraph (c) shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the Delaware General Corporation Law.

(d) EXPENSES. The corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by any Director or executive officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation if a determination is reasonably and promptly made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to the proceeding, or (2) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(e) ENFORCEMENT. Without the necessity of entering into an express contract, all rights to indemnification and advances to Directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the Director or executive officer. Any right to indemnification or advances granted by this Bylaw to a Director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. The corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

(f) NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its Directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(g) SURVIVAL OF RIGHTS. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a Director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(h) INSURANCE. To the fullest extent permitted by the Delaware General Corporation Law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(i) AMENDMENTS. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(j) SAVING CLAUSE. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(k) CERTAIN DEFINITIONS. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "PROCEEDING" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "EXPENSES" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "CORPORATION" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "DIRECTOR," "OFFICER," "EMPLOYEE," or "AGENT" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "OTHER ENTERPRISES" shall include employee benefit plans; references to "FINES" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "SERVING AT THE REQUEST OF THE CORPORATION" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "NOT OPPOSED TO THE BEST INTERESTS OF THE CORPORATION" as referred to in this Bylaw.

ARTICLE XII

NOTICES

SECTION 43. NOTICES.

(a) NOTICE TO STOCKHOLDERS. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent. (Del. Code Ann., tit. 8, Section 222)

(b) NOTICE TO DIRECTORS. Any notice required to be given to any Director may be given by the method stated in subsection (a), or by facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such Director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such Director.

(c) ADDRESS UNKNOWN. If no address of a stockholder or Director be known, notice may be sent to the office of the corporation required to be maintained pursuant to Section 2 hereof.

(d) AFFIDAVIT OF MAILING. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or Director or Directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained. (Del. Code Ann., tit. 8, Section 222)

(e) TIME NOTICES DEEMED GIVEN. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(f) METHODS OF NOTICE. It shall not be necessary that the same method of giving notice be employed in respect of all Directors, but one permissible method may be

employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(g) FAILURE TO RECEIVE NOTICE. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any Director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such Director to receive such notice.

(h) NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(i) NOTICE TO PERSON WITH UNDELIVERABLE ADDRESS. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph. (Del. Code Ann, tit. 8, Section 230)

ARTICLE XIII

AMENDMENTS

SECTION 44. AMENDMENTS. Except as otherwise set forth in paragraph (i) of Section 42 of these Bylaws, these Bylaws may be amended or repealed and new Bylaws adopted by the stockholders entitled to vote. The Board of Directors shall also have the power, if such power is

conferred upon the Board of Directors by the Certificate of Incorporation, to adopt, amend or repeal Bylaws (including, without limitation, the amendment of any Bylaw setting forth the number of Directors who shall constitute the whole Board of Directors). (Del. Code Ann., tit. 8, Sections 109(a), 122(6))

ARTICLE XIV

RIGHT OF FIRST REFUSAL

SECTION 45. RIGHT OF FIRST REFUSAL. No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of common stock of the corporation or any right or interest therein (excluding, however, any preferred stock of the corporation), whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this Bylaw:

(a) If the stockholder receives from anyone a bona fide offer acceptable to the stockholder to purchase any of his shares of common stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the price per share and all other terms and conditions of the offer.

(b) For fifteen (15) days following receipt of such notice, the corporation shall have the option to purchase all or any lesser part of the shares specified in the notice at the price and upon the terms set forth in such bona fide offer. In the event the corporation elects to purchase all the shares, it shall give written notice to the selling stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) In the event the corporation does not elect to acquire all of the shares specified in the selling stockholder's notice, the Secretary of the corporation shall, within fifteen (15) days of receipt of said selling stockholder's notice, give written notice thereof to the stockholders of the corporation other than the selling stockholder. Said written notice shall state the number of shares that the corporation has elected to purchase and the number of shares remaining available for purchase (which shall be the same as the number contained in said selling stockholder's notice, less any such shares that the corporation has elected to purchase). Each of the other stockholders shall have the option to purchase that proportion of the shares available for purchase as the number of shares owned by each of said other stockholders bears to the total issued and outstanding shares of the corporation, excepting those shares owned by the selling stockholder. A stockholder electing to exercise such option shall, within ten (10) days after mailing of the corporation's notice, give notice to the corporation specifying the number of shares such stockholder will purchase. Within such ten-day period, each of said other stockholders shall give written notice stating how many additional shares such stockholder will purchase if additional shares are made available. Failure to respond in writing within said ten- day period to the notice given by the Secretary of the corporation shall be deemed a rejection of such stockholder's right to acquire a proportionate part of the shares of the selling stockholder. In the event one or more stockholders do not elect to acquire the shares available to them, said

shares shall be allocated on a pro rata basis to the stockholders who requested shares in addition to their pro rata allotment.

(d) In the event the corporation and/or stockholders, other than the selling stockholder, elect to acquire any of the shares of the selling stockholder as specified in said selling stockholder's notice, the Secretary of the corporation shall so notify the selling stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said selling stockholder's notice; provided that if the terms of payment set forth in said selling stockholder's notice were other than cash against delivery, the corporation and/or its other stockholders shall pay for said shares on the same terms and conditions set forth in said selling stockholder's notice.

(e) In the event the corporation and/or its other stockholders do not elect to acquire all of the shares specified in the selling stockholder's notice, said selling stockholder may, within the sixty-day period following the expiration of the option rights granted to the corporation and other stockholders herein, sell elsewhere the shares specified in said selling stockholder's notice which were not acquired by the corporation and/or its other stockholders, in accordance with the provisions of paragraph (d) of this bylaw, provided that said sale shall not be on terms and conditions more favorable to the purchaser than those contained in the bona fide offer set forth in said selling stockholder's notice. All shares so sold by said selling stockholder shall continue to be subject to the provisions of this Bylaw in the same manner as before said transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this Bylaw:

(1) A stockholder's transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer and shall include any trust established primarily for the benefit of the stockholder or his immediate family.

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this Section 45.

(3) A stockholder's transfer of any or all of such stockholder's shares to the corporation or to any other stockholder of the corporation.

(4) A stockholder's transfer of any or all of such stockholder's shares to a person who, at the time of such transfer, is an officer or director of the corporation.

(5) A corporate stockholder's transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

(6) A corporate stockholder's transfer of any or all of its shares to any or all of its stockholders.

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners.

In any such case, the transferee, assignee, or other recipient shall receive and hold such stock subject to the provisions of this Bylaw, and there shall be no further transfer of such stock except in accordance with this Bylaw.

(g) The provisions of this Section 45 may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be sold by the selling stockholder). This Section 45 may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express vote or written consent of the owners of a majority of the voting power of the corporation.

(h) Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this Bylaw are strictly observed and followed.

(i) The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:

(1) On November 17, 2005; or

(2) Upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(j) The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

"The shares represented by this certificate are subject to a right of first refusal option in favor of the corporation and its other stockholders, as provided in the bylaws of the corporation."

(Del. Code Ann., tit. 8, Section 160(a))

ARTICLE XV

LOANS TO OFFICERS

SECTION 46. LOANS TO OFFICERS. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its

subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this Section 46 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute. (Del. Code Ann., tit. 8, Section 143)

ARTICLE XVI

MISCELLANEOUS

SECTION 47. ANNUAL REPORT.

(a) Subject to the provisions of Section 47(b) below, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accounts or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation's shares, as determined by Section 605 of the California Corporations Code, additional information as required by Section 1501(b) of the California Corporations Code shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the United States Securities Exchange Act of 1934, that Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than 100 holders of record of the corporation's shares, the requirement of sending of an annual report to the stockholders of the corporation is hereby expressly waived.

AMENDED AND RESTATED BYLAWS
OF
INTUITIVE SURGICAL, INC.
(A DELAWARE CORPORATION)

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AMENDED AND RESTATED BYLAWS

OF

INTUITIVE SURGICAL, INC.

(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE The registered office of the corporation in the State of Delaware shall be in the City of Dover, County of Kent.

SECTION 2. OTHER OFFICES The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

SECTION 3. CORPORATE SEAL The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

SECTION 4. PLACE OF MEETINGS Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof.

SECTION 5. ANNUAL MEETINGS

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought

before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting; PROVIDED, HOWEVER, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or, in the event public announcement of the date of such annual meeting is first made by the corporation fewer than seventy (70) days prior to the date of such annual meeting, the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the

corporation in accordance with the provisions of paragraph (b) of this Section 5. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 5. At the request of the Board of Directors, any person nominated by a stockholder for election as a director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

(d) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

SECTION 6. SPECIAL MEETINGS

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), and shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

(b) If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause

notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within sixty (60) days after the receipt of the request, the person or persons requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

SECTION 7. NOTICE OF MEETINGS Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

SECTION 8. QUORUM. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the vote cast, excluding abstentions, at any meeting at which a quorum is present shall be valid and binding upon the corporation; PROVIDED, HOWEVER, that directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast, including abstentions, by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

SECTION 9. ADJOURNMENT AND NOTICE OF ADJOURNED MEETINGS. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes, excluding abstentions. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 10. VOTING RIGHTS. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

SECTION 11. JOINT OWNERS OF STOCK. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the General Corporation Law of Delaware, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

SECTION 12. LIST OF STOCKHOLDERS. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

SECTION 13. ACTION WITHOUT MEETING.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of the State of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the General Corporation Law of Delaware.

(d) Notwithstanding the foregoing, no such action by written consent may be taken following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock of the corporation (the "Initial Public Offering").

SECTION 14. ORGANIZATION.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if

any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

SECTION 15. NUMBER AND TERM OF OFFICE. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

SECTION 16. POWERS. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

SECTION 17. CLASSES OF DIRECTORS.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering and during such time or times that the corporation is not subject to Section 2115 of the California Corporations Code ("Section 2115"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the Initial Public Offering (assuming the corporation is not subject to Section 2115), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering (assuming the corporation is not subject to Section 2115), the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the (assuming the corporation is not subject to Section 2115), the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At

each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

(b) Prior to the Initial Public Offering and in the event that the corporation is subject to Section 2115 at any time, or from time to time, subsection (a) of this Bylaw shall not apply and all directors shall be designated of the same class, each director shall hold office until the next annual meeting and the directors shall be elected at each annual meeting of the stockholders to hold office until the next annual meeting.

Notwithstanding the foregoing provisions of this Article, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 18. VACANCIES. Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

SECTION 19. RESIGNATION. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

SECTION 20. REMOVAL.

(a) During such time or times that the corporation is subject to Section 2115, subject to the rights of the holders of any series of Preferred Stock and the limitations imposed by law, the Board of Directors or any individual director may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the voting power of all the then-outstanding shares of voting stock of the corporation, entitled to vote at an election of directors (the "Voting Stock"); provided, however, that unless the entire board is

removed, no individual director may be removed when the votes last against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

(b) Following any date on which the corporation is no longer subject to Section 2115(b) of the CGCL, subject to the rights of the holders of any series of Preferred Stock and any limitations imposed by law, subsection (a) of this Bylaw shall no longer apply and no director shall be removed without cause. Subject to the rights of the holders of any series of Preferred Stock and any limitations imposed by law, the Board of Directors or any individual director may be removed from office at any time with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of Voting Stock.

SECTION 21. MEETINGS.

(a) ANNUAL MEETINGS. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) REGULAR MEETINGS. Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been designated by resolution of the Board of Directors or the written consent of all directors.

(c) SPECIAL MEETINGS. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two of the directors.

(d) TELEPHONE MEETINGS. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) NOTICE OF MEETINGS. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each

director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) WAIVER OF NOTICE. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 22. QUORUM AND VOTING.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 43 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance with the Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; PROVIDED, HOWEVER, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

SECTION 23. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 24. FEES AND COMPENSATION. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

SECTION 25. COMMITTEES.

(a) EXECUTIVE COMMITTEE. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by Delaware the General Corporation Law to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) OTHER COMMITTEES. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) TERM. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) MEETINGS. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of

Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

SECTION 26. ORGANIZATION. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

SECTION 27. OFFICERS DESIGNATED. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

SECTION 28. TENURE AND DUTIES OF OFFICERS.

(a) GENERAL. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) DUTIES OF CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman

of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) DUTIES OF PRESIDENT. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) DUTIES OF VICE PRESIDENTS. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) DUTIES OF SECRETARY. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) DUTIES OF CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

SECTION 29. DELEGATION OF AUTHORITY. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

SECTION 30. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

SECTION 31. REMOVAL. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

SECTION 32. EXECUTION OF CORPORATE INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the corporation, shall be executed, signed or endorsed by the Chairman of the Board of Directors, or the President or any Vice President, and by the Secretary or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation

by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

SECTION 33. VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

SECTION 34. FORM AND EXECUTION OF CERTIFICATES. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferenes and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

SECTION 35. LOST CERTIFICATES. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or

destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

SECTION 36. TRANSFERS.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

SECTION 37. FIXING RECORD DATES.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) Prior to the Initial Public Offering, in order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is

delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 38. REGISTERED STOCKHOLDERS. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

SECTION 39. EXECUTION OF OTHER SECURITIES. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; PROVIDED, HOWEVER, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile

signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

SECTION 40. DECLARATION OF DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

SECTION 41. DIVIDEND RESERVE. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

SECTION 42. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

SECTION 43. INDEMNIFICATION OF DIRECTORS, EXECUTIVE OFFICERS, OTHER OFFICERS, EMPLOYEES AND OTHER AGENTS.

(a) DIRECTORS AND OFFICERS. The corporation shall indemnify its directors and officers to the fullest extent not prohibited by the Delaware General Corporation Law; PROVIDED, HOWEVER, that the corporation may modify the extent of such indemnification by individual contracts with its directors and officers; and, PROVIDED, FURTHER, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be

made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or (iv) such indemnification is required to be made under subsection (d).

(b) EXPENSES. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(c) ENFORCEMENT. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by this Bylaw to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and

convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(d) NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(e) SURVIVAL OF RIGHTS. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(f) INSURANCE. To the fullest extent permitted by the Delaware General Corporation Law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(g) AMENDMENTS. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(h) SAVING CLAUSE. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(i) CERTAIN DEFINITIONS. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

ARTICLE XII

NOTICES

SECTION 44. NOTICES.

(a) NOTICE TO STOCKHOLDERS. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and

duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) NOTICE TO DIRECTORS. Any notice required to be given to any director may be given by the method stated in subsection (a), or by facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) AFFIDAVIT OF MAILING. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) TIME NOTICES DEEMED GIVEN. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) METHODS OF NOTICE. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) FAILURE TO RECEIVE NOTICE. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) NOTICE TO PERSON WITH UNDELIVERABLE ADDRESS. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII

AMENDMENTS

SECTION 45. AMENDMENTS. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

ARTICLE XIV

LOANS TO OFFICERS

SECTION 46. LOANS TO OFFICERS. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

INDEMNITY AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 1998 by and between INTUITIVE SURGICAL, INC., a Delaware corporation (the "Corporation"), and _____ ("Agent").

RECITALS

WHEREAS, Agent performs a valuable service to the Corporation in his/her capacity as _____ of the Corporation;

WHEREAS, the stockholders of the Corporation have adopted bylaws (the "Bylaws") providing for the indemnification of the directors, officers, employees and other agents of the Corporation, including persons serving at the request of the Corporation in such capacities with other corporations or enterprises, as authorized by the Delaware General Corporation Law, as amended (the "Code");

WHEREAS, the Bylaws and the Code, by their non-exclusive nature, permit contracts between the Corporation and its agents, officers, employees and other agents with respect to indemnification of such persons; and

WHEREAS, in order to induce Agent to continue to serve as _____ of the Corporation, the Corporation has determined and agreed to enter into this Agreement with Agent;

NOW, THEREFORE, in consideration of Agent's continued service as _____ after the date hereof, the parties hereto agree as follows:

AGREEMENT

1. SERVICES TO THE CORPORATION. Agent will serve, at the will of the Corporation or under separate contract, if any such contract exists, as _____ of the Corporation or as a director, officer or other fiduciary of an affiliate of the Corporation (including any employee benefit plan of the Corporation) faithfully and to the best of his ability so long as he is duly elected and qualified in accordance with the provisions of the Bylaws or other applicable charter documents of the Corporation or such affiliate; PROVIDED, HOWEVER, that Agent may at any time and for any reason resign from such position (subject to any contractual obligation that Agent may have assumed apart from this Agreement) and that the Corporation or any affiliate shall have no obligation under this Agreement to continue Agent in any such position.

2. INDEMNITY OF AGENT. The Corporation hereby agrees to hold harmless and indemnify Agent to the fullest extent authorized or permitted by the provisions of the Bylaws and the Code, as the same may be amended from time to time (but, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the Bylaws or the Code permitted prior to adoption of such amendment).

3. ADDITIONAL INDEMNITY. In addition to and not in limitation of the indemnification otherwise provided for herein, and subject only to the exclusions set forth in Section 4 hereof, the Corporation hereby further agrees to hold harmless and indemnify Agent:

(a) against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay because of any claim or claims made against or by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative (including an action by or in the right of the Corporation) to which Agent is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Agent is, was or at any time becomes a director, officer, employee or other agent of Corporation, or is or was serving or at any time serves at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Agent by the Corporation under the non-exclusivity provisions of the Code and Section 43 of the Bylaws.

4. LIMITATIONS ON ADDITIONAL INDEMNITY. No indemnity pursuant to Section 3 hereof shall be paid by the Corporation:

(a) on account of any claim against Agent for an accounting of profits made from the purchase or sale by Agent of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(b) on account of Agent's conduct that was knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(c) on account of Agent's conduct that constituted a breach of Agent's duty of loyalty to the Corporation or resulted in any personal profit or advantage to which Agent was not legally entitled;

(d) for which payment is actually made to Agent under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment under such insurance, clause, bylaw or agreement;

(e) if indemnification is not lawful (and, in this respect, both the Corporation and Agent have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication); or

(f) in connection with any proceeding (or part thereof) initiated by Agent, or any proceeding by Agent against the Corporation or its directors, officers, employees or other agents, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the Corporation, (iii) such

indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the Code, or (iv) the proceeding is initiated pursuant to Section 9 hereof.

5. CONTINUATION OF INDEMNITY. All agreements and obligations of the Corporation contained herein shall continue during the period Agent is a director, officer, employee or other agent of the Corporation (or is or was serving at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) and shall continue thereafter so long as Agent shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Agent was serving in the capacity referred to herein.

6. PARTIAL INDEMNIFICATION. Agent shall be entitled under this Agreement to indemnification by the Corporation for a portion of the expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay in connection with any action, suit or proceeding referred to in Section 3 hereof even if not entitled hereunder to indemnification for the total amount thereof, and the Corporation shall indemnify Agent for the portion thereof to which Agent is entitled.

7. NOTIFICATION AND DEFENSE OF CLAIM. Not later than thirty (30) days after receipt by Agent of notice of the commencement of any action, suit or proceeding, Agent will, if a claim in respect thereof is to be made against the Corporation under this Agreement, notify the Corporation of the commencement thereof; but the omission so to notify the Corporation will not relieve it from any liability which it may have to Agent otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Agent notifies the Corporation of the commencement thereof:

(a) the Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense thereof, with counsel reasonably satisfactory to Agent. After notice from the Corporation to Agent of its election to assume the defense thereof, the Corporation will not be liable to Agent under this Agreement for any legal or other expenses subsequently incurred by Agent in connection with the defense thereof except for reasonable costs of investigation or otherwise as provided below. Agent shall have the right to employ separate counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Agent unless (i) the employment of counsel by Agent has been authorized by the Corporation, (ii) Agent shall have reasonably concluded that there may be a conflict of interest between the Corporation and Agent in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of Agent's separate counsel shall be at the expense of the Corporation. The Corporation shall not be entitled to assume the defense of any action, suit or proceeding

brought by or on behalf of the Corporation or as to which Agent shall have made the conclusion provided for in clause (ii) above; and

(c) the Corporation shall not be liable to indemnify Agent under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent, which shall not be unreasonably withheld. The Corporation shall be permitted to settle any action except that it shall not settle any action or claim in any manner which would impose any penalty or limitation on Agent without Agent's written consent, which may be given or withheld in Agent's sole discretion.

8. EXPENSES. The Corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by Agent in connection with such proceeding upon receipt of an undertaking by or on behalf of Agent to repay said amounts if it shall be determined ultimately that Agent is not entitled to be indemnified under the provisions of this Agreement, the Bylaws, the Code or otherwise.

9. ENFORCEMENT. Any right to indemnification or advances granted by this Agreement to Agent shall be enforceable by or on behalf of Agent in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. Agent, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. It shall be a defense to any action for which a claim for indemnification is made under Section 3 hereof (other than an action brought to enforce a claim for expenses pursuant to Section 8 hereof, provided that the required undertaking has been tendered to the Corporation) that Agent is not entitled to indemnification because of the limitations set forth in Section 4 hereof. Neither the failure of the Corporation (including its Board of Directors or its stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of Agent is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors or its stockholders) that such indemnification is improper shall be a defense to the action or create a presumption that Agent is not entitled to indemnification under this Agreement or otherwise.

10. SUBROGATION. In the event of payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Agent, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

11. NON-EXCLUSIVITY OF RIGHTS. The rights conferred on Agent by this Agreement shall not be exclusive of any other right which Agent may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding office.

12. SURVIVAL OF RIGHTS.

(a) The rights conferred on Agent by this Agreement shall continue after Agent has ceased to be a director, officer, employee or other agent of the Corporation or to serve

at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and shall inure to the benefit of Agent's heirs, executors and administrators.

(b) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

13. SEPARABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof. Furthermore, if this Agreement shall be invalidated in its entirety on any ground, then the Corporation shall nevertheless indemnify Agent to the fullest extent provided by the Bylaws, the Code or any other applicable law.

14. GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

15. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

16. IDENTICAL COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

17. HEADINGS. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

18. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand to the party to whom such communication was directed or (ii) upon the third business day after the date on which such communication was mailed if mailed by certified or registered mail with postage prepaid:

(a) If to Agent, at the address indicated on the signature page hereof.

(b) If to the Corporation, to

Intuitive Surgical, Inc.
1340 West Middlefield Road
Mountain View, CA 94043

or to such other address as may have been furnished to Agent by the Corporation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

INTUITIVE SURGICAL, INC.

By: _____

Title: _____

AGENT

_____

Address:

_____

_____

INTUITIVE SURGICAL, INC.

1998 EQUITY INCENTIVE PLAN

ADOPTED JANUARY 31, 1996
AMENDED FEBRUARY 4, 1997
AMENDED MAY 9, 1997
AMENDED JULY 11, 1997
AMENDED AND RESTATED APRIL 18, 1998
APPROVED BY STOCKHOLDERS _____, 1998

PLAN TERMINATION DATE: APRIL 17, 2008

1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock appreciation rights, (iv) stock bonuses and (v) rights to acquire restricted stock.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CAUSE" means misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company; (iii) willful and material breach of the Company's policies; (iv) intentional and material damage to the Company's property; or (v) material breach of the Stock Award holder's Proprietary Information and Inventions Agreement.

(d) "CODE" means the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(f) "COMMON STOCK" means the common stock of the Company:

(g) "COMPANY" means Intuitive Surgical, Inc., a Delaware corporation.

(h) "CONSULTANT" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "CONTINUOUS SERVICE" means the Stock Award holder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant is not interrupted or terminated. The Board or the chief executive officer of the Company may determine, in that party's sole discretion, whether Continuous Service shall be considered interrupted in the case of: (i) any leave of absence approved by the Board or the chief executive officer of the Company, including sick leave, military leave, or any other personal leave; or (ii) transfers between locations of the Company or between the Company, Affiliates or their successors.

(j) "COVERED EMPLOYEE" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(k) "DIRECTOR" means a member of the Board of Directors of the Company.

(l) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(m) "EMPLOYEE" means any person employed by the Company or any Affiliate. Neither service as a Director nor payment of a director's fee by the Company or an Affiliate shall be sufficient to constitute "employment" by the Company or an Affiliate.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock of the Company determined as follows:

(1) If the Common Stock is listed on any established stock exchange or traded on The Nasdaq National Market or The Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable; or

(2) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(p) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(q) "LISTING DATE" means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

(r) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, AND is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(s) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(t) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "OPTION" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(v) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(w) "OPTIONEE" means a person to whom an Option is granted pursuant to the Plan, or if applicable, such other person who holds an outstanding Option.

(x) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of the Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time, AND is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(y) "PLAN" means this 1998 Equity Incentive Plan.

(z) "RULE 16B-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(aa) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(bb) "STOCK AWARD" means any right granted under the Plan, including any Option, a stock appreciation right, a stock bonus and any right to acquire restricted stock.

(cc) "STOCK AWARD AGREEMENT" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(1) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

(2) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(3) To amend the Plan or a Stock Award as provided in Section 13.

(c) The Board may delegate administration of the Plan to a committee composed of two (2) or more members (the "Committee"), all of the members of which Committee may be Non-Employee Directors and/or Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board including the power to delegate to a subcommittee of two or more Directors (who may or may not be Outside Directors or Non-Employee Directors) any of the administrative powers to the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter mean the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Notwithstanding anything in this Section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of

the Board the authority to grant Stock Awards to eligible persons who (x) are not then subject to Section 16 of the Exchange Act and/or (y) are either (i) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award, or (ii) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code.

(d) All actions taken and all interpretations and determinations made by the Board or Committee in good faith (including determinations of Fair Market Value) shall be final and binding upon all Optionees, the Company and all other interested persons. No member of the Board or Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, and all members of the Board and Committee shall, in addition to their right as directors, be fully protected by the Company with respect to any such action, determination or interpretation.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 12 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate seven million three hundred forty thousand (7,340,000) shares of Common Stock (the "Share Reserve"); PROVIDED, HOWEVER, that such Share Reserve shall be increased on January 1 of each year, beginning with January 1, 1999, by an amount equal to three percent (3%) of the total outstanding shares of Common Stock (calculated on a fully diluted, fully converted basis) measured as of the immediately preceding December 31. In addition, the number of shares granted pursuant to stock bonuses shall at no time exceed ten percent (10%) of the then current Share Reserve.

(b) If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan. Shares subject to stock appreciation rights exercised in accordance with the Plan shall not be available for subsequent issuance under the Plan. If any shares of Common Stock acquired pursuant to the exercise of an Stock Awards shall for any reason be repurchased by the Company under a repurchase option provided under the Plan, the stock repurchased by the Company under such repurchase option shall revert to and again become available for issuance under the Plan.

(c) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted only to Employees, Directors or Consultants.

(b) No person shall be eligible for the grant of an Incentive Stock Option if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Incentive

Stock Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Incentive Stock Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Subject to the provisions of Section 12 relating to adjustments upon changes in stock, no person shall be eligible to be granted Options covering more than one million (1,000,000) shares of Common Stock in any calendar year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, shall not apply until (i) the earliest of: (A) the first material modification of the Plan (including any increase to the number of shares reserved for issuance under the Plan in accordance with Section 4); (B) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (C) the expiration of the Plan; or (D) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security under section 12 of the Exchange Act; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) PRICE. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Incentive Stock Option on the date the Incentive Stock Option is granted or such greater amount as required by Section 5(b). The exercise price of each Nonstatutory Stock Option shall be determined by the Board. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to an Option shall be paid at the time the Option is exercised, to the extent permitted by applicable statutes and regulations, either (i) in cash or by check or (ii) at the discretion of the Board, at the time of the grant of the Option, under one of the following alternatives:

(1) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of

irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(2) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, by delivery of already-owned shares of Common Stock, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interests, which Common Stock shall be valued at its fair market value on the date of exercise;

(3) Pursuant to a deferred payment alternative as described in the Option Agreement, PROVIDED THAT, at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value" (as defined in the Delaware General Corporation Law) shall not be made by deferred payment;

(4) In any other form of legal consideration that may be acceptable to the Board; or

(5) By any combination of the above methods.

(d) TRANSFERABILITY. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person. A Nonstatutory Stock Option may be transferable to the extent expressly provided in the Option Agreement; PROVIDED, HOWEVER, that if the Option Agreement does not specifically provide for transferability, then such Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution or pursuant to a domestic relations order, and shall be exercisable during the lifetime of the person to whom the Nonstatutory Stock Option is granted only by such person or any transferee pursuant to a domestic relations order. Notwithstanding the foregoing, the person to whom the Option is granted may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

(e) VESTING. The total number of shares of stock subject to an Option shall vest and become exercisable as provided in the Option Agreement.

(f) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionee's Continuous Service terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months after the termination of the Optionee's Continuous Service (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement provided, however, if the Optionee is terminated for Cause, then the Option shall terminate on the date Optionee's Continuous Service ceases (or such longer period specified in the Option Agreement). If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

An Optionee's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionee's Continuous Service (other than upon the Optionee's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act or any material regulatory requirements of any foreign jurisdiction, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option as set forth in the Option Agreement, or (ii) the expiration of a period of three (3) months after the termination of the Optionee's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(g) DISABILITY OF OPTIONEE. In the event an Optionee's Continuous Service terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination, taking into account any post-termination amendments to the Option Agreement), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise the entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan no later than thirty (30) days following the date of termination. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) DEATH OF OPTIONEE. In the event of the death of an Optionee during, or within the three (3) month or twelve (12) month periods referred to above after the termination of, the Optionee's Continuous Service, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option at the date of death, taking into account any post-termination amendments to the Option Agreement) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise the entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan no later than thirty (30) days following the date of termination. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionee may elect at any time before the Optionee's Continuous Service terminates to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company or any other restriction the Board determines appropriate.

(j) RE-LOAD OPTIONS. Without in any way limiting the authority of the Board or Committee to make or not to make grants of Options hereunder, the Board or Committee shall

have the authority (but not an obligation) to include as part of any Option Agreement a provision entitling the Optionee to a further Option (a "Re-Load Option") in the event the Optionee exercises the Option evidenced by the Option Agreement, in whole or in part, by surrendering other shares of Common Stock in accordance with this Plan and the terms and conditions of the Option Agreement. Any such Re-Load Option (i) shall be for a number of shares equal to the number of shares surrendered as part or all of the exercise price of such Option; (ii) shall have an expiration date which is the same as the expiration date of the Option the exercise of which gave rise to such Re-Load Option; and (iii) shall have an exercise price which is equal to one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Re-Load Option on the date of exercise of the original Option. Notwithstanding the foregoing, a Re-Load Option shall be subject to the same exercise price and term provisions heretofore described for Options under the Plan.

Any such Re-Load Option may be an Incentive Stock Option or a Nonstatutory Stock Option, as the Board may designate at the time of the grant of the original Option; PROVIDED, HOWEVER, that the designation of any Re-Load Option as an Incentive Stock Option shall be subject to the one hundred thousand dollar ($100,000) annual limitation on exercisability of Incentive Stock Options described in subsection 11(d) of the Plan and in Section 422(d) of the Code. There shall be no Re-Load Options on a Re-Load Option. Any such Re-Load Option shall be subject to the availability of sufficient shares under subsection 4(a) and the "Section 162(m) Limitation" or grants of Options under subsection 5(c) and shall be subject to such other terms and conditions as the Board may determine which are not inconsistent with the express provisions of the Plan regarding the terms of Options.

7. TERMS OF STOCK BONUSES AND PURCHASES OF RESTRICTED STOCK.

(a) Each stock bonus or restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus or restricted stock purchase agreements may change from time to time, and the terms and conditions of separate agreements need not be identical, but each stock bonus or restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions as appropriate:

(1) PURCHASE PRICE. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such agreement, but in no event shall the purchase price be less than eighty-five percent (85%) of the stock's Fair Market Value on the date such award is made. Notwithstanding the foregoing, the Board may determine that eligible participants in the Plan may be awarded stock pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company for its benefit.

(2) TRANSFERABILITY. A stock bonus or restricted stock purchase agreement may be transferable to the extent expressly provided in the Stock Award Agreement; PROVIDED, HOWEVER, that if the Stock Award Agreement does not specifically provide for transferability, then such stock bonus or restricted stock purchase award shall not be transferable except by will or the laws of descent and distribution or pursuant to a domestic relations order, and shall be exercisable during the lifetime of the person to whom the stock bonus or restricted stock

purchase award is granted only by such person or any transferee pursuant to a domestic relations order, so long as stock awarded under such agreement remains subject to any restrictions pursuant to the agreement.

(3) CONSIDERATION. The purchase price of stock acquired pursuant to a restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other arrangement with the person to whom the stock is sold; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion. Notwithstanding the foregoing, the Board may award stock pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(4) VESTING. Shares of stock sold or awarded under the Plan may, but need not, be subject to a repurchase option or reacquisition right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(5) TERMINATION OF CONTINUOUS SERVICE. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of stock held by that person which have not vested as of the date of termination under the terms of the stock bonus or restricted stock purchase agreement between the Company and such person, subject to the provisions of Section 12.

(6) STOCK APPRECIATION RIGHTS.

(i) AUTHORIZED RIGHTS. The following three types of stock appreciation rights shall be authorized for issuance under the Plan:

a. TANDEM RIGHTS. A "Tandem Right" means a stock appreciation right granted appurtenant to an Option which is subject to the same terms and conditions applicable to the particular Option grant to which it pertains with the following exceptions: The Tandem Right shall require the holder to elect between the exercise of the underlying Option for shares of Common Stock and the surrender, in whole or in part, of such Option for an appreciation distribution. The appreciation distribution payable on the exercised the Tandem Right shall be in cash (or, if so provided, in an equivalent number of shares of Common Stock based on Fair Market Value on the date of the Option surrender) in an amount up to the excess of (A) the Fair Market Value (on the date of the Option surrender) of the number of shares of Common Stock covered by that portion of the surrendered Option in which the Optionee is vested over (B) the aggregate exercise price payable for such vested shares.

b. CONCURRENT RIGHTS. A "Concurrent Right" means a stock appreciation right granted appurtenant to an Option which applies to all or a portion of the shares of Common Stock subject to the underlying Option and which is subject to the same terms and conditions applicable to the particular Option grant to which it pertains with the following exceptions: A Concurrent Right shall be exercised automatically at the same time the underlying Option is exercised with respect to the particular shares of Common Stock to which the Concurrent Right pertains. The appreciation distribution payable on an exercised Concurrent Right shall be in cash (or, if so provided, in an equivalent number of shares of Common Stock

based on Fair Market Value on the date of the exercise of the Concurrent Right) in an amount equal to such portion as determined by the Board at the time of the grant of the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Concurrent Right) of the vested shares of Common Stock purchased under the underlying Option which have Concurrent Rights appurtenant to them over (B) the aggregate exercise price paid for such shares.

c. INDEPENDENT RIGHTS. An "Independent Right" means a stock appreciation right granted independently of any Option but which is subject to the same terms and conditions applicable to a Nonstatutory Stock Option with the following exceptions: An Independent Right shall be denominated in share equivalents. The appreciation distribution payable on the exercised Independent Right shall be not greater than an amount equal to the excess of (a) the aggregate Fair Market Value (on the date of the exercise of the Independent Right) of a number of shares of Common Stock equal to the number of share equivalents in which the holder is vested under such Independent Right, and with respect to which the holder is exercising the Independent Right on such date, over (b) the aggregate Fair Market Value (on the date of the grant of the Independent Right) of such number of shares of Common Stock. The appreciation distribution payable on the exercised Independent Right shall be in cash or, if so provided, in an equivalent number of shares of Common Stock based on Fair Market Value on the date of the exercise of the Independent Right.

(II) RELATIONSHIP TO OPTIONS. Stock appreciation rights appurtenant to Incentive Stock Options may be granted only to Employees. The "Section 162(m) Limitation" provided in subsection 5(c) and any authority to reprice Options shall apply as well to the grant of stock appreciation rights.

(III) EXERCISE. To exercise any outstanding stock appreciation right, the holder shall provide written notice of exercise to the Company in compliance with the provisions of the Stock Award Agreement evidencing such right. Except as provided in subsection 5(c) regarding the "Section 162(m) Limitation," no limitation shall exist on the aggregate amount of cash payments that the Company may make under the Plan in connection with the exercise of a stock appreciation right.

8. CANCELLATION AND RE-GRANT OF OPTIONS.

(A) The Board shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options and/or (ii) with the consent of the affected holders of Options the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different numbers of shares of Common Stock. The exercise price per share shall be not less than that specified under the Plan for newly granted Stock Awards. Notwithstanding the foregoing, the Board may grant an Option with an exercise price lower than that set forth above if such Option is granted as part of a transaction to which Section 424(a) of the Code applies.

(B) Shares subject to an Option canceled under this Section 8 shall continue to be counted against the maximum award of Options permitted to be granted pursuant to subsection 5(c) of the Plan. The repricing of an Option under this Section 8, resulting in a reduction of the exercise price, shall be deemed to be a cancellation of the original Option and the grant of a

substitute Option; in the event of such repricing, both the original and the substituted Options shall be counted against the maximum awards of Options permitted to be granted pursuant to subsection 5(c) of the Plan. The provisions of this Section 8 shall be applicable only to the extent required by Section 162(m) of the Code.

9. COVENANTS OF THE COMPANY.

(A) During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of stock required to satisfy such Stock Awards.

(B) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

11. MISCELLANEOUS.

(A) The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(B) No Optionee shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such person has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(C) Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Optionee any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee with or without Cause, the right of the Company's Board of Directors and/or the Company's stockholders to remove any Director pursuant to the terms of the Company's Bylaws and the provisions of applicable laws, or the right to terminate the relationship of any Consultant pursuant to the terms of such Consultant's agreement with the Company or Affiliate to which such Consultant is providing services.

(D) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(E) The Company may require any person to whom a Stock Award is granted, or any person to whom a Stock Award is transferred pursuant to subsection 6(d) or 7(a)(2), as a condition of exercising or acquiring stock under any Stock Award, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Stock Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may require the Optionee to provide such other representations, written assurances or information which the Company shall determine is necessary, desirable or appropriate to comply with applicable securities and other laws as a condition of granting an Option to such Optionee or permitting the Optionee to exercise such Option. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(F) To the extent provided by the terms of a Stock Award Agreement, the Optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means or by a combination of such means (in addition to the Company's right to withhold from any compensation paid to the Optionee by the Company): (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionee as a result of the exercise or acquisition of stock under the Stock Award; or (3) delivering to the Company owned and unencumbered shares of the Common Stock of the Company.

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(A) If any change is made in the stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the

Company), the Plan will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan pursuant to subsection 4(a) and the maximum number of shares subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of shares and price per share of stock subject to such outstanding Stock Awards. Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company".)

(B) In the event of a Change in Control (as defined herein) any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the shareholders in the transaction described in this subsection 12(b)) for those outstanding under the Plan. In the event any surviving or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to persons whose Continuous Service has not terminated prior to such Change in Control: (i) the vesting (and, if applicable, the exercisability) of Stock Awards held by such persons shall be accelerated immediately prior to such event, and the Stock Awards terminated if not exercised at or prior to such event, and (ii) any Company repurchase option or reacquisition right with respect to shares acquired by such persons under a Stock Award shall lapse immediately prior to such event and the shares held by such persons shall be fully vested. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised prior to such event.

In addition, and only if explicitly provided for in the Stock Award Agreement, with respect to any person whose Continuous Service has not terminated prior to the consummation of a Change in Control, if upon or within twenty-four (24) months following a Change in Control one of the following events occurs: (i) such person's Continuous Service is terminated by the acquiror or successor without Cause; (ii) the principal place of the performance of such person's responsibilities (the "Principal Location") is changed to a location more than twenty-five (25) miles from such person's Principal Location immediately prior to the Change in Control and such person voluntarily terminates Continuous Service with the successor or acquiror; or (iii) there is a material reduction in such person's compensation or responsibilities (not involving a termination of Continuous Service for Cause) and such person voluntarily terminates Continuous Service with the successor or acquirer; then the unvested portion of such person's Options shall immediately become fully vested and exercisable and any Company repurchase option or reacquisition right with respect to shares acquired by such persons under a Stock Award shall immediately lapse and the shares held by such persons shall be fully vested. The Board shall have the ability to alter the terms of this paragraph with respect to one or more Stock Award Agreements in its sole discretion.

For purposes of this subsection 12(b), Cause shall be defined to include (in addition to those items set forth in Section 2(c)) death and physical or mental disability.

For purposes of this Plan, a "Change in Control" shall mean: (i) a sale of all or substantially all of the assets of the Company; (ii) a merger or consolidation in which the Company is not the surviving corporation or a reverse merger in which the Company is the

surviving corporation but the shares of the Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (other than (a) a merger or consolidation in which stockholders immediately before the merger or consolidation have, immediately after the merger or consolidation, greater stock voting power of the acquiring or controlling corporation, and in no event less than a majority of such stock voting power, (b) a transaction the principal purpose of which is to change the State of the Company's incorporation, or (c) a merger of the Company into any of its wholly owned subsidiaries); or (iii) an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

(C) In the event of a dissolution or liquidation of the Company, any Stock Awards outstanding under the Plan shall terminate if not exercised prior to such event.

13. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(A) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary for the Plan to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(B) The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(C) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Optionees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(D) Rights and obligations under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

(E) The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

14. TERMINATION OR SUSPENSION OF THE PLAN.

(A) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(B) Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the consent of the person to whom the Stock Award was granted.

15. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as of the Listing Date, but no Stock Awards granted under the Plan shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

16. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

INTUITIVE SURGICAL, INC.
STOCK OPTION GRANT NOTICE

INTUITIVE SURGICAL, INC. (the "Company"), pursuant to its 1998 Equity Incentive Plan (the "Plan"), hereby grants to Optionee an option to purchase the number of shares of the Company's common stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in Attachments I, II, and III, which are incorporated herein in their entirety.

Optionee: _____

Date of Grant: _____

Vesting Commencement Date: _____

Shares Subject to Option: _____

Exercise Price Per Share: _____

Expiration Date: _____

TYPE OF GRANT: / / Incentive Stock Option / / Nonstatutory Stock Option

EXERCISE SCHEDULE: [Immediately exercisable.][Same as vesting schedule.]

VESTING SCHEDULE: [1/8th] vested on the [six month] anniversary of the Vesting Commencement Date; [1/42th] vests on each monthly anniversary thereafter.

PAYMENT: By one or a combination of the checked items (as described in section 6(c) of the Plan):

/ / By cash or check / / Pursuant to a Regulation T program / / By delivery of already-owned shares
[/ / By deferred payment PROVIDED THAT:

(i) At least ____ percent of the exercise price shall be due at the time of exercise, [representing the "par value" of the shares under Delaware corporate law,] at least ____ percent of the exercise price plus accrued interest shall be due each anniversary of the date of exercise, with final payment of the remainder of the exercise price, plus accrued interest, due ____ years from the date of exercise or, at the Company's election, upon termination of your Continuous Service;

(ii) Interest shall be payable [at least annually][on or before the term of the note] and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), of any portion of any amounts other than amounts stated to be interest under the deferred payment arrangement; and

(iii) To elect the deferred payment alternative, your written notice of exercise must state that you are electing this payment alternative and, if the Company so requests, you must tender to the Company a promissory note and a security agreement covering the purchased shares, both in form and substance satisfactory to the Company, or such other or additional documentation as the Company may require.]

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: The undersigned Optionee acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Optionee further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionee and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionee under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____

_____

_____

INTUITIVE SURGICAL, INC. OPTIONEE:

By: _____ _____
Signature

Title: _____

Date: _____ Date: _____

Attachment I: Stock Option Agreement
Attachment II: 1998 Equity Incentive Plan
Attachment III: Notice of Exercise

INTUITIVE SURGICAL, INC.
STOCK OPTION AGREEMENT

Pursuant to the Grant Notice and this Stock Option Agreement, which together shall be defined as the "Option Agreement" under the Plan, the Company has granted you an option to purchase the number of shares of the Company's common stock ("Common Stock") indicated in the Grant Notice at the exercise price indicated in the Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

Notwithstanding the foregoing, if prior to the consummation of a Change in Control your Continuous Service has not terminated AND if within twenty-four (24) months following a Change in Control one of the following events occurs: (i) your Continuous Service is terminated by the acquiror or successor without Cause; (ii) the principal place of the performance of your responsibilities (the "Principal Location") is changed to a location more than twenty-five (25) miles from your Principal Location immediately prior to the Change in Control and you voluntarily terminate your Continuous Service with the successor or acquiror; or (iii) there is a material reduction in your compensation or responsibilities (not involving a termination of Continuous Service for Cause) and you voluntarily terminate your Continuous Service with the successor or acquiror; then the unvested portion of this option shall immediately become fully vested and exercisable and any Company repurchase option or reacquisition right with respect to shares acquired by you under this option shall immediately lapse and such shares shall be fully vested. For purposes of this Section 1, Cause shall be defined to include (in addition to those items set forth in Section 2(c) of the Plan) death and severe physical or mental disability.

2. EXERCISE PRIOR TO VESTING. If permitted in the Grant Notice (i.e., the "Exercise Schedule" indicates that your option is "Immediately exercisable"), and subject to the provisions of this option, you may elect, at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the nonvested portion of your option; provided, however, that:

(a) a partial exercise of your option shall be deemed to cover first vested shares and then the earliest vesting installment of unvested shares;

(b) any shares so purchased from installments which have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company's form of Early Exercise Stock Purchase Agreement;

(c) you shall enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(d) your option shall not be exercisable with respect to any unvested installment to the extent such exercise would cause the aggregate fair market value of any shares subject to incentive stock options granted you by the Company (valued as of their grant date) which would become exercisable for the first time during any calendar year to exceed $100,000.

3. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in any manner that is permitted by the Grant Notice.

4. WHOLE SHARES. Your option may only be exercised for whole shares.

5. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, your option may not be exercised unless the shares issuable upon exercise of your option are then registered under the Securities Act or, if such shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing the option, and the option may not be exercised if the Company determines that the exercise would not be in material compliance with such laws and regulations.

6. TERM. The term of your option commences on the Date of Grant and expires upon the earliest of:

(a) the Expiration Date indicated in the Grant Notice;

(b) the tenth (10th) anniversary of the Date of Grant;

(c) eighteen (18) months after your death, if you die during, or within three (3) months after, the termination of your Continuous Service; or

(d) twelve (12) months after the termination of your Continuous Service due to Disability;

(e) the termination of your Continuous Service for Cause; or

(f) three (3) months after the termination of your Continuous Service for any other reason, provided that if during any part of such three (3) month period the option is not exercisable solely because of the condition set forth in paragraph 5, in which event the option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of Continuous Service.

To obtain the federal income tax advantages associated with an "incentive stock option," the Code requires that at all times beginning on the date of grant of the option and ending on the day three (3) months before the date of the option's exercise, you must be an employee of the Company or an Affiliate of the Company, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit, but cannot guarantee that your option will necessarily be treated

as an "incentive stock option" if you provide services to the Company or an Affiliate of the Company as a Consultant or if you exercise your option more than three (3) months after the date your employment with the Company terminates.

7. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if the Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that:

(i) as a condition to any exercise of your option, the Company may require you to enter an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option; (2) the lapse of any substantial risk of forfeiture to which the shares are subject at the time of exercise; or (3) the disposition of shares acquired upon such exercise;

(ii) you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of an incentive stock option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option; and

(iii) the Company (or a representative of the underwriters) may, in connection with the first underwritten registration of the offering of any securities of the Company under the Securities Act, require that you not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) which are consistent with the foregoing or which are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your Common Stock until the end of such period.

8. TRANSFERABILITY. Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

9. OPTION NOT A SERVICE CONTRACT. Your option is not an employment contract and nothing in your option shall be deemed to create in any way whatsoever any obligation on your

part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate of the Company, or their respective stockholders, Board of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

10. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

11. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

INTUITIVE SURGICAL, INC.

1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

ADOPTED ON APRIL 18, 1998

APPROVED BY STOCKHOLDERS ON _____, 1998

1. PURPOSE.

(a) The purpose of the 1998 Non-Employee Directors' Stock Option Plan (the "Plan") is to provide a means by which each director of INTUITIVE SURGICAL, INC. (the "Company") who is not otherwise at the time of grant an employee of or consultant to the Company or of any Affiliate of the Company (each such person being hereafter referred to as a "Non-Employee Director") will be given an opportunity to purchase stock of the Company.

(b) The word "AFFILIATE" as used in the Plan means any parent corporation or subsidiary corporation of the Company as those terms are defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended from time to time (the "Code").

(c) The Company, by means of the Plan, seeks to retain the services of persons now serving as Non-Employee Directors of the Company, to secure and retain the services of persons capable of serving in such capacity, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

2. ADMINISTRATION.

(a) The Plan shall be administered by the Board of Directors of the Company (the "Board") unless and until the Board delegates administration to a committee of the Board, as provided in subparagraph 2(b).

(b) The Board may delegate administration of the Plan to a committee composed of two (2) or more members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

3. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of paragraph 10 relating to adjustments upon changes in stock, the stock that may be issued pursuant to options granted under the Plan shall not exceed in the aggregate two hundred thousand (200,000) shares of the Company's common stock. If any option granted under the Plan shall for any reason expire or otherwise terminate without having

been exercised in full, the stock not purchased under such option shall again become available for the Plan. If any shares of the Company's common stock acquired pursuant to the exercise of an option shall for any reason be repurchased by the Company under a repurchase option provided under the Plan, the stock repurchased by the Company under such repurchase option shall revert to and again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

4. ELIGIBILITY.

Options shall be granted only to Non-Employee Directors of the Company.

5. NON-DISCRETIONARY GRANTS.

(a) Each person who is first elected or appointed to the Board as a Non-Employee Director after the Effective Date shall automatically be granted, on the date of such initial election or appointment, an option to purchase twenty-five thousand (25,000) shares of common stock of the Company on the terms and conditions set forth herein (hereinafter, an "Initial Grant").

(b) Each Non-Employee Director who is serving as a Non-Employee Director immediately following each Annual Meeting of Stockholders, commencing with the Annual Meeting of Stockholders occurring in calendar year 1999, shall automatically be granted, on such date, an option to purchase two thousand five hundred (2,500) shares of common stock of the Company, which amount shall be pro-rated for any Non-Employee Director who has not continuously served as a Non-Employee Director for the twelve (12)-month period prior to the date of such Annual Meeting of Stockholders, on the terms and conditions set forth herein (hereinafter, an "Annual Grant").

6. OPTION PROVISIONS.

Each option shall be subject to the following terms and conditions:

(a) The term of each option commences on the date it is granted and, unless sooner terminated as set forth herein, expires on the date ("Expiration Date") ten (10) years from the date of grant. If the optionee's service as a Non-Employee Director or employee of or consultant to the Company or any Affiliate terminates for any reason or for no reason, the option shall terminate on the earlier of the Expiration Date or the date three (3) months following the date of termination of such service; PROVIDED, HOWEVER, that (i) if such termination of service is due to the optionee's death, the option shall terminate on the earlier of the Expiration Date or eighteen (18) months following the date of the optionee's death or (ii) if such termination of service is due to the optionee's permanent and total disability within the meaning of Section 22(e)(3) of the Code ("Disability"), the option shall terminate on the earlier of the Expiration Date or twelve (12) months following the date of the optionee's Disability. In any and all circumstances, an option may be exercised following termination of the optionee's service as a Non-Employee

Director of the Company or any Affiliate only as to that number of shares as to which it was exercisable as of the date of termination of such service under the provisions of subparagraph 6(e).

(b) The exercise price of each option shall be one hundred percent (100%) of the Fair Market Value of the stock (as defined in subsection 9(d)) subject to such option on the date such option is granted.

(c) The optionee may elect to make payment of the exercise price under one of the following alternatives:

(i) In cash (or check) at the time of exercise;

(ii) Provided that at the time of the exercise the Company's common stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, payment by delivery of shares of common stock of the Company already owned by the optionee, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interest, which common stock shall be valued at its Fair Market Value on the date immediately preceding the date of exercise;

(iii) Pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which results in the receipt of cash (or check) by the Company either prior to the issuance of shares of the Company's common stock or pursuant to the terms of irrevocable instructions issued by the optionee prior to the issuance of shares of the Company's common stock; or

(iv) Payment by a combination of the methods of payment specified in subparagraph 6(c)(i) through 6(c)(iii) above.

(d) An option shall be transferable only to the extent specifically provided in the option agreement; PROVIDED, HOWEVER, that if the option agreement does not specifically provide for the transferability of the option, then the option shall not be transferable except by will or by the laws of descent and distribution, or pursuant to a domestic relations order, and shall be exercisable during the lifetime of the person to whom the option is granted only by such person or transferee pursuant to a domestic relations order. Notwithstanding the foregoing, the optionee may, by delivering written notice to the Company in a form satisfactory to the Company, designate a third party who, in the event of the death of the optionee, shall thereafter be entitled to exercise the option.

(e) (i) An Initial Grant shall vest (i.e., become exercisable) in installments as follows: 6/48th of the option shares shall vest on the six (6)-month anniversary of the date of grant of the option and the remaining shares shall then vest in equal monthly installments over the next forty-two (42) months, and (ii) an Annual Grant shall vest in thirty-six (36) equal monthly installments over a three (3)-year period measured from the date of grant of the option, PROVIDED THAT, with respect to any grant under the Plan, the optionee has, during the entire period prior to such

vesting date, continuously served as a Non-Employee Director or employee of or consultant to the Company or any Affiliate of the Company.

(f) The Company may require any optionee, or any person to whom an option is transferred under subparagraph 6(d), as a condition of exercising any such option: (i) to give written assurances satisfactory to the Company as to the optionee's knowledge and experience in financial and business matters; and (ii) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the option for such person's own account and not with any present intention of selling or otherwise distributing the stock. These requirements, and any assurances given pursuant to such requirements, shall be inoperative if (x) the issuance of the shares upon the exercise of the option has been registered under a then-currently-effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or (y), as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may require any optionee to provide such other representations, written assurances or information which the Company shall determine is necessary, desirable or appropriate to comply with applicable securities laws as a condition of granting an option to the optionee or permitting the optionee to exercise the option. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) Notwithstanding anything to the contrary contained herein, an option may not be exercised unless the shares issuable upon exercise of such option are then registered under the Securities Act or, if such shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act.

(h) The option may, but need not, include a provision whereby the optionee may elect at any time before the optionee's service as a Non-Employee Director or employee of or consultant to the Company or any Affiliate terminates to exercise the option as to any part or all of the shares subject to the option prior to the full vesting of the option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company or any other restriction the Board determines appropriate.

7. COVENANTS OF THE COMPANY.

(a) During the terms of the options granted under the Plan, the Company shall keep available at all times the number of shares of common stock required to satisfy such options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the options granted under the Plan; PROVIDED, HOWEVER, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any option granted under the Plan, or any stock issued or issuable pursuant to any such option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory

commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such options.

8. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to options granted under the Plan shall constitute general funds of the Company.

9. MISCELLANEOUS.

(a) Neither an optionee nor any person to whom an option is transferred under subparagraph 6(d) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such option unless and until such person has satisfied all requirements for exercise of the option pursuant to its terms.

(b) Nothing in the Plan or in any instrument executed pursuant thereto shall confer upon any Non-Employee Director any right to continue in the service of the Company or any Affiliate in any capacity or shall affect any right of the Company, its Board or stockholders or any Affiliate to remove any Non-Employee Director pursuant to the Company's Bylaws and the provisions of the Delaware General Corporation Law (or the applicable laws of the Company's state of incorporation if the Company's state of incorporation should change in the future).

(c) No Non-Employee Director, individually or as a member of a group, and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any option reserved for the purposes of the Plan except as to such shares of common stock, if any, as shall have been reserved for him pursuant to an option granted to him.

(d) As used in this Plan, "Fair Market Value" means, as of any date, the value of the common stock of the Company determined as follows:

(i) If the common stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market, the Fair Market Value of a share of common stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in common stock) on the last market trading day prior to the day of determination, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable; or

(ii) In the absence of an established market for the common stock, the Fair Market Value shall be determined in good faith by the Board.

10. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any option granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock

dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan and outstanding options will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding options. Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of a Change in Control (as defined herein) AND if during the twenty four (24) months upon or following a Change in Control any Non-Employee Director ceases to serve on the Board of the Company (or the Board of a successor or acquiror) that qualifies as a "parent corporation" within the meaning of Section 424(e) of the Code, then the unvested portion of such Non-Employee Director's options shall immediately become fully vested and exercisable.

For purposes of this Plan, a "Change in Control" shall mean: (i) a sale of all or substantially all of the assets of the Company; (ii) a merger or consolidation in which the Company is not the surviving corporation or a reverse merger in which the Company is the surviving corporation but the shares of the Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (other than (a) a merger or consolidation in which stockholders immediately before the merger or consolidation have, immediately after the merger or consolidation, greater stock voting power of the acquiring or controlling corporation, and in no event less than a majority of such stock voting power, (b) a transaction the principal purpose of which is to change the State of the Company's incorporation, or (c) a merger of the Company into any of its wholly owned subsidiaries); or (iii) an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

(c) In the event of a dissolution or liquidation of the Company, any options outstanding under the Plan shall terminate if not exercised prior to such event.

11. AMENDMENT OF THE PLAN OR OPTIONS.

(a) The Board at any time, and from time to time, may amend the Plan and/or some or all outstanding options granted under the Plan. However, no amendment to the Plan, including an amendment to increase the size of the share reserve (except as provided in paragraph 10 relating to adjustments upon changes in stock), shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary for the Plan to

satisfy the requirements of Rule 16b-3 promulgated under the Exchange Act or any Nasdaq or securities exchange listing requirements.

(b) Rights and obligations under any option granted before any amendment of the Plan or the agreement documenting such option shall not be impaired by such amendment unless (i) the Company requests the consent of the person to whom the option was granted and (ii) such person consents in writing.

12. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on December 31, 2008.

(b) The Plan shall terminate upon the occurrence of a Change in Control.

(c) Rights and obligations under any option granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the consent of the person to whom the option was granted.

13. EFFECTIVE DATE OF PLAN; CONDITIONS OF EXERCISE.

(a) The Plan shall become effective on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system (the "Effective Date").

(b) Notwithstanding any other provision in the Plan to the contrary, no option otherwise authorized under the Plan shall be granted unless and until sufficient shares of the Company's common stock to be issued under the Plan have been approved by the stockholders of the Company.

14. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

INTUITIVE SURGICAL, INC.
1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

NONSTATUTORY STOCK OPTION

_____, Optionee:

On _____, 19___, an option was automatically granted to you (the "Optionee") pursuant to the Intuitive Surgical, Inc. (the "Company") 1998 Non-Employee Directors' Stock Option Plan (the "Plan") to purchase shares of the Company's common stock ("Common Stock"). This option is NOT intended to qualify and will not be treated as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The grant hereunder is in connection with and in furtherance of the Company's compensatory benefit plan for Non-Employee Directors (as defined in the Plan).

The details of your option are as follows:

1. The total number of shares of Common Stock subject to this option is [_____ ( )].

2. The exercise price of this option is _____ ($____) per share, such amount being equal to the Fair Market Value (as defined in the Plan) of the Common Stock on the date of grant of this option.

3. (a) Subject to the limitations contained herein:

(i) if this option is exercisable for 25,000 shares, then this option shall vest (i.e., become exercisable) in installments as follows: 6/48th of the option shares shall vest on the six (6)-month anniversary of the date of grant of the option and the remaining shares shall then vest equally over the next forty two (42) months; or

(ii) if this option is exercisable for 2,500 shares, then this option shall vest (i.e., become exercisable) in thirty six (36) equal monthly installments over a three (3)-year period measured from the date of grant of the option;

PROVIDED, HOWEVER, that you have, during the period from the date of grant to such vesting date, continuously served as a Non-Employee Director or employee of or consultant to the Company or any Affiliate (as defined in the Plan).

(b) Notwithstanding anything to the foregoing, this option shall NOT be exercisable in whole or in part unless and until sufficient shares of the Company's common stock to be issued under the Plan has been approved by the Company's stockholders.

4. (a) This option may be exercised, to the extent specified above, by delivering a Notice of Exercise (in the form attached hereto or such other form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require pursuant to Section 6 of the Plan.

(b) This option may only be exercised for whole shares.

(c) You may elect to pay the exercise price under one of the following alternatives:

(i) In cash (or check) at the time of exercise;

(ii) Provided that at the time of the exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, payment by delivery of shares of Common Stock already owned by you, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interest, which Common Stock shall be valued at its Fair Market Value on the date immediately preceding the date of exercise;

(iii) Payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which results in the receipt of cash (or check) by the Company either prior to the issuance of shares of the Common Stock or pursuant to the terms of irrevocable instructions issued by you prior to the issuance of shares of the Common Stock; or

(iv) Payment by a combination of the methods of payment specified in subparagraphs (i) through (iii) above.

(d) By exercising this option you agree that the Company may require you to enter an arrangement providing for the cash payment by you to the Company of any tax withholding obligation of the Company arising by reason of the exercise of this option.

5. The term of this option is ten (10) years measured from the date of grant, subject, however, to earlier termination upon your termination of service, as set forth in Section 6(a) of the Plan.

6. Any notices provided for in this option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the address specified below or at such other address as you hereafter designate by written notice to the Company.

7. This option is subject to all the provisions of the Plan, a copy of which is attached hereto and its provisions are hereby made a part of this option, including without limitation the provisions of Section 6 of the Plan relating to option provisions, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this option and those of the Plan, the provisions of the Plan shall control.

Dated the _____ day of _____, 19____.

Very truly yours,
INTUITIVE SURGICAL, INC.

Duly authorized on behalf
of the Board of Directors

ATTACHMENTS: Notice of Exercise
Prospectus-1998 Non-Employee Directors' Stock Option Plan

The undersigned:

(A) Acknowledges receipt of the foregoing option and the attachments referenced therein and understands that all rights and liabilities with respect to this option are set forth in the option and the Plan; and

(B) Acknowledges that as of the date of grant of this option, it sets forth the entire understanding between the undersigned Optionee and the Company and its Affiliates regarding the acquisition of Common Stock in the Company and supersedes all prior oral and written agreements on that subject with the exception of (i) the options and any other stock awards previously granted and delivered to the undersigned under stock award plans of the Company, and (ii) the following agreements only:

NONE:

_____
(Initial)

OTHER:

_____-

_____-

_____-

_____-
Optionee

INTUITIVE SURGICAL, INC.
1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

NOTICE OF EXERCISE

Intuitive Surgical, Inc.

_____

Date of Exercise:

_____ _____

Ladies and Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares for the price set forth below.

Type of option:	Nonstatutory
Stock option dated:	_____
Number of shares for which option is exercised:	_____
Certificates to be issued in name of:	_____
Total exercise price:	$ _____
Cash payment delivered herewith:	$ _____
Value of_____ shares of common stock delivered herewith (1):	$_____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the Company's 1998 Non-Employee Directors' Stock Option Plan and (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option.

Very truly yours,

_____
Optionee

_____
(1) Shares must meet the public trading requirements set forth in the option. Shares must be valued in accordance with the terms of the option being exercised, must have been owned for the minimum period required in the option, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

INTUITIVE SURGICAL, INC.

1998 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY THE BOARD OF DIRECTORS ON APRIL 18, 1998
APPROVED BY THE STOCKHOLDERS ON _____, 1998

1. PURPOSE.

(a) The purpose of this 1998 Employee Stock Purchase Plan (the "Plan") is to provide a means by which employees of Intuitive Surgical, Inc., a Delaware corporation (the "Company"), and its Affiliates, as defined in subparagraph 1(b), which are designated as provided in subparagraph 2(b), may be given an opportunity to purchase stock of the Company.

(b) The word "Affiliate" as used in the Plan means any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code").

(c) The Company, by means of the Plan, seeks to retain the services of its employees, to secure and retain the services of new employees, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(d) The Company intends that the rights to purchase stock of the Company granted under the Plan be considered options issued under an "employee stock purchase plan" as that term is defined in Section 423(b) of the Code.

2. ADMINISTRATION.

(a) The Plan shall be administered by the Board of Directors (the "Board") of the Company unless and until the Board delegates administration to a committee, as provided in subparagraph 2(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board or the Committee shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how rights to purchase stock of the Company shall be granted and the provisions of each offering of such rights (which need not be identical).

(ii) To designate from time to time which Affiliates of the Company shall be eligible to participate in the Plan.

(iii) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board or the Committee, in the exercise of this power, may correct any defect, omission or inconsistency in

the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To amend the Plan as provided in paragraph 13.

(v) Generally, to exercise such powers and to perform such acts as the Board or the Committee deems necessary or expedient to promote the best interests of the Company and its Affiliates and to carry out the intent that the Plan be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

(c) The Board may delegate administration of the Plan to a committee composed of not fewer than two (2) members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

3. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of paragraph 12 relating to adjustments upon changes in stock, the stock that may be sold pursuant to rights granted under the Plan shall not exceed in the aggregate one million five hundred thousand (1,500,000) shares of the Company's common stock (the "Common Stock"). If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

4. GRANT OF RIGHTS; OFFERING.

(a) The Board or the Committee may from time to time grant or provide for the grant of rights to purchase Common Stock of the Company under the Plan to eligible employees (an "Offering") on a date or dates (the "Offering Date(s)") selected by the Board or the Committee. Each Offering shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate, which shall comply with the requirements of Section 423(b)(5) of the Code that all employees granted rights to purchase stock under the Plan shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in paragraphs 5 through 8, inclusive.

(b) If an employee has more than one right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder, a right with a lower exercise price (or an earlier-granted right, if two rights have identical exercise prices), will be exercised to the fullest possible extent before a right with a higher exercise price (or a later-granted right, if two rights have identical exercise prices) will be exercised.

5. ELIGIBILITY.

(a) Rights may be granted only to employees of the Company or, as the Board or the Committee may designate as provided in subparagraph 2(b), to employees of any Affiliate of the Company. Except as provided in subparagraph 5(b), an employee of the Company or any Affiliate shall not be eligible to be granted rights under the Plan unless, on the Offering Date, such employee has been in the employ of the Company or any Affiliate for such continuous period preceding such grant as the Board or the Committee may require, but in no event shall the required period of continuous employment be equal to or greater than two (2) years. In addition, unless otherwise determined by the Board or the Committee and set forth in the terms of the applicable Offering, no employee of the Company or any Affiliate shall be eligible to be granted rights under the Plan unless, on the Offering Date, such employee's customary employment with the Company or such Affiliate is for at least twenty (20) hours per week and at least five (5) months per calendar year.

(b) The Board or the Committee may provide that each person who, during the course of an Offering, first becomes an eligible employee of the Company or designated Affiliate will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an eligible employee or occurs thereafter, receive a right under that Offering, which right shall thereafter be deemed to be a part of that Offering. Such right shall have the same characteristics as any rights originally granted under that Offering, as described herein, except that:

(i) the date on which such right is granted shall be the "Offering Date" of such right for all purposes, including determination of the exercise price of such right;

(ii) the period of the Offering with respect to such right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board or the Committee may provide that if such person first becomes an eligible employee within a specified period of time before the end of the Offering, he or she will not receive any right under that Offering.

(c) No employee shall be eligible for the grant of any rights under the Plan if, immediately after any such rights are granted, such employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Affiliate. For purposes of this subparagraph 5(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any employee, and stock which such employee may purchase under all outstanding rights and options shall be treated as stock owned by such employee.

(d) An eligible employee may be granted rights under the Plan only if such rights, together with any other rights granted under "employee stock purchase plans" of the Company and any Affiliates, as specified by Section 423(b)(8) of the Code, do not permit such employee's rights to purchase stock of the Company or any Affiliate to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of fair market value of such stock (determined at the time such rights are granted) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Affiliate shall be eligible to participate in Offerings under the Plan, provided, however, that the Board or the Committee may provide in an Offering that certain employees who are highly compensated employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

6. RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each eligible employee, pursuant to an Offering made under the Plan, shall be granted the right to purchase up to the number of shares of Common Stock of the Company purchasable with a percentage designated by the Board or the Committee not exceeding fifteen percent (15%) of such employee's Earnings (as defined in subparagraph 7(a)) during the period which begins on the Offering Date (or such later date as the Board or the Committee determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering. The Board or the Committee shall establish one or more dates during an Offering (the "Purchase Date(s)") on which rights granted under the Plan shall be exercised and purchases of Common Stock carried out in accordance with such Offering.

(b) In connection with each Offering made under the Plan, the Board or the Committee may specify a maximum number of shares that may be purchased by any employee as well as a maximum aggregate number of shares that may be purchased by all eligible employees pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board or the Committee may specify a maximum aggregate number of shares which may be purchased by all eligible employees on any given Purchase Date under the Offering. If the aggregate purchase of shares upon exercise of rights granted under the Offering would exceed any such maximum aggregate number, the Board or the Committee shall make a pro rata allocation of the shares available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable.

(c) The purchase price of stock acquired pursuant to rights granted under the Plan shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Purchase Date.

7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An eligible employee may become a participant in the Plan pursuant to an Offering by delivering an enrollment agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board or the Committee of such employee's Earnings during the Offering. "Earnings" is defined as an employee's regular salary or wages (including amounts thereof elected to be deferred by the employee, that would otherwise have been paid, under any arrangement established by the Company that is intended to comply with Section 125, Section 401(k), Section 402(e)(3), Section 402(h) or section 403(b) of the Code, and also including any deferrals under a non-qualified deferred compensation plan or arrangement established by the Company), and also, if determined by the Board or the Committee and set forth in the terms of the Offering, may include any or all of the following: (i) overtime pay, (ii) commissions, (iii) bonuses, incentive pay, profit sharing and other remuneration paid directly to the employee, and/or (iv) other items of remuneration not specifically excluded pursuant to the Plan. Earnings shall not include the cost of employee benefits paid for by the Company or an Affiliate, education or tuition reimbursements, imputed income arising under any group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by the Company or an Affiliate under any employee benefit plan, and similar items of compensation, as determined by the Board or the Committee. The payroll deductions made for each participant shall be credited to an account for such participant under the Plan and shall be deposited with the general funds of the Company. A participant may reduce (including to zero) or increase such payroll deductions, and an eligible employee may begin such payroll deductions, after the beginning of any Offering only as provided for in the Offering. A participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the participant has not had the maximum amount withheld during the Offering.

(b) At any time during an Offering, a participant may terminate his or her payroll deductions under the Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company provides. Such withdrawal may be elected at any time prior to the end of the Offering except as provided by the Board or the Committee in the Offering. Upon such withdrawal from the Offering by a participant, the Company shall distribute to such participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the participant) under the Offering, without interest, and such participant's right to acquire Common Stock under that Offering shall be automatically terminated. A participant's withdrawal from an Offering will have no effect upon such participant's eligibility to participate in any other Offerings under the Plan but such participant will be required to deliver a new enrollment agreement in order to participate in subsequent Offerings under the Plan.

(c) Rights granted pursuant to any Offering under the Plan shall terminate immediately upon cessation of a participant's employment with the Company and any designated Affiliate, for any reason, and the Company shall distribute to such terminated employee all of his

or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the terminated employee), under the Offering, without interest.

(d) Rights granted under the Plan shall not be transferable by a participant other than by will or the laws of descent and distribution, or by a beneficiary designation as provided in paragraph 14, and during a participant's lifetime, shall be exercisable only by such participant.

8. EXERCISE.

(a) On each Purchase Date specified in the relevant Offering, each participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) will be applied to the purchase of whole shares of stock of the Company, up to the maximum number of shares permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. Unless otherwise provided for in the applicable Offering, no fractional shares shall be issued upon the exercise of rights granted under the Plan. The amount, if any, of accumulated payroll deductions remaining in each participant's account after the purchase of shares which is less than the amount required to purchase one share of stock on the final Purchase Date of an Offering shall be held in each such participant's account for the purchase of shares under the next Offering under the Plan, unless such participant withdraws from such next Offering, as provided in subparagraph 7(b), or is no longer eligible to be granted rights under the Plan, as provided in paragraph 5, in which case such amount shall be distributed to the participant after such final Purchase Date, without interest. The amount, if any, of accumulated payroll deductions remaining in any participant's account on the final Purchase Date of an Offering after the purchase of shares which is equal to or in excess of the value of one whole share of common stock shall be distributed in full to the participant after such Purchase Date, without interest.

(b) No rights granted under the Plan may be exercised to any extent unless the shares to be issued upon such exercise under the Plan (including rights granted thereunder) are covered by an effective registration statement pursuant to the Securities Act of 1933, as amended (the "Securities Act") and the Plan is in material compliance with all applicable state, foreign and other securities and other laws applicable to the Plan. If on a Purchase Date in any Offering hereunder the Plan is not so registered or in such compliance, no rights granted under the Plan or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the Plan is subject to such an effective registration statement and such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If on the Purchase Date of any Offering hereunder, as delayed to the maximum extent permissible, the Plan is not registered and in such compliance, no rights granted under the Plan or any Offering shall be exercised and all payroll deductions accumulated during the Offering (reduced to the extent, if any, such deductions have been used to acquire stock) shall be distributed to the participants, without interest.

9. COVENANTS OF THE COMPANY.

(a) During the terms of the rights granted under the Plan, the Company shall at all times keep available as authorized but unissued shares or treasury shares that number of shares of stock required to satisfy such rights.

(b) The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the rights granted under the Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such rights unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock to participants pursuant to rights granted under the Plan shall constitute general funds of the Company.

11. RIGHTS AS A STOCKHOLDER.

A participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to rights granted under the Plan unless and until the participant's shares acquired upon exercise of rights hereunder are recorded in the books of the Company (or its transfer agent).

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any rights granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan and outstanding rights will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding rights. Such adjustments shall be made by the Board or the Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of: (1) a dissolution or liquidation of the Company; (2) a merger or consolidation in which the Company is not the surviving corporation; (3) a reverse merger in which the Company is the surviving corporation but the shares of the Company's Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or (4) the acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company

or any Affiliate of the Company) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors, then, as determined by the Board in its sole discretion (i) any surviving or acquiring corporation may assume outstanding rights or substitute similar rights for those under the Plan, (ii) such rights may continue in full force and effect, or (iii) participants' accumulated payroll deductions may be used to purchase Common Stock immediately prior to the transaction described above and the participants' rights under the ongoing Offering terminated.

13. AMENDMENT OF THE PLAN.

(a) The Board or the Committee at any time, and from time to time, may amend the Plan. However, except as provided in paragraph 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment if such amendment requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3 promulgated under the Exchange Act or any Nasdaq or securities exchange requirements.

(b) The Board or the Committee may amend the Plan in any respect the Board or the Committee deems necessary or advisable to provide eligible employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to employee stock purchase plans and/or to bring the Plan and/or rights granted under it into compliance therewith.

(c) Rights and obligations under any rights granted before amendment of the Plan shall not be impaired by any amendment of the Plan, except with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulations, or except as necessary to ensure that the Plan and/or rights granted under the Plan comply with the requirements of Section 423 of the Code.

14. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering but prior to delivery to the participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death during an Offering.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice in the form prescribed by the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver

such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board or the Committee in its discretion, may suspend or terminate the Plan at any time. No rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any rights granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except as expressly provided in the Plan or with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulation, or except as necessary to ensure that the Plan and/or rights granted under the Plan comply with the requirements of Section 423 of the Code.

16. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system (the "Effective Date"), but no rights granted under the Plan shall be exercised unless and until the Plan had been approved by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board or the Committee, which date may be prior to the Effective Date.

17. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

INTUITIVE SURGICAL, INC.

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

NOVEMBER 14, 1997

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AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (the "Agreement") is entered into as of the 14th day of November 1997, by and among INTUITIVE SURGICAL, INC., a Delaware corporation (the "Company"), Robert G. Younge, Frederic H. Moll and John G. Freund (the "Founders"), and the holders of the Company's Preferred Stock set forth on Exhibit A attached hereto. Such holders shall be referred to hereinafter as the "Investors" and each individually as an "Investor."

R E C I T A L S

WHEREAS, the Company proposes to sell and issue shares of its Preferred Stock from time to time, including the sale and issuance of Series D Preferred Stock pursuant to that certain Series D Preferred Stock Purchase Agreement dated as of the date hereof (the "Purchase Agreement");

WHEREAS, as a condition of entering into the Purchase Agreement, the purchaser of Series D Preferred Stock under the Purchase Agreement (the "Purchaser") has requested that the Company extend to it registration rights and other rights as set forth below;

WHEREAS, the Company, the Founders and those undersigned Investors holding the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock desire to grant such rights to the Purchaser by substituting this Agreement, to which the Purchaser is a party, for that Investors Rights Agreement entered into as of the 20th day of December 1995 and amended on the 31st day of January 1996 and the 29th day of January 1997 by and among the Company, the Founders and the holders of all of the then outstanding shares of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock (collectively the "Prior Agreements"); and

WHEREAS, the Company and the Investors wish to grant certain rights to and impose certain restrictions on the Founders, as set forth below;

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and in the Purchase Agreement, the parties mutually agree (i) that effective upon the closing of the sale and issuance of the Series D Preferred Stock pursuant to the Series D Stock Purchase Agreement, and execution of this Agreement by Investors holding at least fifty percent (50%) of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock all provisions of, rights granted by, and covenants made in the Prior Agreements are hereby waived, released and terminated in their entirety and shall have no further force or effect whatsoever and (ii) as follows:

1. GENERAL

1.1 DEFINITIONS. As used in this Agreement the following terms shall have the following respective meanings:

"Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"Holder" means any Investor owning of record Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 2.10 hereof.

"Register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"Registrable Securities" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities (i) sold by a person to the public either pursuant to a registration statement or Rule 144, or (ii) sold in a private transaction in which the transferror's rights under Article II of this Agreement are not assigned.

"Registrable Securities then outstanding" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"Registration Expenses" shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements not to exceed Ten Thousand Dollars ($10,000) of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

"SEC" or "Commission" means the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes, if any, applicable to the sale of Registrable Securities.

"Shares" shall mean shares of the Company's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

2. REGISTRATION; RESTRICTIONS ON TRANSFER

2.1 RESTRICTIONS ON TRANSFER.

(a) Each Holder agrees not to make any disposition of all or any portion of the Registrable Securities (or the Common Stock issuable upon the conversion thereof) unless and until the transferee has agreed in writing for the benefit of the Company to be bound by this Section 2.1, provided and to the extent such Section is then applicable and:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) Such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (B) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or former partners in accordance with partnership interests, or a corporation to its affiliates, (B) a corporation to its shareholders in accordance with their interest in the corporation or (C) to the Holder's family member or trust for the benefit of an individual Holder, provided the transferee will be subject to the terms of this Section 2.1 to the same extent as if he were an original Holder hereunder.

(b) Each certificate representing Shares or Registrable Securities shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws or as provided elsewhere in this Agreement and except that the Regulation S legend shall be applied only to those securities issued to Regulation S Purchasers):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL OR BASED ON OTHER WRITTEN EVIDENCE IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED PURSUANT TO REGULATION S OF THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") AND MAY NOT BE SOLD,

MORTGAGED, PLEDGED, HYPOTHETICATED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE THEREWITH.

(c) The Company shall be obligated to reissue promptly unlegended certificates at the request of any holder thereof if the holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend. Upon removal of such legend, the provisions of Section 2.1(a) shall no longer apply.

(d) Each Regulation S Purchaser is aware that the Company will, and the Company agrees that the Company shall, to the extent required by Regulation S, refuse to register any transfer of the Shares purchased by such Regulation S Purchaser that is not made in accordance with Regulation S.

(e) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate blue sky authority authorizing such removal.

2.2 DEMAND REGISTRATION.

2.2.1 Subject to the conditions of this Section 2.2, if the Company shall receive at any time after the earlier of either (i) January 29, 2000 or (ii) ninety (90) days after the effective date of the registration statement pertaining to the initial public offering of the Company's Common Stock (the "Initial Offering"), a written request from the Holders of at least thirty percent (30%) of the Registrable Securities then outstanding (the "Initiating Holders") that the Company file a registration statement under the Securities Act covering the registration of (i) at least twenty percent (20%) of Registrable Securities or (ii) less than twenty percent (20%) of the Registrable Securities provided such lesser percentage of Registrable Securities have an aggregate offering price to the public of not less than $7,500,000, then the Company shall, within thirty (30) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.2, shall use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered.

2.2.2 If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.2 and the Company shall include such information in the written notice referred to in Section 2.2.1. In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be

reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.2, if the underwriter advises the Company in writing that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

2.2.3 The Company shall not be required to effect a registration pursuant to this Section 2.2:

(i) after the Company has effected two (2) registrations pursuant to this Section 2.2 and such registrations have been declared or ordered effective; or

(ii) during the period starting with the date of filing of, and ending on the date ninety (90) days following the effective date of the Initial Offering, provided that the Company is making reasonable and good faith efforts to cause such registration statement to become effective; or

(iii) if within thirty (30) days of receipt of a written request from Initiating Holders pursuant to Section 2.2.1, the Company gives notice to the Holders of the Company's bona fide good faith intention to make its Initial Offering within ninety (90) days; or

(iv) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.2, a certificate signed by the Chairman of the Board stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided that such right to delay a request shall be exercised by the Company no more than twice in any one-year period.

2.3 PIGGYBACK REGISTRATIONS. The Company promptly shall notify all Holders in writing of the Company's determination to file any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans and corporate reorganizations) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after mailing of the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent

registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

2.3.1 UNDERWRITING. If the registration statement under which the Company gives notice under this Section 2.3 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of the Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities held by the Holders; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the securities being offered by the Company for its own account to be included in the registration and underwriting, and in no event shall the amount of securities of the selling Holders included in the registration be reduced below thirty percent (30%) of the total amount of securities included in such registration, unless such offering is the Initial Offering and such registration does not include shares of any other selling shareholders, in which event any or all of the Registrable Securities of the Holders may be excluded in accordance with the immediately preceding sentence. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

2.3.1.1 RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated or withdraw any registration initiated by it under this Section 2.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof.

2.4 FORM S-3 REGISTRATION. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

2.4.1 Promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

2.4.2 As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within

twenty (20) days after mailing of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(i) if Form S-3 (or such successor or similar form) is not available for such offering by the Holders; or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $750,000; or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.4, provided that the Company may exercise such right only once in each 12-month period;

(iv) after the Company has effected two (2) registrations pursuant to this Section 2.4 in any twelve (12) month period; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

2.4.3 Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

2.5 EXPENSES OF REGISTRATION. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 2.2 or any registration under Section 2.3 or Section 2.4 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2 or 2.4, the request of which has been subsequently withdrawn by the Initiating Holders unless the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request. If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested.

2.6 OBLIGATIONS OF THE COMPANY. Whenever required to effect the registration of any Registrable Securities, the Company shall use its best efforts, as expeditiously as reasonably possible, to:

2.6.1 Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred eighty (180) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

2.6.2 Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

2.6.3 Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

2.6.4 Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

2.6.5 In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

2.6.6 Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

2.6.7 Furnish, at the request of a majority of the Holders participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting

registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

2.6.8 Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

2.6.9 Provide a transfer agent and registrar for all Registrable Securities registered pursuant to such registration statement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

2.7 TERMINATION OF REGISTRATION RIGHTS. All registration rights granted under this Article II shall terminate and be of no further force and effect five (5) years after the closing of the Company's Initial Offering. In addition, a Holder's registration rights shall expire if all Registrable Securities held by and issuable to such Holder may be sold under Rule 144 during any ninety (90) day period.

2.8 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Article II.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2, 2.3 or 2.4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

2.9 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4:

2.9.1 To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended, (the "1934 Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law in connection with the offering covered by such registration statement; and the Company will, as

incurred, reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 2.9.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

2.9.2 To the extent permitted by law, each selling Holder, if Registrable Securities held by such Holder are included in the securities as to which such registration is being effected, will indemnify and hold harmless the Company, each of its directors, each of its officers, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse, as incurred, any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 2.9.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 2.9 exceed the gross proceeds from the offering received by such Holder.

2.9.3 Promptly after receipt by an indemnified party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or

potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.9.

2.9.4 If the indemnification provided for in this Section 2.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

2.9.5 Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

2.9.6 The obligations of the Company and Holders under this Section 2.9 shall survive the completion of any offering of Registrable Securities in a registration statement, and otherwise.

2.10 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Article II may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least one hundred thousand (100,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.11 AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Article II may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of not less than fifty percent (50%) of the Registrable Securities. Any

amendment or waiver effected in accordance with this Section 2.11 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Article II, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

2.12 LIMITATION ON SUBSEQUENT REGISTRATION RIGHTS. After the date of this Agreement, the Company shall not, without the prior written consent of the Holders not less than fifty percent (50%) of the Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights senior to those granted to the Holders hereunder.

2.13 "MARKET STAND-OFF" AGREEMENT. If requested by a representative of the underwriters of Common Stock (or other securities) of the Company, each Holder and Founder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder or Founder (other than those included in the registration) for a period specified by the representative of the underwriters, not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act (the "Effective Date"), provided that:

(a) such agreement shall apply only to the Company's Initial Offering; and

(b) all officers and directors of the Company enter into similar agreements.

The obligations described in this Section 2.13 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

2.14 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Securities Act and the 1934 Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a

Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

3. COVENANTS OF THE COMPANY

3.1 BASIC FINANCIAL INFORMATION AND REPORTING.

3.1.1 The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied, and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

3.1.2 So long as an Investor (with its affiliates) shall own not less than (i) two million (2,000,000) shares of Registrable Securities (as adjusted for stock splits and combinations), (ii) two hundred thousand (200,000) shares of Series C Preferred Stock (as adjusted for stock splits and combinations), or (iii) two hundred thousand (200,000) shares of Series D Preferred Stock (as adjusted for stock splits and combinations) (a "Major Investor" which term shall include each Founder regardless of the number of shares such Founder holds) as soon as practicable after the end of each fiscal year of the Company, and in any event within ninety (90) days thereafter, the Company will furnish each Major Investor a consolidated balance sheet of the Company, as at the end of such fiscal year, and a consolidated statement of income and a consolidated statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of national standing selected by the Company's Board of Directors.

3.1.3 The Company will furnish each Major Investor as soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, and in any event within forty-five (45) days thereafter, a consolidated balance sheet of the Company as of the end of each such quarterly period, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

3.1.4 The Company will furnish each such Major Investor (i) at least thirty (30) days prior to the beginning of each fiscal year an annual budget and operating plans for such fiscal year (and as soon as available, any subsequent revisions thereto); and (ii) as soon as practicable after the end of each month, and in any event within twenty (20) days thereafter, a consolidated balance sheet of the Company as of the end of each such month, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such month and for the current fiscal year to date, including a comparison to plan figures for such period, prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

3.2 INSPECTION RIGHTS. Each Major Investor shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information regarding the Company as is reasonably requested all at such reasonable times and as often as may be reasonably requested; provided, however, that the Company shall not be obligated under this Section 3.2 with respect to a competitor of the Company or with respect to information which the Board of Directors determines in good faith is confidential and should not, therefore, be disclosed.

3.3 CONFIDENTIALITY OF RECORDS.

3.3.1 Each Investor agrees not to use Confidential Information (as hereinafter defined) of the Company for its own use or for any purpose except to evaluate and enforce its equity investment in the Company. Except as permitted under subsection (b) below, each Investor agrees to use its best efforts not to disclose such Confidential Information to any third parties. Each Investor shall undertake to treat such Confidential Information in a manner consistent with the treatment of its own information of such proprietary nature and agrees that it shall protect the confidentiality of and use reasonable best efforts to prevent disclosure of the Confidential Information to prevent it from falling into the public domain or the possession of unauthorized persons. Each transferee of any Investor who receives Confidential Information shall agree to be bound by such provisions. For purposes of this Section, "Confidential Information" means any information, technical data, or know-how, including, but not limited to, the Company's licenses, research, products, software, services, development, inventions, consultants' identities, processes, designs, drawings, engineering, marketing, finances, or business partners disclosed by the Company either directly or indirectly in writing, orally or by drawings or inspection of parts or equipment.

3.3.2 Confidential Information does not include information, technical data or know-how which (i) is in the Investor's possession at the time of disclosure as shown by Investor's files and records immediately prior to the time of disclosure; (ii) before or after it has been disclosed to the Investor, it is part of the public knowledge or literature, not as a result of any action or inaction of the Investor; (iii) is approved for release by written authorization of Company; or (iv) is rightfully disclosed to Investor by a third party without restriction. The provisions of this Section shall not apply (i) to the extent that an Investor is required to disclose Confidential Information pursuant to any law, statute, rule or regulation or any order of any court or jurisdiction process or pursuant to any direction, request or requirement (whether or not having the force of law but if not having the force of law being of a type with which institutional investors in the relevant jurisdiction are accustomed to comply) of any self-regulating organization or any governmental, fiscal, monetary or other authority; (ii) to the disclosure of Confidential Information to an Investor's employees, counsel, accountants or other professional advisors; (iii) to the extent that an Investor needs to disclose Confidential Information for the protection of any of such Investor's rights or interest against the Company, whether under this Agreement or otherwise; or (iv) to the disclosure of Confidential Information to a prospective transferee of securities which agrees to be bound by the provisions of this Section in connection with the receipt of such Confidential Information.

3.4 PROPRIETARY INFORMATION. The Company shall require all employees of and consultants to the Company who have access to proprietary information of the Company to enter into agreements in the Company's standard form providing for the protection of proprietary information and inventions.

3.5 STOCK VESTING. Unless otherwise approved by the Board of Directors, all stock options and other stock equivalents issued after the date of this Agreement to employees, directors, consultants and other service providers, except with respect to the Founders, shall be subject to vesting monthly over a four (4) year period. With respect to any shares of stock purchased by any such person, the Company's repurchase option shall provide that (i) upon such person's termination of employment or service with the Company, with or without cause, the Company or its assignee (to the extent permissible under applicable securities laws and other laws) shall have the option to purchase at cost any unvested shares of stock held by such person, (ii) no such stock may be transferred prior to vesting, and (iii) the sale of all such stock shall be subject to a right of first refusal in favor of the Company or its assignees.

3.6 RIGHT OF FIRST REFUSAL. The Company hereby grants to each Major Investor, unless waived by the holders of at least a majority of the shares held by the Major Investors, the right of first refusal to purchase a pro rata share of New Securities (as defined below) that the Company may, from time to time, propose to sell and issue. For purposes of this Section 3.6 only, the term "Major Investor" shall include Guidant Corporation ("Guidant"). The Company shall provide such information to a mutually-agreed upon Guidant employee ("Guidant Reviewer") in connection with the exercise of Guidant's rights under this Section 3.6, as Guidant may reasonably request. The Company and Guidant acknowledge and agree that any information delivered in accordance with this Section 3.6 is (i) Confidential Information, (ii) subject to the confidentiality provisions as set forth in Section 3.3 hereof and (iii) is to be provided to the Guidant Reviewer only and is not to be disclosed to any other employee, agent or affiliate of Guidant. Each Major Investor's pro rata share, for purposes of this right of first refusal, is the ratio of (X) the number of shares of Registrable Securities then owned by such Major Investor to (Y) the total number of shares of Common Stock of the Company outstanding immediately prior to the issuance of the New Securities, assuming full conversion of all shares of outstanding Preferred Stock of the Company and exercise of all outstanding options and warrants to purchase securities of the Company. This right of first refusal shall be subject to the following provisions:

3.6.1 "New Securities" shall mean any offering by the Company of any Common Stock or Preferred Stock of the Company, whether now authorized or not, and rights, options, or warrants to purchase said Common Stock or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible into said Common Stock or Preferred Stock; provided, however, that "New Securities" does not include (i) securities issuable upon conversion of the Shares; (ii) securities issued upon conversion or exchange of currently outstanding securities, (iii) securities offered to the public pursuant to a registration statement filed under the Securities Act; (iv) securities issued pursuant to the acquisition of another corporation by the Company by merger, purchase of substantially all of the assets, or other reorganization whereby the Company owns more than 50% of the voting power of such corporation; (v) shares of the Company's Common Stock (or related options) issued or issuable at any time to employees, directors or consultants of the Company, or any subsidiary, pursuant to

any employee stock offering, plan, or arrangement approved by the Board of Directors; (vi) shares of the Company's Common Stock or Preferred Stock issued in connection with any stock split, stock dividend, or recapitalization by the Company; (vii) securities issued in connection with equipment lease financings or other financings with commercial lenders; (viii) shares of the Company's Common Stock or Preferred Stock issued in connection with strategic transactions involving the Company and other entities, including (A) joint ventures, manufacturing, marketing or distribution arrangements or (B) technology transfer or development arrangements; provided that such strategic transactions and the issuance of shares therein, has been approved by the Company's Board of Directors.

3.6.2 In the event that the Company proposes to undertake an issuance of New Securities, it shall give each Holder written notice of its intention, describing the type of New Securities, the price, and the general terms upon which the Company proposes to issue the same. Each Holder shall have twenty (20) business days from the date of mailing of any such notice to agree to purchase its pro rata share of such New Securities for the price and upon the general terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased. Notwithstanding the foregoing, the Company shall not be required to offer or sell New Securities to any Holder who would cause the Company to be in violation of applicable federal or state securities laws by virtue of such offer or sale.

3.6.3 In the event that any Holder fails or Holders fail to exercise in full the right of first refusal within said twenty (20) business day period, the Company shall give written notice of such failure to every other Holder who gave timely notice to the Company of its exercise in full of its first refusal rights (a "Fully Participating Holder"). Any such Fully Participating Holder may then elect to purchase the New Securities respecting which the Holders' rights were not exercised ("Available New Securities"), at a price and upon general terms materially no more favorable to the purchasers thereof than specified in the Company's notice, by notifying the Company in writing within ten (10) business days from the date of mailing of any such notice. In the event that the Fully Participating Holders give timely notice of elections to purchase, in addition to their original pro rata share of the New Securities, an aggregate of more than the Available New Securities available, such Fully Participating Holders shall purchase that percentage of the total of Available New Securities as each such Fully Participating Holder's present ownership of Registrable Securities bears to the total number of shares of all Fully Participating Holders who have given timely notice of their election to purchase additional shares.

3.6.4 In the event (i) there are no Fully Participating Holders or (ii) the Fully Participating Holders do not timely elect to purchase all Available New Securities, the Company shall have one hundred and twenty (120) days thereafter to sell (or enter into an agreement pursuant to which the sale of Available New Securities covered thereby shall be closed, if at all, within thirty (30) days from the date of said agreement) the Available New Securities respecting which the Fully Participating Holders' rights were not exercised at a price and upon general terms materially no more favorable to the purchasers thereof than specified in the Company's notice. In the event the Company has not sold the Available New Securities within said one hundred and twenty (120) day period (or sold and issued Available New Securities in accordance with the foregoing within one hundred and twenty (120) days from the

date of said agreement), the Company shall not thereafter issue or sell any Available New Securities without first offering such securities to the Holders in the manner provided above.

3.6.5 The right of first refusal of each Holder under this Section 3.6 may be transferred to any transferee who is or becomes a Holder. For purposes of this Section 3.6, Holder includes any general partner or affiliate of Holder. A Holder shall be entitled to apportion the right of first refusal granted it among itself and its partners and affiliates in such proportions as it deems appropriate.

3.6.6 Notwithstanding the foregoing, the consent of Guidant shall be required for any amendment or waiver of this Section 3.6.

3.7 VISITATION RIGHTS. To the extent a Founder is not a member of the board of directors, the Company shall allow one representative designated by each of the Founders to attend all meetings of the Company's board of directors in a nonvoting capacity, and in connection therewith, the Company shall give such representative copies of all notices, minutes, consents and other materials, financial or otherwise, which the Company provides to its board of directors.

3.8 RESERVATION OF COMMON STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

3.9 TERMINATION OF COVENANTS. All covenants of the Company contained in Article III of this Agreement shall expire and terminate as to each Investor and the Founders on the Effective Date of the Company's first firm commitment underwritten public offering registered under the Securities Act.

4. MISCELLANEOUS

4.1 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

4.2 SURVIVAL. The representations, warranties, covenants, and agreements made herein shall survive any investigation made by any Holder and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Company hereunder solely as of the date of such certificate or instrument.

4.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time; provided, however, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such shares in its records as the

absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

4.4 SEVERABILITY. In case any provision of the Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

4.5 AMENDMENT AND WAIVER.

4.5.1 Except as otherwise expressly provided, this Agreement may be amended or modified only upon the written consent of the Company and the holders of not less than fifty percent (50%) of the Registrable Securities.

4.5.2 Except as otherwise expressly provided, the obligations of the Company and the rights of the Holders under this Agreement may be waived only with the written consent of the holders of not less than fifty percent (50%) of the Registrable Securities.

4.5.3 Notwithstanding the foregoing, subject to Section 2.12, this Agreement may be amended with only the written consent of the Company to modify Exhibit A to include additional purchasers of Shares as "Investors," "Holders" and parties hereto.

4.5.4 Notwithstanding the foregoing, the consent of the Founder shall be required for any amendment or waiver of this Agreement which materially increases such Founder's obligations or diminishes such Founder's rights hereunder.

4.6 DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

4.7 NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, having specified next day delivery, with written verification of receipt. All communications shall be sent to the Company or a Founder at the address as set forth on the signature page hereof and to the Investors at the address set forth on the Schedule of Investors or at such other address as any party may designate by ten (10) days advance written notice to the other parties hereto.

4.8 ATTORNEY'S FEES. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

4.9 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

4.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

4.11 ENTIRE AGREEMENT. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof. The Prior Agreements are hereby amended and restated in their entirety by this Agreement and the Company, the Founders and the Investors agree that this Agreement shall supersede and replace the rights and obligations of the Company, the Founders and the Investors granted to them under the Prior Agreements.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Investor Rights Agreement as of the date set forth in the first paragraph hereof.

COMPANY:

INTUITIVE SURGICAL, INC.

By: /s/ Lonnie M. Smith

Lonnie M. Smith
Chief Executive Officer

FOUNDERS:

FREDERIC H. MOLL

/s/ Frederic H. Moll

ROBERT G. YOUNGE

/s/ Robert G. Younge

JOHN G. FREUND

/s/ John G. Freund

INVESTORS:

MAYFIELD VIII
a California Limited Partnership
By: Mayfield VIII Management, L.L.C.
a Delaware Limited Liability
Company, its General Partner

By:/s/ Russell C. Hirsch

Its:

MAYFIELD ASSOCIATES FUND II
a California Limited Partnership

By:/s/ George A. Pavlov

Its:

SIERRA VENTURES V, L.P.
By: SV Associates V, L.P.,
its General Partner

By:/s/ Petri T. Vainio

Petri T. Vainio, General Partner

ALLAN G. LOZIER

/s/ Allan G. Lozier

GC&H INVESTMENTS

By:/s/ John L. Cardoza

John L. Cardoza, Executive Partner

ALLAN JOHNSTON

/s/ Allan Johnston

GUIDANT CORPORATION

By:/s/ Jay Watkins

Jay Watkins, Vice President

RWI GROUP, L.P.

By:/s/ Donald A. Lucas

Donald A. Lucas

WILLIAM H. ABBOTT, TRUSTEE FOR THE
ABBOTT LIVING TRUST DATED 08/20/87

By:/s/ William H. Abbott

William H. Abbott, Trustee

PAUL A. BROOKE

/s/ Paul A. Brooke

STANFORD UNIVERSITY

By:/s/ Carol Gilmer

Its: Assistant Secretary

JOSEPH M. MANDATO AND ELIZABETH R.
MANDATO TTEES OF THE MANDATO
FAMILY TRUST

By:/s/ Joseph M. Mandato

Joseph M. Mandato, Trustee

ROBERT OKUN

/s/ Robert Okun

HOWARD M. HOLSTEIN

/s/ Howard M. Holstein

PETER DICKSTEIN

/s/ Peter Dickstein

WILLIAM JENKINS

/s/ William Jenkins

MORGAN STANLEY VENTURE PARTNERS III, L.P.

By: Morgan Stanley Venture Partners
III, L.L.C.
Its General Partner
By: Morgan Stanley Venture Capital III, Inc.
Institutional Managing Member

By:/s/ Scott Halsted

Its: General Partner

MORGAN STANLEY VENTURE INVESTORS III, L.P.

By: Morgan Stanley Venture Partners
III, L.L.C.
Its General Partner
By: Morgan Stanley Venture Capital III, Inc.
Institutional Managing Member

By:/s/ Scott Halsted

Its: General Partner

PATMARK COMPANY, INC.

By:/s/ James D. Van De Velde

Its: President

HUNTERSVILLE ROAD INVESTORS L.P.

By: /s/ W. August Hillenbrand

Its:

WESTWOOD ASSOCIATES, L.P.

By:

Its:

PRICE BROTHERS INVESTMENT PARTNERSHIP

By: Price Brothers Investment Corp.,
its General Partner

By:/s/ John Price

Its: Vice President

ROSE REVOCABLE TRUST

By:/s/ G. Lynn Rose

Its: Trustee

HARRY S. ROBBINS AND SUSAN K. ROBBINS,
TRUSTEES OF THE ROBBINS FAMILY TRUST
D/T/D 4/15/91

By:/s/ Harry S. Robbins

Harry S. Robbins, Trustee

By:/s/ Susan K. Robbins

Susan K. Robbins, Trustee

JUDD MELTZER

/s/ Judd Meltzer

WENDY MELTZER

/s/ Wendy Meltzer

SEELIG FREUND

/s/ Seelig Freund

CHARMIAN FREUND

/s/ Charmian Freund

BERNARD WEISS

/s/ Bernard Weiss

DORIS WEISS

/s/ Doris Weiss

STAR BAY PARTNERS, L.P.,
a California Limited Partnership

By: APH Capital Management LLC,
a California Limited Liability
Company,
its General Partner

By: Levensohn Capital Management LLC,
a California Limited Liability
Company,
its Managing Member

By: /s/ Pascal N. Levnsohn

Pascal N. Levensohn
Managing Member

TRIAXIS TRUST AG

By: /s/ H.P. John

Its: Chairman

BANK JULIUS BAER & CO. LTD.

By: /s/ M. Jukotic /s/ S. Newson

Its: Dep. Member Vice President

CBG COMPAGNIE BANCAIRE GENEVE

By: /s/ Michele Streuli /s/ Thierry Mory

Its: Vice President Mandatory

RICHARD C. BLUM

/s/ Richard C. Blum

N. COLIN LIND

/s/ N. Colin Lind

JEFFREY W. UBBEN

/s/ Jeffrey W. Ubben

MURRAY A. INDICK

/s/ Murray A. Indick

GEORGE F. HAMEL, JR.

/s/ George F. Hamel, Jr.

MARC T. SCHOLVINCK

/s/ Marc T. Scholvinck

R. CRAIG LIND

/s/ R. Craig Lind

INSURANCE COMPANY SUPPORTED
ORGANIZATIONS PENSION PLAN

By: _____

Its: _____

BK CAPITAL PARTNERS, IV, L.P.

By: Richard C. Blum & Associates, L.P.
Its General Partner

By: /s/ Marc T. Scholvinck

Its: Managing Director

PRISM PARTNERS I, L.P.

By: /s/ Jerald M. Weintrab

Its: Managing General Partner

RICHARD C. BLUM & ASSOCIATES, L.P.

By: /s/ Marc T. Scholvinck
Its: Managing Director

TIMOTHY H. UBBEN

/s/ Timothy H. Ubben

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
Mayfield VIII 2800 Sand Hill Road Menlo Park, CA 94025 Attn: A. Grant Heidrich, III Attn: Russell C. Hirsch	2,565,000	---	912,000	337,630
Mayfield Associates Fund II 2800 Sand Hill Road Menlo Park, CA 94025 Attn: A. Grant Heidrich, III Attn: Russell C. Hirsch	135,000	---	48,000	17,770
Sierra Ventures V, L.P. 3000 Sand Hill Road Building 4, Suite 210 Attn: Petri T. Vainio	2,300,000	---	600,000	125,000
Frederic H. Moll P.O. Box 620635 Woodside, CA 94062	150,000	---	---	---
Robert G. Younge 550 Westridge Drive Portola Valley, CA 94028	100,000	---	---	---
John G. Freund and Linda G. Sexton, Trustees of the Freund/ Sexton Living Trust Dated February 8, 1991 86 Alejandra Avenue Atherton, CA 94027	50,000	---	---	---
William H. Abbott, Trustee for the Abbott Living Trust dated 08/20/87 1507 Louisa Court Palo Alto, CA 94303	25,000	---	---	---
Paul A. Brooke Tower Hill Road Tuxedo Park, NY 10987	25,000	---	---	---

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
Stanford University c/o Stanford Management Company 2770 Sand Hill Road Menlo Park, CA 94025 Attn: Carol Gilmer	25,000	---	---	---
GC&H Investments One Maritime Plaza, 20th Floor San Francisco, CA 94111	20,000	---	10,000	---
Joseph M. Mandato and Elizabeth R. Mandato TTEES of the Mandato Family Trust 82 Monte Vista Avenue Atherton, CA 94027	20,000	---	10,000	---
Harry S. Robbins & Susan K. Robbins Trustees of the Robbins Family Trust D/T/D 4/15/91 15244 Montalvo Heights Court Saratoga, CA 95070	20,000	---	---	---
Howard M. Holstein 850 Potomac School Terrace Potomac, MD 20854	7,500	---	---	---
Guidant Corporation c/o Origin Medsystems, Inc. 135 Constitution Drive Menlo Park, CA 94025 Attn: Jay Watkins	---	470,000	290,000	---
Allan G. Lozier c/o Lozier Corporation 6226 Pershing Drive Omaha, NE 678110	---	---	1,200,000	116,000
RWI Group, L.P. 72o University Avenue, Suite 103 Palo Alto, CA 94301 Attn: Donald A. Lucas	---	---	100,000	---

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
Allan Johnston c/o Synergy Partners International 1010 El Camino Real, Suite 300 Menlo Park, CA 94025	---	---	5,000	---
Robert Okun c/o Synergy Partners International 1010 El Camino Real, Suite 300 Menlo Park, CA 94025	---	---	5,000	---
William M. Jenkins 2208 16th Avenue East Seattle, WA 98112	---	---	4,000	---
Peter M. Dickstein 3746 Sacramento Street San Francisco, CA 94118	---	---	1,000	---
Morgan Stanley Venture Partners III, L.P. 3000 Sand Hill Road Building 4, Suite 250 Menlo Park, CA 94025 Attn: John F. Ryan	---	---	1,368,600	---
Morgan Stanley Venture Investors III, L.P. 3000 Sand Hill Road Building 4, Suite 250 Menlo Park, CA 94025 Attn: John F. Ryan	---	---	131,400	---
PaTMarK Company, Inc. c/o Hillenbrand Industries, Inc. 700 State Route, 46 East Batesville, IN 47006 Attn: Thomas E. Brewer	---	---	1,000,000	37,500
Huntersville Road Investors L.P. c/o Hillenbrand Industries, Inc. 700 State Route, 46 East Batesville, IN 47006 Attn: Thomas E. Brewer	---	---	250,000	87,500

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
Rose Revocable Trust c/o Goldman, Sachs & Co. 555 California Street, 44th Floor San Francisco, Ca 94104 Attn: G. Lynn Rose	---	---	---	28,600
Westwood Associates, L.P. c/o Hillenbrand Industries, Inc. 700 State Route, 46 East Batesville, IN 47006 Attn: Thomas E. Brewer	---	---	33,000	---
Price Brothers Investment Partnership 1218 Third Avenue, #1115 Seattle, WA 98101 Attn: John Price	---	---	12,000	---
Mr. Judd Meltzer Mrs. Wendy Meltzer 900 Park Avenue New York, NY 10028	---	---	10,000	---
Dr. Seelig Freund Mrs. Charmian Freund 1185 Park Avenue, Apt. 3F New York, NY 10128	---	---	5,000	---
Dr. Bernard Weiss Mrs. Doris Weiss 119 East 84th Street, Apt. 8A New York, NY 10028	---	---	5,000	---
Star Bay Partners, L.P. c/o Levensohn Capital Management 44 Montgomery Street Suite 2000 San Francisco, CA 94104 Attn: Pascal N. Levensohn	---	---	---	375,000
Triaxis Trust AG Buerglistrasse 6 8027 Zuerich Attn: Hans-Peter John	---	---	---	212,500

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
Bank Julius Baer & Co. Ltd. Bahmhoifstmasse 36 8010 Zuerich Switzerland Attn: Simon Newson	---	---	---	162,500
CBG Compagnie Bancaire Geneve Avenue de Rumine 20 Case postale 220 CH-1005 LAUSANNE Switzerland Attn: Thierry Mory	---	---	---	125,000
Insurance Company Supported Organizations Pension Plan c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	75,000
BK Capital Partners IV, L.P. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	187,500
Prism Partners I, L.P. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	62,500
Richard C. Blum & Associates, L.P. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	120,625
Richard C. Blum c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	18,750

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred
N. Colin Lind c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	8,750
Jeffrey W. Ubben c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	2,500
Timothy H. Ubben c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	18,750
Murray A. Indick c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	1,250
George F. Hamel, Jr. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	625
Marc T. Scholvinck c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	2,500

R. Craig Lind c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	---	---	---	1,250
TOTAL	5,442,500	470,000	6,000,000	2,125,000

[LMSI LOGO] LEASE MANAGEMENT SERVICES, INC.

EQUIPMENT FINANCING AGREEMENT
(Number 10809)

THIS EQUIPMENT FINANCING AGREEMENT NUMBER 10809 ("Agreement") is dated as of the date set forth at the foot hereof and is between LEASE MANAGEMENT SERVICES, INC., ("Secured Party") and INTUITIVE SURGICAL, INC., ("Debtor").

1. EQUIPMENT; SECURITY INTEREST. The terms and conditions of this Agreement cover each item of machinery, equipment and other property (individually an "Item" or "Item of Equipment" and collectively the "Equipment") described in a schedule now or hereafter executed by the parties hereto and made a part hereof (individually a "Schedule" and collectively the "Schedules"). Debtor hereby grants Secured Party a security interest in and to all Debtor's right, title and interest in and to the Equipment under the Uniform Commercial Code, such grant with respect to an Item of Equipment to be as of Debtor's execution of a related Equipment Financing Commitment referencing this Agreement or, if Debtor then has no interest in such Item, as of such subsequent time as Debtor acquires an interest in the Item. Such security interest is granted by Debtor to secure performance by Debtor of Debtor's obligations to Secured Party hereunder and under any other agreements under which Debtor has or may hereafter have obligations to Secured Party. Debtor will ensure that such security interest will be and remain a sole and valid first lien security interest subject only to the lien of current taxes and assessment not in default but only if such taxes are entitled to priority as a matter of law.

2. DEBTOR'S OBLIGATIONS. The obligations of Debtor under this Agreement respecting an Item of Equipment, except the obligation to pay installment payments with respect thereto which will commence as set forth in Paragraph 3 below, commence upon the grant to Secured Party of a security interest in the Item. Debtor's obligations hereunder with respect to an Item of Equipment and Secured Party's security interest therein will continue until payment of all amounts due, and performance of all terms and conditions required hereunder provided, however, that if this Agreement is in default said obligations and security interest will continue during the continuance of said default. Upon termination of Secured Party's security interest in an Item of Equipment, Secured Party will execute such release of interest with respect thereto as Debtor reasonably requests.

3. INSTALLMENT PAYMENTS AND OTHER PAYMENTS. Debtor will repay advances Secured Party makes on account of the Equipment in installment payments in the amounts and at the times set forth in the Schedules, whether or not Secured Party has rendered an invoice therefor, at the office of Secured Party set forth at the foot hereof, or to such person and/or at such other place as Secured Party may from time to time designate by notice to Debtor. Any other amounts required to be paid Secured Party by Debtor hereunder are due upon Debtor's receipt of Secured Party's invoice therefor and will be payable as directed in the invoice. Payments under this Agreement may be applied to Debtor's then accrued obligations to Secured Party in such order as Secured Party may choose.

4. NET AGREEMENT; NO OFFSET, SURVIVAL. This Agreement is a net agreement, and Debtor will not be entitled to any abatement of installment payments or other payments due hereunder or any reduction thereof under any circumstance or for any reason whatsoever. Debtor hereby waives any and all existing and future claims, as offsets, against any installment payments or other payment due hereunder and agrees to pay the installment payments and other amounts due hereunder as and when due regardless of any offset or claim which may be asserted by Debtor or on its behalf. The obligations and liabilities of Debtor hereunder will survive the termination of the Agreement.

5. FINANCING AGREEMENT. THIS AGREEMENT IS SOLELY A FINANCING AGREEMENT. DEBTOR ACKNOWLEDGES THAT THE EQUIPMENT HAS OR WILL HAVE BEEN SELECTED AND ACQUIRED SOLELY BY DEBTOR FOR DEBTOR'S PURPOSES, THAT SECURED PARTY IS NOT AND WILL NOT BE THE VENDOR OF ANY

EQUIPMENT AND THAT SECURED PARTY HAS NOT MADE AND WILL NOT MAKE ANY AGREEMENT, REPRESENTATION OR WARRANTY WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALIFICATION OR FITNESS FOR A PARTICULAR PURPOSE OR VALUE OF THE EQUIPMENT OR ANY OTHER MATTER WITH RESPECT THERETO IN ANY RESPECT WHATSOEVER.

6. NO AGENCY. DEBTOR ACKNOWLEDGES THAT NO AGENT OF THE MANUFACTURER OR OTHER SUPPLIER OF AN ITEM OF EQUIPMENT OR OF ANY FINANCIAL INTERMEDIARY IN CONNECTION WITH THIS AGREEMENT IS AN AGENT OF SECURED PARTY. SECURED PARTY IS NOT BOUND BY A REPRESENTATION OF ANY SUCH PARTY AND, AS CONTEMPLATED IN PARAGRAPH 27 BELOW, THE ENTIRE AGREEMENT OF SECURED PARTY AND DEBTOR CONCERNING THE FINANCING OF THE EQUIPMENT IS CONTAINED IN THIS AGREEMENT AS IT MAY BE AMENDED ONLY AS PROVIDED IN THAT PARAGRAPH.

7. ACCEPTANCE. Execution by Debtor and Secured Party of a Schedule covering the Equipment or any Items thereof will conclusively establish that such Equipment has been included under and will be subject to all the terms and conditions of this Agreement. If Debtor has not furnished Secured Party with an executed Schedule by the earlier of fourteen (14) days after receipt thereof or expiration of the commitment period set forth in the applicable Equipment Financing Agreement, Secured Party may terminate its obligation to advance funds as to the applicable Equipment.

8. LOCATION; INSPECTION; USE. Debtor will keep, or in the case of motor vehicles, permanently garage and not remove from the United States, as appropriate, each Item of Equipment in Debtor's possession and control at the Equipment Location designated in the applicable Schedule, or at such other location to which such Item may have been moved with the prior written consent of Secured Party. Whenever requested by Secured Party, Debtor will advise Secured Party as to the exact location of an Item of Equipment. Secured Party will have the right to inspect the Equipment and observe its use during normal business hours, subject to Debtor's security procedures and to enter into and upon the premises where the Equipment may be located for such purpose. The Equipment will at all times be used solely for commercial or business purposes and operated in a careful and proper manner and in compliance with all applicable laws, ordinances, rules and regulations, all conditions and requirements of the policy or policies of insurance required to be carried by Debtor under the terms of this Agreement and all manufacturer's instructions and warranty requirements. Any modifications or additions to the Equipment required by any such governmental edict or insurance policy will be promptly made by Debtor.

9. ALTERATIONS; SECURITY INTEREST COVERAGE. Without the prior written consent of Secured Party, Debtor will not make any alterations, additions or improvements to any Item of Equipment which detract form its economic value or functional utility, except as may be required pursuant to Paragraph 8 above. Secured Party's security interest in the Equipment will include all modifications and additions thereto and replacements and substitutions therefor, in whole or in part. Such reference to replacements and substitutions will not grant Debtor greater rights to replace or substitute than are provided in Paragraph 11 below or as may be allowed upon the prior written consent of Secured Party.

10. MAINTENANCE. Debtor will maintain the Equipment in good repair, condition and working order. Debtor will also cause each Item of Equipment for which a service contract is generally available to be covered by such a contract which provides coverages typical to property of the type involved and is issued by a competent servicing entity.

11. LOSS AND DAMAGE; CASUALTY VALUE. In the event of the loss of, theft of, requisition of, damage to or destruction of an Item of Equipment ("Casualty Occurrence"), Debtor will give Secured Party prompt notice thereof and will thereafter place such Item in good repair,

condition and working order, provided, however, that if such Item is determined by Secured Party to be lost, stolen, destroyed or damaged beyond repair, is requisitioned or suffers a constructive total loss as defined in any applicable insurance policy carried by Debtor in accordance with Paragraph 14 below, Debtor, at Secured Party's option, will (a) replace such Item with like Equipment in good repair, condition and working order whereupon such replacement equipment will be deemed such Item for all purposes hereof or (b) pay Secured Party the "Casualty Value" of such Item which will equal the total of (i) all installment payments and other amounts due from Debtor to Secured Party at the time of such payment and (ii) future installment payments due with respect to such Item with each such payment including any final uneven payment discounted at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco from the date due to the date of such payment.

Upon such replacement or payment, as appropriate, this Agreement and Secured Party's security interest will terminate with, and only with, respect to the Item of Equipment so replaced or as to which such payment is made in accordance with Paragraph 2 above.

12. TITLING; REGISTRATION. Each item of Equipment subject to title registration laws will at all times be titled and/or registered by Debtor as Secured Party's agent and attorney-in-fact with full power and authority to register (but without power to affect title to) the Equipment in such manner and in such jurisdiction or jurisdictions as Secured Party directs. Debtor will promptly notify Secured Party of any necessary or advisable retitling and/or registration of an Item of Equipment in a jurisdiction other than the one in which such Item is then titled and/or registered. Any and all documents of title will be furnished or caused to be furnished Secured Party by Debtor within sixty (60) days of the date any titling or registering or restating or deregistering, as appropriate, is directed by Secured Party.

13. TAXES. Debtor will make all filings as to and pay when due all personal property and other ad valorem taxes and all other taxes, fees, charges and assessments based on the ownership or use of the Equipment and will pay as directed by Secured Party or reimburse Secured Party for all other taxes, including, but not limited to, gross receipt taxes (exclusive of federal and state taxes based on Secured Party's net income, unless such net income taxes are in substitution for or relieve Debtor from any taxes which Debtor would otherwise be obligated to pay under the terms of this Paragraph 13), fees, charges and assessments whatsoever, however designated, whether based on the installment payments or other amounts due hereunder, levied, assessed or imposed upon the Equipment or otherwise related hereto or to the Equipment, now or hereafter levied, assessed or imposed under the authority of a federal, state, or local taxing jurisdiction, regardless of when and by whom payable. Filings with respect to such other amounts will, at Secured Party's option, be made by Secured Party or by Debtor as directed by Secured Party.

14. INSURANCE. Debtor will procure and continuously maintain all risk insurance against loss or damage to the Equipment from any cause whatsoever for not less than the full replacement value thereof naming Secured Party as Loss Payee. Such insurance must be in a form and with companies approved by Secured Party, must provide at least thirty (30) days advance written notice to Secured Party of cancellation, change or modification in any term, condition, or amount of protection provided therein, must provide full breach of warranty protection and must provide that the coverage is "primary coverage" (does not require contribution from any other applicable coverage). Debtor will provide Secured Party with an original policy or certificate evidencing such insurance. In the event of an assignment of this Agreement of which Debtor has notice, Debtor will cause such insurance to provide the same protection to the assignee as its interests may appear. The proceeds of such insurance, at the option of the Secured Party or such assignee, as appropriate, will be applied toward (a) repair or replacement of the appropriate Item or Items of Equipment, (b) payment of the Casualty Value thereof and/or (c) payment of, or as provision for, satisfaction of any other accrued obligations of Debtor hereunder. Debtor hereby appoints Secured Party as Debtor's attorney-in-fact with full power and authority to do all things, including, but not limited to, making claims, receiving payments and endorsing documents, checks or drafts, necessary to secure payments due under any policy contemplated hereby on account of a Casualty

Occurrence. Debtor and Secured Party contemplate that the jurisdictions where the Equipment will be located will not impose any liability upon Secured Party for personal injury and/or property damage resulting out of the possession, use, operation or condition of the Equipment. In the event Secured Party determines that such is not or may not be the case with respect to a given jurisdiction, Debtor will provide Secured Party with public liability and property damage coverage applicable to the Equipment in such amounts and in such form as Secured Party requires.

15. SECURED PARTY'S PAYMENT. If Debtor fails to pay any amounts due hereunder or to perform any of its other obligations under this Agreement, Secured Party may, at its option, but without any obligation to do so, pay such amounts or perform such obligations, and Debtor will reimburse Secured Party the amount of such payment or cost of such performance, plus interest at 1.5% per month.

16. INDEMNITY. Debtor does hereby assume liability for and does agree to indemnify, defend, protect, save and keep harmless Secured Party from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including court costs and legal expenses, of whatever kind and nature, imposed on, incurred by or asserted against Secured Party (whether or not also indemnified against by any other person) in any way relating to or arising out of this Agreement or the manufacture, financing, ownership, delivery, possession, use, operation, condition or disposition of the Equipment by Secured Party or Debtor, including, without limitation, any claim alleging latent and other defects, whether or not discoverable by Secured Party or Debtor, and any other claim arising out of strict liability in tort, whether or not in either instance relating to an event occurring while Debtor remains obligated under this Agreement, and any claim for patent, trademark or copyright infringement. Debtor agrees to give Secured Party and Secured Party agrees to give Debtor notice of any claim or liability hereby indemnified against promptly following learning thereof.

17. DEFAULT. Any of the following will constitute an event of default hereunder: (a) Debtor's failure to pay when due any installment payment or other amount due hereunder, which failure continues for ten (10) days after the due date thereof; (b) Debtor's default in performing any other obligation, term or condition of this Agreement or any other agreement between Debtor and Secured Party or default under any further agreement providing security for the performance by Debtor of its obligations hereunder provided such default has continued for more than twenty (20) days, except as provided in (c) and (d) hereinbelow, or, without limiting the generality of subparagraph (l) hereinbelow, default under any lease or any mortgage or other instrument contemplating the provision of financial accommodation applicable to the real property where an Item of Equipment is located; (c) any writ or order of attachment or execution or other legal process being levied on or charged against any Item of Equipment and not being released or satisfied within ten (10) days; (d) Debtor's failure to comply with its obligations under Paragraph 14 above or any transfer by Debtor in violation of Paragraph 21 below; (e) a non-appealable judgment for the payment of money in excess of $100,000 being rendered by a court of record against Debtor which Debtor does not discharge or make provision for discharge in accordance with the terms thereof within ninety (90) days from the date of entry thereof; (f) death or judicial declaration of incompetency of Debtor, if an individual; (g) the filing by Debtor of a petition under the Bankruptcy Code or any amendment thereto or under any other insolvency law or law providing for the relief of debtors, including, without limitation, a petition for reorganization, arrangement or extension, or the commission by Debtor of an act of bankruptcy; (h) the filing against Debtor of any such petition not dismissed or permanently stayed within thirty (30) days of the filing thereof; (i) the voluntary or involuntary making of an assignment of substantial portion of its assets by Debtor for the benefit of creditors, appointment of a receiver or trustee for Debtor or for any of Debtor's assets, institution by or against Debtor or any other type of insolvency proceeding (under the Bankruptcy Code or otherwise) or of any formal or informal proceeding for dissolution, liquidation, settlement of claims against or winding up of the affairs of Debtor, Debtor's cessation of business activities or the making by Debtor of a transfer of all or a material portion of Debtor's assets or inventory not in the ordinary course of business; (j) the occurrence of any event described in parts (e), (f), (g), (h) or (i) hereinabove with respect to any guarantor or

other party liable for payment or performance of this Agreement; (k) any certificate, statement, representation, warranty or audit heretofore or hereafter furnished with respect hereto by or on behalf of Debtor or any guarantor or other party liable for payment or performance of this Agreement proving to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or having omitted any substantial contingent or unliquidated liability or claim against Debtor or any such guarantor or other party; (l) breach by Debtor of any lease or other agreement providing financial accommodation under which Debtor or its property is bound; or (m) a transfer of effective control of Debtor, if an organization.

18. REMEDIES. Upon the occurrence of an event of default, Secured Party will have the rights, options, duties and remedies of a Secured Party, and Debtor will have the rights and duties of a debtor, under the Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and, without limiting the foregoing, Secured Party may exercise any one or more of the following remedies: (a) declare the Casualty Value or such lesser amount as may be set by law immediately due and payable with respect to any or all Items of Equipment without notice or demand to Debtor; (b) sue from time to time for and recover all installment payments and other payments then accrued and which accrue during the pendency of such action with respect to any or all Items of Equipment; (c) take possession of and, if deemed appropriate, render unusable any or all Items of Equipment, without demand or notice, wherever same may be located, without any court order or other process of law and without liability for any damages occasioned by such taking of possession and remove, keep and store the same or use and operate or lease the same until sold; (d) require Debtor to assemble any or all Items of Equipment at the Equipment Location therefor, or at such location to which such Equipment may have been moved with the written consent of Secured Party or such other location in reasonable proximity to either of the foregoing as Secured Party designates; (e) upon ten (10) days notice to Debtor or such other notice as may be required by law, sell or otherwise dispose of any Item of Equipment, whether or not in Secured Party's possession, in a commercially reasonable manner at public or private sale at any place deemed appropriate and apply the new proceeds of such sale, after deducting all costs of such sale, including, but not limited to, costs of transportation, repossession, storage, refurbishing, advertising and brokers' fees, to the obligations of Debtor to Secured Party hereunder or otherwise, with Debtor remaining liable for any deficiency and with any excess being returned to Debtor; (f) upon thirty (30) days notice to Debtor, retain any repossessed or assembled Items of Equipment as Secured Party's own property in full satisfaction of Debtor's liability for the installment payments due hereunder with respect thereto, provided that Debtor will have the right to redeem such Items by payment in full of its obligations to Secured Party hereunder or otherwise or to require Secured Party to sell or otherwise dispose of such Items in the manner set forth in subparagraph (e) hereinabove upon notice to Secured Party within such thirty (30) day period; or (g) utilize any other remedy available to Secured Party under the Uniform Commercial Code or similar provision of law or otherwise at law or in equity.

No right or remedy conferred herein is exclusive of any other right or remedy conferred herein or by law; but all such remedies are cumulative of every other right or remedy conferred hereunder or at law or in equity, by statute or otherwise, and may be exercised concurrently or separately from time to time. Any sale contemplated by subparagraph (e) of this Paragraph 18 may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further published notice, Secured Party may bid and become the purchaser at any such sale. Any sale of an Item of Equipment, whether under said subparagraph or by virtue of judicial proceedings, will operate to divest all right, title, interest, claim and demand whatsoever; either at law or in equity, of Debtor in and to said item and will be a perpetual bar to any claim against such Item, both at law and in equity, against Debtor and all persons claiming by, through or under Debtor.

19. DISCONTINUANCE OF REMEDIES. If Secured Party proceeds to enforce any right under this Agreement and such proceedings are discontinued or abandoned for any reason or are

determined adversely, then and in every such case Debtor and Secured Party will be restored to their former positions and rights hereunder.

20. SECURED PARTY'S EXPENSES. Debtor will pay Secured Party all costs and expenses, including attorney's fees and court costs and sales costs not offset against sales proceeds under Paragraph 18 above, incurred by Secured Party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions hereof. This obligation includes the payment or reimbursement of all such amounts whether an action is ultimately filed and whether an action is ultimately dismissed.

21. ASSIGNMENT. Without the prior written consent of Secured Party, Debtor will not sell, lease, pledge or hypothecate, except as provided in this Agreement, any Item of Equipment or any interest therein or assign, transfer, pledge, or hypothecate this Agreement or any interest in this Agreement or permit the Equipment to be subject to any lien, charge or encumbrance of any nature except the security interest of Secured Party contemplated hereby. Debtor's interest herein is not assignable and will not be assigned or transferred by operation of law. Consent to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by Debtor or any other person.

All rights of Secured Party hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of, either in whole or in part, without notice to Debtor but always, however, subject to the rights of Debtor under this Agreement. If Debtor is given notice of any such assignment, Debtor will acknowledge receipt thereof in writing. In the event Secured Party assigns this Agreement or the installment payments due or to become due hereunder or any other interest herein, whether as security for any of its indebtedness or otherwise, no breach or default by Secured Party hereunder or pursuant to any other agreement between Secured Party and Debtor, should there be one, will excuse performance by Debtor of any provision hereof, it being understood that in the event of such default or breach by Secured Party that Debtor will pursue any rights on account thereof solely against Secured Party. No such assignee, unless such assignee agrees in writing, will be obligated to perform any duty, covenant or condition required to be performed by Secured Party in connection with this Agreement.

Subject always to the foregoing, this Agreement inures to the benefit of, and is binding upon, the heirs, legatees, personal representative, successors and assigns of the parties hereto.

22. MARKINGS; PERSONAL PROPERTY. If Secured Party supplies Debtor with labels, plates, decals or other markings stating that Secured Party has an interest in the Equipment, Debtor will affix and keep the same prominently displayed on the Equipment or will otherwise mark the Equipment or its then location or locations, as appropriate, at Secured Party's request to indicate Secured Party's security interest in the Equipment. The Equipment is, and at all times will remain, personal property notwithstanding that the Equipment or any Item thereof may now be, or hereafter become, in any manner affixed or attached to, or embedded in, or permanently resting upon real property or any improvement thereof or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws or otherwise. If requested by Secured Party, Debtor will obtain and deliver to Secured Party waivers of interest or liens in recordable form satisfactory to Secured Party from all persons claiming any interest in the real property on which an Item of Equipment is or is to be installed or located.

23. LATE CHARGES. Time is of the essence in this Agreement and if any Installment Payment is not paid within ten (10) days after the due date thereof, Secured Party shall have the right to add and collect, and Debtor agrees to pay: (a) a late charge on and in addition to, such Installment Payment equal to five percent (5%) of such Installment Payment or a lesser amount if established by any state or federal statute applicable thereto, and (b) interest on such Installment Payment from thirty (30) days after the due date until paid at the highest contract rate enforceable against Debtor under applicable law but never to exceed eighteen percent (18%) per annum.

24. NON-WAIVER. No covenant or condition of this Agreement can be waived except by the written consent of Secured Party. Forbearance or indulgence by Secured Party in regard to any breach hereunder will not constitute a waiver of the related covenant or condition to be performed by Debtor.

25. ADDITIONAL DOCUMENTS. In connection with and in order to perfect and evidence the security interest in the Equipment granted Secured Party hereunder Debtor will execute and deliver to Secured Party such financing statements and similar documents as Secured Party requests. Debtor authorizes Secured Party where permitted by law to make filings of such financing statements without Debtor's signature. Debtor further will furnish Secured Party (a) on a timely basis, Debtor's future financial statements, including Debtor's most recent annual report, balance sheet and income statement, prepared in accordance with generally accepted accounting principles, which reports, Debtor warrants, shall fully and fairly represent the true financial condition of Debtor (b) any other information normally provided by Debtor to the public and (c) such other financial data or information relative to this Agreement and the Equipment, including, without limitation, copies of vendor proposals and purchase orders and agreements, listings of serial numbers or other identification data and confirmations of such information, as Secured Party may from time to time reasonably request. Debtor will procure and/or execute, have executed, acknowledge, have acknowledged, deliver to Secured Party, record and file such other documents and showings as Secured Party deems necessary or desirable to protect its interest in and rights under this Agreement and interest in the Equipment. Debtor will pay as directed by Secured Party or reimburse Secured Party for all filing, search, title report, legal and other fees incurred by Secured Party in connection with any documents to be provided by Debtor pursuant to this Paragraph or Paragraph 22 and any further similar documents Secured Party may procure.

26. DEBTOR'S WARRANTIES. Debtor certifies and warrants that the financial data and other information which Debtor has submitted, or will submit, to Secured Party in connection with this Agreement is, or will be at time of delivery, as appropriate, a true and complete statement of the matters therein contained. Debtor further certifies and warrants: (a) this Agreement has been duly authorized by Debtor and when executed and delivered by the person signing on behalf of Debtor below will constitute the legal, valid and binding obligation, contract and agreement of Debtor enforceable against Debtor in accordance with its respective terms; (b) this Agreement and each and every showing provided by or on behalf of Debtor in connection herewith may be relied upon by Secured Party in accordance with the terms thereof notwithstanding the failure of Debtor or other applicable party to ensure proper attestation thereto, whether by absence of a seal or acknowledgement or otherwise; (c) Debtor has the right, power and authority to grant a security interest in the Equipment to Secured Party for the uses and purposes herein set forth and (d) each Item of Equipment will, at the time such Item becomes subject hereto, be in good repair, condition and working order.

27. ADDITIONAL SECURITY. As additional security to secure the performance of the Debtor's obligations under this Agreement and the Schedules hereto, Debtor grants to the Secured Party a security interest in all of its fixed assets, including, but not limited to, lab, test, computer and office equipment and modifications and additions thereto and replacements and substitutions therefor and the proceeds thereof including insurance proceeds, now owned or hereafter acquired between the date of this Agreement and the later of (a) January 31, 1998 or (b) the expiration of the funding period under the credit approval dated February 14, 1997 (collectively, the "Additional Equipment").

The Debtor shall have all of the obligations with respect to the Additional Equipment as it has with respect to the Equipment as set forth in this Agreement.

28. ENTIRE AGREEMENT. This instrument with exhibits and related documentation constitutes the entire agreement between Secured Party and Debtor and will not be amended, altered or changed except by a written agreement signed by the parties.

29. NOTICES. Notices under this Agreement must be in writing and must be mailed by United States mail, certified mail with return receipt requested, duly addressed, with postage prepaid, to the party involved at its respective address set forth at the foot hereof or at such other address as each party may provide on notice to the other from time to time. Notices will be effective when deposited. Each party will promptly notify the other of any change in that party's address.

30. GENDER, NUMBER: JOINT AND SEVERAL LIABILITY. Whenever the context of this Agreement requires, the neuter gender includes the feminine or masculine and the singular number includes the plural; and whenever the words "Secured Party" are used herein, they include all assignees of Secured Party, it being understood that specific reference to "assignee" in Paragraph 14 above is for further emphasis. If there is more than one Debtor named in this Agreement, the liability of each will be joint and several.

31. TITLES. The titles to the Paragraphs of this Agreement are solely for the convenience of the parties and are not an aid in the interpretation of the instrument.

32. GOVERNING LAW; VENUE. This Agreement will be governed by and construed in accordance with the laws of the State of California. Venue for any action related to the Agreement will be in an appropriate court in San Mateo County, California, to which Debtor consents, or in another court selected by Secured Party which has jurisdiction over the parties. In the event any provision hereof is declared invalid, such provision will be deemed severable from the remaining provisions of this Agreement, which will remain in full force and effect.

33. TIME. Time is of the essence of this Agreement and for each and all of its provisions.

In WITNESS WHEREOF, the undersigned have executed this Agreement as of 4/2, 1997.

DEBTOR:
INTUITIVE SURGICAL, INC.
1340 W. Middlefield Road
Mountain View, CA 94043

By: /s/ W.H. Abbott
_____

Title: Consultant
_____

SECURED PARTY:
LEASE MANAGEMENT SERVICES, INC.
2500 Sand HIll Road, Suite 101
Menlo Park, CA 94025

By: /s/ Barbara B. Kaiser
_____

Title: EVP/General Manager
_____

ADDENDUM TO EQUIPMENT FINANCING AGREEMENT NUMBER #10809
BETWEEN
INTUITIVE SURGICAL, INC. ("DEBTOR")
AND
LEASE MANAGEMENT SERVICES, INC. ("SECURED PARTY")

The printed form of Equipment Financing Agreement #10809 between the parties dated April 2, 1997 is amended as follows:

1. In Section 1, line 11 before the word "agreement" insert "equipment lease or equipment financing."

2. In Section 4, line 3, before "Debtor" insert "To the extent not prohibited by law."

3. In Section 7, change "fourteen (14) days" to "thirty (30) days" in the second sentence.

4. In Section 8, line 5, after the first occurrence of "Secured Party." insert ", except that Secured Party's consent shall not be required when Debtor's principle place of business is relocated within the continental United States. Debtor shall give Secured Party thirty (30) days advance written notice of Debtor's intent to relocate an Item of Equipment within the continental United States. If Debtor is in default as defined in Section 17 herein, Debtor may not relocate an Item of Equipment without the prior written consent of Secured Party, such consent shall not be unreasonably withheld."

5. In Section 8, line 6, before the second occurrence of "Secured Party." insert "Upon Prior reasonable notice,".

6. In Section 8, line 9, after "commercial" insert ",research and development."

7. In Section 10, line 2, after "also" insert "either."

8. At the end of Section 10, after "entity" insert "or provide comparable maintenance and repair services."

9. In Section 11, line 7, after the word "below" insert "Secured Party shall first consult with Debtor and then.", and in line 13, replace "the Federal Reserve Bank of San Francisco" with nine percent (9%)."

10. Section 14, delete section in its entirety and replace with "14. INSURANCE Debtor will procure and continuously maintain insurance against loss (other than by reason of war, acts of God, riot, earthquake, flood or the like) or damage to the Equipment from any reasonable risk whatsoever for not less than the full replacement value thereof naming Secured Party as Loss Payee as its interest may appear. Such insurance must be in a form and with companies reasonably approved by Secured Party, must provide at least thirty (10) days advance written notice to Secured Party of cancellation, change or modification in any term, condition, or amount of protection provided therein, must provide full breach of warranty protection and must provide that the coverage is "primary coverage" (does not require contribution from any other applicable coverage). Debtor will provide Secured Party with an original policy or certificate evidencing such insurance. In the event of an assignment of this Agreement of which Debtor has notice, Debtor will cause such insurance to provide the same protection to the assignee as its interest may appear. The proceeds of such insurance, at the option of the Secured Party or such assignee (after consultation with Debtor), as appropriate, will be applied toward (a) repair or replacement of the appropriate Item or items of Equipment (b) payment of the Casualty Value thereof and/or (c) payment of, or as provision for, satisfaction of any other accrued obligations of Debtor hereunder. Debtor hereby appoints Secured Party as Debtor's attorney-in-fact will full power and authority, if an Event of Default has occurred and is continuing, to do all things, including, but not limited to, making claims, receiving payments and endorsing documents, checks or drafts, necessary to secure payments due under any policy contemplated hereby on account of a Casualty Occurrence. Debtor and Secured Party contemplate that the jurisdictions where the Equipment will be located will not impose any liability upon Secured Party for personal injury and/or property damage resulting out of the possession, use, operation or condition of the Equipment. In the event Secured Party determines that such is not or may not be the case with respect to a given jurisdiction, Debtor will provide Secured Party with public liability and property damage coverage applicable to the Equipment in such amounts and in such form as Secured Party reasonably requires, PROVIDED, HOWEVER, that public liability insurance with primary limits of $1,000,000 per occurrence with an excess policy of $2,000,000, shall be deemed to satisfy this requirement."

11. Section 15, at the beginning of the section insert "Subject to Section 23 below,".

12. Section 16, line 4, after the phrase "kind and nature" insert, ", except any of the foregoing resulting from Secured Party's gross negligence or willful misconduct,".

13. In Section 17(h), change "thirty (30) days" to "sixty (60) days."

14. In Section 17(i), at the end of the clause insert ", except for the purposes of a change in Debtor's state of incorporation."

15. Section 17(k), at the end of the clause insert "in excess of $50,000 per item or in the aggregate."

16. In Section 17(k), after the words "or having" insert "knowingly."

17. In Section 17(m), insert "subject to Section 21," at the beginning of the clause.

18. Section 17(l), delete the section and replace it with "breach, in excess of $50,000 per item or in the aggregate, by Debtor of any lease or other agreement providing financial accommodation under which Debtor or its property is bound, which breach is not cured or with respect to which no provision has been made to cure within twenty (20) days;".

19. Section 18, line 1, insert the following in front of the beginning of the first sentence of the section: "Except as provided otherwise in this Agreement (as amended by this Addendum)."

20. In Section 18, (e) change "ten (10) days" to "fifteen (15) days."

21. In Section 18, second paragraph, line 4, after "Any" insert "lawful."

22. In Section 19, line 2, delete "or are determined adversely."

23. Section 20, line 1, insert "reasonable" between "all" and "cost."

24. Section 20, line 2, "reasonable" between "including" and "attorney's."

25. Section 20, line 6, after "dismissed" insert ", provided that the cost and expenses were incurred in the good faith exercise of Secured Party's rights and remedies hereunder."

26. Section 21, line 4, after "Agreement" insert "(except in each such case, for purposes of changing Debtor's state of incorporation)."

27. Section 21, line 5, before "Debtor's" insert "Except as provided in the previous sentence."

28. Section 24, line 1, after "condition" insert "to be performed by Debtor."

29. Section 25, line 4, insert "reasonably" before "requests."

30. Section 25, line 17, insert "reasonable" between "report," and "legal" and between "other" and "fees."

31. Section 25(b), after "other" insert "financial."

32. Section 25, line 15, delete "or desirable."

33. Section 25(c), delete the last sentence and replace it with "Debtor will pay as directed by Secured Party or reimburse Secured Party for all Uniform Commercial Code filings by Secured Party against Debtor and all search reports conducted with respect to the debtor."

34. Section 27 append after last sentence to first paragraph "Notwithstanding the foregoing, in no event shall Secured Party have any right or interests in any intellectual property incorporated, associated or related to the Additional Equipment."

35. Section 29, line 5, after "effective" replace "when" with "upon the earlier of receipt or three days after."

36. Section 32, line 4, after "Secured Party" insert", to which Debtor consents."

IN WITNESS WHEREOF, the undersigned have executed this Addendum this 2nd day of April, 1997.

DEBTOR	SECURED PARTY:
INTUITIVE SURGICAL, INC.	LEASE MANAGEMENT SERVICES, INC.
By: /s/ W.H. Abbott	By: /s/ Barbara B. Kaiser
Title: Consultant	Title: EVP/GM

[LMSI LOGO] LEASE MANAGEMENT SERVICES, INC.

ADDENDUM TO

EQUIPMENT FINANCING AGREEMENT

NUMBER 10809

BY AND BETWEEN

INTUITIVE SURGICAL, INC., AS DEBTOR

AND

LEASE MANAGEMENT SERVICES, INC., AS SECURED PARTY

INTUITIVE SURGICAL, INC., as Debtor, hereby acknowledges its responsibility to pay, and agrees to pay any taxes which may be due to the State of California or where applicable, for the collateral covered under the above referenced agreement.

DEBTOR:
INTUITIVE SURGICAL, INC.

By: /s/ W.H. Abbott

Title: Consultant

Date: 4/2/97

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

WARRANT TO PURCHASE 11,000 SHARES OF COMMON STOCK

April 15, 1997

THIS CERTIFIES THAT, for value received, Lease Management Services, Inc., ("Holder") is entitled to subscribe for and purchase Eleven Thousand (11,000) shares of the fully paid and nonassessable Common Stock ("the Shares") of Intuitive Surgical, Inc., a Delaware corporation (the "Company"), at the Warrant Price (as hereinafter defined), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, the term "Common Stock" shall mean the Company's presently authorized Common Stock, and any stock into which such Common Stock may hereafter be exchanged.

1. WARRANT PRICE. The Warrant Price shall initially be Five and 00/100 dollars ($5.00) per share, subject to adjustment as provided in Section 7 below.

2. CONDITIONS TO EXERCISE. The purchase right represented by this Warrant may be exercised at any time, or from time to time, in whole or in part during the term commencing on the date hereof and ending on the earlier of:

(a) 5:00 P.M. California time on the sixth annual anniversary of this Warrant Agreement; or

(b) the effective date of the merger of the Company with or into, the consolidation of the Company with, or the sale by the Company of all or substantially all of its assets to another corporation or other entity (other than such a transaction wherein the shareholders of the Company retain or obtain a majority of the voting capital stock of the surviving, resulting, or purchasing corporation); provided that the Company shall notify the registered Holder of this Warrant of the proposed effective date of the merger, consolidation, or sale at least 30 days prior to the effectiveness thereof.

In the event that, although the Company shall have given notice of a transaction pursuant to subparagraph (b) hereof, the transaction does not close on approximately the day specified by the Company, unless otherwise elected by the Holder any exercise of the Warrant subsequent to the giving of such notice shall be rescinded and the Warrant shall again be exercisable until terminated in accordance with this Paragraph 2.

3. METHOD OF EXERCISE; PAYMENT; ISSUANCE OF SHARES; ISSUANCE OF NEW WARRANT.

(a) CASH EXERCISE. Subject to Section 2 hereof, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this

Warrant (with a duly executed Notice of Exercise in the form attached hereto) at the principal office of the Company (as set forth in Section 18 below) and by payment to the Company, by check, of an amount equal to the then applicable Warrant Price per share multiplied by the number of shares then being purchased. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be in the name of, and delivered to, the Holder hereof, or as such Holder may direct (subject to the terms of transfer contained herein and upon payment by such Holder hereof of any applicable transfer taxes). Such delivery shall be made within 10 days after exercise of the Warrant and at the Company's expense and, unless this Warrant has been fully exercised or expired, a new Warrant having terms and conditions substantially identical to this Warrant and representing the portion of the Shares, if any, with respect to which this Warrant shall not have been exercised, shall also be issued to the Holder hereof within 10 days after exercise of the Warrant.

(b) NET ISSUE EXERCISE. In lieu of exercising this Warrant pursuant to Section 3(a), Holder may elect to receive shares equal to the value of this Warrant (or of any portion thereof remaining unexercised) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to Holder the number of shares of the Company's Common Stock computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Common Stock to be issued to Holder.

Y = the number of shares of Common Stock purchasable under this Warrant (at the date of such calculation).

A = the fair market value of one share of the Company's Common Stock (at the date of such calculation).

B = Warrant exercise price (as adjusted to the date of such calculation).

(c) FAIR MARKET VALUE. For purposes of this Section 3, Fair Market Value of one share of the Company's Common Stock shall mean:

(i) In the event of an Initial Public Offering, the per share Fair Market Value for the Common Stock shall be the Offering Price at which the underwriters sell Common Stock to the public; or

(ii) The average of the closing bid and asked prices of the Common Stock quoted in the Over-The-Counter Market Summary, the last reported sale price of the Common Stock or the closing price quoted on the Nasdaq National Market System ("NMS") or on any exchange on which the Common Stock is listed, whichever is applicable, as published in the Western Edition of The Wall Street Journal for the ten (10) trading days prior to the date of determination of fair market value; or

(iii) If the Company shall be subject to a merger, acquisition or other consolidation in which the Company is not the surviving entity, pursuant to Section 2(b), the per share Fair Market Value for the Common Stock shall be the value received per share of Common Stock by all holders of the Common Stock as determined by the Board of Directors; or

(iv) If the Common Stock is not publicly traded, the per share fair market value of the Common Stock shall be as determined in good faith by the Company's Board of

Directors unless Holder electes to have such fair market value determined by an appraiser, which election must be made by Holder within ten (10) business days of the date the Company notifies Holder of the fair market value as determined by its Board of Directors. In the event of such an appraisal, the cost thereof shall be borne by the Holder unless such appraisal results in a fair market value in excess of 115% of that determined by the Company's Board of Directors, in which event the Company shall bear the cost of such appraisal.

In the event of 3(c)(iii) or 3(c)(iv), above, the Company's Board of Directors shall prepare a certificate, to be signed by an authorized Officer of the Company, setting forth in reasonable detail the basis for and method of determination of the per share Fair Market Value of the Common Stock. The Board will also certify to the Holder that this per share Fair Market Value will be applicable to all holders of the Company's Common Stock. Such certification must be made to Holder at least thirty (30) business days prior to the proposed effective date of the merger, consolidation, sale, or other triggering event as defined in 3(c)(iii) and 3(c)(iv).

(d) AUTOMATIC EXERCISE. To the extent this Warrant is not previously exercised, it shall be automatically exercised in accordance with Sections 3(b) and 3(c) hereof (even if not surrendered) immediately before: (i) its expiration or (ii) the consummation of any consolidation or merger of the Company, or any sale or transfer of a majority of a company's assets pursuant to Section 2(b).

4. REPRESENTATIONS AND WARRANTIES OF HOLDER AND RESTRICTIONS ON TRANSFER IMPOSED BY THE SECURITIES ACT OF 1933.

(a) Representations and Warranties by Holder. The Holder represents and warrants to the Company with respect to this purchase as follows:

(i) The Holder has substantial experience in evaluating and investing in private placement transactions of securities of companies similar to the Company so that the Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its interests.

(ii) The Holder is acquiring the Warrant and the Shares of Common Stock issuable upon exercise of the Warrant (collectively the "Securities") for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been registered under the Act by reason of a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. In this connection, the Holder understands that, in the view of the Securities and Exchange Commission (the "SEC"), the statutory basis for such exemption may be unavailable if this representation was predicated solely upon a present intention to hold the Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities or for a period of one year or any other fixed period in the future.

(iii) The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Holder is aware of the provisions of Rule 144 promulgated under the Act ("Rule 144") which permits limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, in case the securities have been held for less than three years, the existence of a public market for

the shares, the availability of certain public information about the Company, the resale occurring not less than two years after a party has purchased and paid for the security to be sold, the sale being through a "broker's transaction" or in a transaction directly with a "market maker" (as provided by Rule 144(f)) and the number of shares or other securities being sold during any three-month period not exceeding specified limitations.

(iv) The Holder further understands that at the time the Holder wishes to sell the Securities there may be no public market upon which such a such a sale may be effected, and that even if such a public market exists, the Company may not be satisfying the current public information requirements of Rule 144, and that in such event, the Holder may be precluded from selling the Securities under Rule 144 unless a) a three-year minimum holding period has been satisfied and b) the Holder was not at the time of the sale nor at any time during the three-month period prior to such sale an affiliate of the Company.

(v) The Holder has had an opportunity to discuss the Company's business, management and financial affairs with its management and an opportunity to review the Company's facilities. The Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe the aspects of the Company's business and prospects which it believes to be material but were not necessarily a thorough or exhaustive description.

(b) LEGENDS. Each certificate representing the Securities shall be endorsed with the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNLESS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, A "NO ACTION" LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE SECURITIES AND EXCHANGE COMMISSION, OR (IF REASONABLY REQUIRED BY THE COMPANY) AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

The Company need not register a transfer of Securities unless the conditions specified in the foregoing legend are satisfied. The Company may also instruct its transfer agent not to register the transfer of any of the Shares unless the conditions specified in the foregoing legend are satisfied.

(c) REMOVAL OF LEGEND AND TRANSFER RESTRICTIONS. The legend relating to the Act endorsed on a certificate pursuant to paragraph 4(b) of this Warrant and the stop transfer instructions with respect to the Securities represented by such certificate shall be removed and the Company shall issue a certificate without such legend to the Holder of the Securities if (i) the Securities are registered under the Act and a prospectus meeting the requirements of Section 10 of the Act is available or (ii) the Holder provides to the Company an opinion of counsel for the Holder reasonably satisfactory to the Company, or a no-action letter or interpretive opinion of the staff of the SEC reasonably satisfactory to the Company, to the effect that public sale, transfer or assignment of the Securities may be without registration and without compliance with any restriction such as Rule 144.

5. CONDITION OF TRANSFER OR EXERCISE OF WARRANT. It shall be a condition to any transfer or exercise of this Warrant that at the time of such transfer or exercise, the Holder shall provide

the Company with a representation in writing that the Holder or transferee is acquiring this Warrant and the shares of Common Stock to be issued upon exercise, for investment purposes only and not with a view to any sale or distribution, or a statement of pertinent facts covering any proposed distribution. As a further condition to any transfer of this Warrant or any or all of the shares of Common Stock issuable upon exercise of this Warrant, other than a transfer registered under the Act, the Company must have received a legal opinion, in form and substance satisfactory to the Company and its counsel, reciting the pertinent circumstances surrounding the proposed transfer and stating that such transfer is exempt from the registration and prospectus delivery requirements of the Act. Each certificate evidencing the shares issued upon exercise of the Warrant or upon any transfer of the shares (other than a transfer registered under the Act or any subsequent transfer of shares so registered) shall, at the Company's option, contain a legend in form and substance satisfactory to the Company and its counsel, restricting the transfer of the shares to sales or other dispositions exempt from the requirements of the Act.

As further condition to each transfer, the transferee shall receive and accept a Warrant, of like tenor and date, executed by the Company.

6. STOCK FULLY PAID; RESERVATION OF SHARES. All Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for issuance upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant.

7. ANTI-DILUTION PROVISIONS, ADJUSTMENTS ETC.

7.1 ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If the Company, at any time or from time to time, effects a subdivision of, or combines, the outstanding shares of Common Stock, by stock split or stock dividend or by reverse stock split, respectively, then, and in each such event, the Warrant Price in effect immediately prior thereto shall immediately be proportionately decreased or increased, as the case may be, and the number of shares of Common Stock issuable at the time upon exercise of this warrant shall be proportionately increased or decreased, as the case may be.

7.2 ADJUSTMENT FOR RECAPITALIZATION, RECLASSIFICATION, OR EXCHANGE. If, at any time or from time to time, the Common Stock issuable upon exercise of this Warrant is changed into the same or a different number of shares of any other class or classes of stock of the Company, whether by recapitalization, reclassification or other exchange (other than as provided for elsewhere in this Section 7), then, and in each such event, the Holder shall have the right thereafter to purchase the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other exchange, by holders of the number of shares of Common Stock with respect to which this Warrant might have been exercised immediately prior to such recapitalization, reclassification or other exchange, all subject to further adjustment as provided herein.

7.3 REORGANIZATION, MERGERS, CONSOLIDATIONS OR TRANSFER OF ASSETS. If, at any time or from time to time, there is a capital reorganization of the Common Stock (other that as provided for elsewhere in this Section 7) or a merger or consolidation of the Company with or into another corporation, or a transfer of all or substantially all of the Company's assets to any other person, then, and in, and as a part of, each such event,

provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant the number of shares of stock or other securities or property of the Company, or, if applicable, of the resulting successor corporation, to which a holder of the number of shares of Common Stock issuable upon exercise of this Warrant would have been entitled on such capital reorganization, merger, consolidation or transfer, all subject to further adjustment as provided herein, and in, and as a part of, each such event, in any such case, appropriate adjustment shall be made in the application of the provisions of this Section 7 with respect to the rights of the Holder after the reorganization, merger, consolidation or transfer to the end that the provisions of this Section 7 (including adjustment of the Warrant Price then in effect and the number of shares issuable upon exercise of this Warrant) shall be applicable after that event and shall be as nearly equivalent to the provisions hereof as may be practicable.

7.4 ADJUSTMENTS FOR SALES OF SECURITIES BELOW WARRANT PRICE.

7.4.1 If at any time or from time to time after the date hereof, the Company issues or sells, or is deemed by the provisions of this Section 7.4 to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), other than as provided elsewhere in this Section 7, for an Effective Price (as hereinafter defined) less than the Warrant Price, then, and in each such event, the Warrant Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the Warrant Price by a fraction (i) the numerator of which shall be (A) the number of shares of Common Stock outstanding on an as-converted basis assuming the exercise of all outstanding options, warrants, and convertible securities at the close of the business on the date next preceding the date of such issue or sale, plus (B) the number of shares of Common Stock which the aggregate consideration received (or by express provision hereof deemed to have been received) by the Company for the total number of Additional Shares of Common Stock so issued would purchase at the Warrant Price, and (ii) the denominator of which shall be the number of shares of Common Stock outstanding on an as-converted basis assuming the exercise of all outstanding options, warrants and convertible securities at the close of business on the date of such issue or sale after giving effect to such issue or sale of Additional Shares of Common Stock.

7.4.2 For the purposes of making any adjustment required under this Section 7.4, the consideration received by the Company for any issue or sale of securities shall (i) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation, or concessions paid or allowed by the Company in connection with such issue or sale, (ii) to the extent it consists of property other than cash, be computed at the fair value of that property as reasonably determined by the Board of Directors of the Company in good faith as of the date of such issuance and sale, and (iii) if Additional Shares of Common Stock, Convertible Securities (as hereinafter defined) or rights or options to Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors of the Company to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

7.4.3 For the purpose of the adjustment required under this Section 7.4, if, at any time or from time to time after the date hereof, the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into, Additional Shares of Common Stock (such convertible stock of securities being

hereinafter referred to as "Convertible Securities"), then, and in each such event, the Company shall be deemed to have issued at the time of the issuance of sale of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the ISSUANCE OF SUCH SHARES AN AMOUNT EQUAL TO (i) THE TOTAL AMOUNT OF THE CONSIDERATION, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus (ii) in the case of such options or rights, the minimum amounts of consideration, if any, payable to the Company upon the exercise or such options or rights, and, in the case Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion of such Convertible Securities. No further adjustment of the Warrant Price adjusted upon the issuance of such rights, options or Convertible Securities shall be made as a result of the actual issuance of Additional Shares of Common Stock upon the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised in full, the Warrant Price adjusted upon the issuance of such rights or options or Convertible Securities shall be readjusted to the Warrant Price or Prices which would have been in effect had an adjustment been required under this Section 7.4 and made on the basis that only the Additional Shares of Common Stock, if any, actually issued or sold upon the exercise of such rights or options or conversion of such Convertible Securities were issued or sold, and such Additonal Shares of Common Stock, if any, were issued or sold for (i) in the case of rights or options, the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, and (ii) in the case of Convertible Securities, the consideration received for issuing or selling all such Covertible Securities plus the considration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion of such Convertible Securities.

7.4.4 For the purpose of the adjustment required under this Section 7.4, if, at any time or from time to time after the date hereof, the Company issues or sells any rights or options for the purchase of, or convertible securities convertible into, Convertible Securities, then, and in each such event, the Company shall be deemed to have issued, at the time of the issuance or sale of such rights or options or such covertible securities, the maximum number of Additional Shares of Common Stock issuable upon conversion of all of the Convertible Securities covered by such rights or options or such convertible securities and to have received as Consideration for the issuance of such Additional Shares of Common Stock an amount equal to (i) the amount of consideration, if any, received by the Company for the issuance of such rights or options or such convertible securities, plus (ii) the minimum amount of consideration, if any, payable to the Company upon the exercise of such rights or options (other than by cancellation of liabilities or obligations evidenced by such convertible securities), and plus (iii) the minimum amount of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion of such Convertible Securities. No further adjustment of the Warrant Price adjusted upon the issuance of such rights or options or such convertible securities shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights or options or conversion of such convertible securities or upon the actual issuance of additional shares of Common Stock upon the conversion of such Convertible Securities. The provisions of

paragraph 7.3 above with respect to the readjustment of the Warrant Price upon the expiration of rights or options or the rights of conversion of Convertible Securities shall apply MUTATIS MUTANDIS to the rights or options, convertible securities and Convertible Securities referred to in this paragraph 7.4.

7.4.5 "ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares of Common Stock issued by the Company after the date hereof, whether or not subsequently reacquired or retired by the Company, other than (1) shares of Common Stock issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock; (2) shares of Common Stock and/or options, warrants, or other Common Stock purchase rights (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like) issued or to be issued to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board; (3) shares of Common Stock issued pursuant to the exercise options, warrants or convertible securities outstanding as of the date hereof. The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this Section 7.4, into the aggregate consideration received, or deemed to have been received by the Company for such issue or sale under this Section 7.4, for such Additional Shares of Common Stock."

7.5 NOTICES OF RECORD DATE. In the event of (a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (b) any capital reorganization of the Company, any reclassification, recapitalization or exchange of the capital stock of the Company, or any merger or consolidation of the Company with or into another corporation, or any transfer of all or substantially all of the assets of the Company to any other person, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to the Holder, at least 10 days prior to the record date specified therein, a notice specifying (x) the date on which any such record is to be taken for the purpose of such dividend or distribution, (y) the date on which any such reorganization, recapitalization, reclassification, exchange, consolidation, merger, transfer, dissolution, liquidation or winding up is expected to become effective, and (z) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, recapitalization, reclassification, exchange, consolidation, merger, transfer, dissolution, liquidation or winding up.

7.6 RESERVATION OF STOCK ISSUABLE UPON EXERCISE. The Company at all times reserve and keep available out of its authorized but unissued shares of Common Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the exercise of this Warrant and all other rights or options to purchase Common Stock, and to permit the conversion of all stock or other securities convertible into Common Stock, as may be outstanding from time to time. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient for such purposes, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

8. NOTICE OF ADJUSTMENTS. Whenever any Warrant Price shall be adjusted pursuant to Section 7 hereof, the Company shall prepare a certificate signed by its chief financial officer

setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and number of shares issuable upon exercise of the Warrant after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by certified or registered mail, return receipt required, postage prepaid) within thirty (30) days of such adjustment to the Holder of this warrant as set forth in Section 18 hereof.

9. "MARKET STAND-OFF" AGREEMENT. Holder hereby agrees that for a period of up to 180 days following the effective date of the first registration statement of the Company covering common stock (or other securities) to be sold on its behalf in an underwritten public offering, it will not, to the extent requested by the Company and any underwriter, sell or otherwise transfer or dispose of (other than to donees or transferees who agree to be similarly bound) any of the Shares at any time during such period except common stock included in such registration; provided, however, that all officers and directors of the Company who hold securities of the Company or options to acquire securities of the Company and all other persons with registration rights enter into similar agreements.

10. TRANSFERABILITY OF WARRANT. This Warrant is transferable on the books of the Company at its principal office by the registered Holder hereof upon surrender of this Warrant properly endorsed, subject to compliance with applicable federal and state securities laws. The Company shall issue and deliver to the transferee a new Warrant representing the Warrant so transferred. Upon any partial transfer, the Company will issue and deliver to Holder a new Warrant with respect to the Warrant not so transferred. Holder shall not have any right to transfer any portion of this Warrant to any direct competitor of the Company.

11. NO FRACTIONAL SHARES. No fractional share of Common Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional share the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

12. CHARGES, TAXES AND EXPENSES. Issuance of certificates for shares of Common Stock upon the exercise of this Warrant shall be made without charge to the Holder for any United States or state of the United States documentary stamp tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

13. NO STOCKHOLDER RIGHTS UNTIL EXERCISE. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof.

14. REGISTRY OF WARRANT. The Company shall maintain a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at such office or agency of the Company, and the Company and Holder shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

15. LOSS, THEFT, DESTRUCTION OR MUTILATION OF WARRANT. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in this case of loss, theft, or destruction, of indemnity reasonably satisfactory to it, and, if mutilated, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant, having terms and conditions substantially identical to this Warrant, in lieu hereof.

16. MISCELLANEOUS.

(a) ISSUE DATE. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof.

(b) SUCCESSORS. This Warrant shall be binding upon any successors or assigns of the Company.

(c) GOVERNING LAW. This Warrant shall be governed by and construed in accordance with the laws of the State of California.

(d) HEADINGS. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

(e) SATURDAYS, SUNDAYS, HOLIDAYS. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday in the State of California, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

17. NO IMPAIRMENT. The Company will not, by amendment of its Articles of Incorporation or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder hereof against impairment.

18. ADDRESSES. Any notice required or permitted hereunder shall be in writing and shall be mailed by overnight courier, registered or certified mail, return receipt required, and postage pre-paid, or otherwise delivered by hand or by messenger, addressed as set forth below, or at such other address as the Company or the Holder hereof shall have furnished to the other party.

If to the Company: Intuitive Surgical, Inc.
1340 W. Middlefield Road
Mountain View, CA 94043
Attn: William H. Abbott

If to the Holder: Lease Management Services, Inc.
2500 Sand Hill Road, Ste 101
Menlo Park, CA 94025
Attn: Barbara B. Kaiser, EVP/GM

IN WITNESS WHEREOF, Intuitive Surgical has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated as of April 15th, 1997.

/s/ Lonnie M. Smith

BY:

TITLE: CEO

NOTICE OF EXERCISE

TO:

1. The undersigned Warrantholder ("Holder") elects to acquire shares of the Common Stock of _____ (the "Company"), pursuant to the terms of the Stock Purchase Warrant dated _____, 199_ (the "Warrant").

2. The Holder exercises its rights under the Warrant as set forth below:

   ( ) The Holder elects to purchase _____ shares of Common Stock as provided in Section 3(a), (c) and tenders herewith a check in the amount of $_____ as payment of the purchase price.

   ( ) The Holder elects to convert the purchase rights into shares of Common Stock as provided in Section 3(b), (c) of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

4. The Holder represents that it is acquiring the aforesaid shares of Common Stock for investment and not with a view to, or for resale in connection with, distribution and that the Holder has no present intention of distributing or reselling the shares.

5. Please issue a certificate representing the shares of Common Stock in the name of the Holder or in such other name as is specified below:

   Name:
   Address:

   Taxpayer I.D.:

   (Holder)

   By: ---

   Title: ---

   Date: ---

RENAULT & HANDLEY
INDUSTRIAL & COMMERCIAL REAL ESTATE

PARTIES

This LEASE, executed in duplicate at Palo Alto, California, this 9th day of September, 1996, by and between

Zappettini Investment Co.

and

Intuitive Surgical

hereinafter called respectively Lessor and Lessee, without regard to number or gender,

PREMISES

1. WITNESSETH: That Lessor hereby leases to Lessee, and Lessee hires from Lessor, those certain premises, hereinafter in this lease designated as "the Premises", with the appurtenances, situated in the City of Mountain View, County of Santa Clara, State of California, and more particularly described as follows, to-wit:

Approximate 25,000 square feet of R & D buildings commonly referred to as 1340 Middlefield Road, Mountain View, California together with landscaped areas and parking lot and further described in Exhibit A attached hereto.

USE

2. The Premises shall be used and occupied by Lessee for the development of technology in the field of minimum evasive surgery and for no other purpose without the prior written consent of Lessor.

TERM

3. The term shall be for five (5) years, commencing on the 1st day of January, 1997, and ending on the 31st day of December 2001.

RENTAL

4. Rent shall be payable to the Lessor without deduction or offset at such place or places as may be designated from time to time by the Lessor as follows:

Thirty-Eight Thousand and Seven Hundred Fifty Dollars ($38,750.00) shall be due upon the execution of this Lease representing rental due January 1, 1997. $38,750.00 shall be due on February 1, 1997 and on the 1st day of each and every succeeding month through December 2001.

SECURITY DEPOSIT

5. Lessee has deposited with Lessor $38,750.00 as security for the full and faithful performance of each and every term, provision, covenant and condition of this Lease. In the event Lessee defaults in respect of any of the terms, provisions, covenants or conditions of this Lease, including, but not limited to the payment of rent, Lessor may use, apply or retain the whole or any part of such security for the payment of any rent in default or for any other sum which Lessor may spend or be required to spend by reason of Lessee's default. Should Lessee faithfully and fully comply with all of the terms, provisions, covenants and conditions of this Lease, the security of any balance thereof shall be returned to Lessee or, at the option of Lessor, to the last assignee of Lessee's interest in this Lease at the expiration of the term hereof. Lessee shall not be entitled to any interest on said security deposit.

POSSESSION

6. If Lessor, for any reason whatsoever, cannot deliver possession of the Premises to Lessee at the commencement of the said term, as hereinbefore specified, this Lease shall not be void or voidable, nor shall Lessor, or Lessor's agents, be liable to Lessee for any loss or damage resulting therefrom; but in that event the commencement and termination dates of the Lease and all other dates affected thereby shall be revised to conform to the date of Lessor's delivery of possession. The above is, however, subject to the provision that the period of delay of delivery of the Premises shall not exceed 30 (thirty) days from the commencement date herein. If the period of delay of delivery exceeds the foregoing, Lessee, at his or its option, may declare this Lease null and void. If such a delay occurs, and Lessee agrees to extend possession date, rent will commence on tenant occupancy.

ACCEPTANCE OF PREMISES AND CONSENT TO SURRENDER

7. By entry hereunder, the Lessee accepts and Lessor warrants the Premises as being in good and satisfactory working condition, including all HVAC, electrical and mechanical systems unless within fifteen (15) days after such entry Lessee shall give Lessor written notice specifying in reasonable detail the respects in which the Premises were not in satisfactory condition. The Lessee agrees on the last day of the term hereof, or on sooner termination of this Lease, to surrender the premises, together with all alterations, additions, and improvements which may have been made in, to, or on the Premises by Lessor or Lessee, including all HVAC, electrical and mechanical systems unto Lessor in the same good condition as at Lessee's entry into the Premises excepting for such wear and tear as would be normal for the period of the Lessee's occupancy. The Lessee, on or before the end of the term or sooner termination of this Lease, shall remove all Lessee's personal property and trade fixtures from the premises and all property not so removed shall be deemed to be abandoned by the Lessee. If the Premises be not surrendered at the end of the term or sooner termination of this Lease, the Lessee shall indemnify the Lessor against loss or liability resulting from delay by the Lessee in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay.

USES PROHIBITED

8. Lessee shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the buildings in which the Premises may be located, or allow any sale by auction upon the Premises, or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, or place any loads upon the floor, walls, or roof which endanger the structure, or place any harmful liquids in the drainage system of the building. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises outside of the building proper. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the buildings proper, unless they are in approved enclosures.

ALTERATIONS AND ADDITIONS

9. The Lessee shall make no alterations, additions or improvements in excess of $10,000.00 to the Premises or any part thereof without first obtaining the prior written consent of the Lessor. The Lessor may impose as a condition to the aforesaid consent such requirements as Lessor may deem necessary in Lessor's sole discretion, including without limitation thereto, the manner in which the work is done, a right of approval of the contractor by whom the work is to be performed, the times during which it is to be accomplished, and the requirement that upon written request of Lessor prior to the expiration or earlier termination of the Lease, Lessee will remove any or all improvements or additions to the Premises installed at Lessee's expense. All such alterations, additions or improvements not specified to be removed shall at the expiration of earlier termination of the lease become the property of the Lessor and remain upon and be surrendered with the Premises. All movable furniture, business and trade fixtures, and machinery, equipment and all special electrical, mechanical or HVAC systems installed by Lessee and used solely for the purpose of Lessee's manufacturing process shall remain the property of the Lessee and may be removed by the Lessee at any time during the Lease term when Lessee is not in default hereunder. Items which

are not to be deemed as movable furniture, business and trade fixtures, or machinery and equipment shall include heating, lighting, electrical systems, air conditioning, partitioning, carpeting, or any other installation which has become an integral part of the Premises. The Lessee will at all times permit notices of non-responsibility to be posted and to remain posted until the completion of alterations or additions which have been approved by the Lessor.

MAINTE-NANCE OF PREMISES

10. Lessee shall, at Lessee's sole cost, keep and maintain the Premises and appurtenances and every part thereof, including but not limited to, glazing, sidewalks, parking areas, including resealing when necessary except for initial resealing to be performed by Lessor prior to January 1, 1997, plumbing, electrical systems, heating and air conditioning installations, any store front, roof covering--unless it is not feasible to repair the existing roof covering and a new roof covering is required, and the interior of the Premises in good order, condition, and repair. Lessor at Lessor's sole cost and expense shall maintain the exterior of the walls, and structural portions of the roof, foundations, walls, and floors except for any repairs caused by the wrongful act of the Lessee and Lessee's agents. The Lessor will replace the roof covering if repairs to said covering are no longer economically feasible in the judgment of roofing experts, and provided that said replacement is not made necessary by acts of the Lessee and Lessee's agents. The Lessee shall water, maintain and replace, when necessary, any shrubbery and landscaping provided by the Lessor on the Premises. The Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Lessee the right to make repairs at Lessor's expense or to terminate this lease because of Lessor's failure to keep the Premises in good order, conditions or repair.

FIRE AND EXTENDED COVERAGE INSURANCE AND SUBROGATION

11.

REVISED INSURANCE CLAUSE

This Lease Clause replaces the Insurance Clause (11.) in the Renault & Handley Net Lease Form.

11. Lessee shall not use, or permit the Premises, or any part thereof, to be used, for any purposes other than that for which the Premises are hereby leased; and no use shall be made or permitted to be made on the Premises, nor acts done, which will cause a cancellation of any insurance policy covering said building, or any part thereof, nor shall Lessee sell or permit to be kept, used or sold, in or about the Premises, any article which may be prohibited by the standard form of fire insurance policies. Lessee shall, at his sole cost and expense, comply with any and all requirements, pertaining to the Lessee's use and occupancy of the Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance, covering said building and appurtenances.

11.1 Lessee shall, at its expense, obtain and keep in force during the term of this Lease a policy of comprehensive public liability insurance insuring Lessee, Lessor, agents, invitees, and contractors, including Lessor's lender, against any liability arising out of the Lessee's use, occupancy or maintenance of the Premises. Such insurance policy shall have a combined single limit for both bodily injury and property damage in an amount not less than One Million Dollars ($1,000,000.00). The limits of said insurance shall not limit the liability of Lessee hereunder.

INSURANCE

11.2 Lessee shall, at its expense, keep in force during the term of this Lease, a policy of fire and property damage insurance in an "all risk" form with a sprinkler leakage endorsement, insuring Lessee's inventory, fixtures, equipment and personal property within the Premises for the full replacement value thereof.

11.3 Lessor shall maintain a policy or policies of fire and property damage insurance in an "all risk" form, with sprinkler and, at the option of the Lessor, earthquake endorsements, covering loss or damage to the building, including Lessee's leasehold improvements installed with the written consent of the Lessor, in such amounts and with such coverage as Lessor deems advisable.

11.4 Lessee shall pay to Lessor as additional rent, during the term hereof within 10 days after receipt of an invoice therefore, 100 percent of the premiums for any insurance obtained by Lessor pursuant to 11.3 above. Lessor may obtain such insurance for the Building separately, or together with other buildings and improvements which Lessor elects to insure together under blanket policies of insurance. In such case Lessee shall be liable for only such portion of the premiums for such blanket policies as are allocable to the Premises. It is understood and agreed that Lessee's obligation under this paragraph shall be prorated to reflect the Commencement Date and Expiration Date of the Lease.

11.5 Lessee and Lessor each hereby waives any and all rights of recovery against the other, or against the officers, directors, employees, partners, agents and representatives of the other, for loss of or damage to the property of the waiving party or the property of others under its control, to the extent such loss or damage is insured against under any insurance policy carried by Lessor or Lessee hereunder. Each party shall notify their respective insurance carriers of this waiver and obtain from the respective insurer, a waiver by such insurer of all rights of subrogation or assignment of claims in connection with a claim against Lessor or Lessee, as the case may be, covered by such insurance.

SEE REVISED INSURANCE CLAUSE ATTACHED

ABANDONMENT

12. Lessee shall not vacate or abandon the Premises at any time during the term; and if Lessee shall abandon, vacate or surrender the premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the Premises shall be deemed to be abandoned, at the option of Lessor, except such property as may be mortgaged to Lessor. Abandonment shall be defined as outlined in section 1951.3 of the California Civil Code.

FREE FROM LIENS

13. Lessee shall keep the Premises and the property in which the Premises are situated, free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee.

COMPLIANCE WITH GOVERN-MENTAL REGULATIONS

14. Lessee shall, at his sole cost and expense, comply with all of the requirements of all Municipal, State and Federal authorities now in force, or which may hereafter be in force, pertaining to the Lessee's specific use, and shall faithfully observe in the use of the Premises all Municipal ordinances and State and Federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be a party thereto or not, that Lessee has violated any such ordinance or statute in the use of the Premises, shall be conclusive of that fact as between Lessor and Lessee.

INDEMNI-FICATION OF LESSOR AND LESSEE'S LIABILITY INSURANCE

15. The Lessee, as a material part of the consideration to be rendered to the Lessor, hereby waives all claims against the Lessor for damages to goods, wares and merchandise, and all other personal property in, upon, or about the Premises and for injuries to persons in or about the Premises, from any cause arising at any time, excepting claims arising from the Lessor's negligence, and the Lessee will hold the Lessor exempt and harmless from any damage or injury to any person, or to the goods, wares and merchandise and all other personal property of any person, arising from the use of the Premises by the Lessee, or from the failure of the Lessee to keep the Premises in good condition and repair, as herein provided.

SEE REVISED INSURANCE CLAUSE ATTACHED

ADVERTISE-MENTS AND SIGNS

16. Lessee will not place or permit to be placed, in, upon or about the Premises any unusual or extraordinary signs, or any signs not approved by the city or other governing authority. The Lessee will not place, or permit to be placed, upon the Premises, any signs, advertisements or notices without the written consent of the Lessor first had and obtained. Any sign so placed on the Premises shall be so placed upon the understanding and agreement that Lessee will remove same at the termination of the tenancy herein created and repair any damage or injury to the Premises caused thereby, and if not so removed by Lessee then Lessor may have same so removed at Lessee's expense.

UTILITIES

17. Lessee shall pay for all water, gas, heat, light, power, telephone service and all other service supplied to the Premises. If the premises are not served by a separate water meter, the Lessee shall pay to the Lessor 100 percent of the water bill for the entire property covered by said bill and of which the Premises are a part.

ATTORNEY'S FEES

18. In case suit should be brought for the possession of the Premises, for the recovery of any sum due hereunder, or because of the breach of any other covenant herein, the losing party shall pay to the prevailing party a reasonable attorney's fee, which shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

DEFAULT

19. In the event of any breach of this Lease by the Lessee, or an abandonment of the Premises by the Lessee, the Lessor has the option of 1) removing all persons and property from the Premises and repossessing the Premises in which case any of the Lessee's property which the Lessor removes from the Premises may be stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee, or 2) allowing the Lessee to remain in full possession and control of the Premises. If the Lessor chooses to repossess the Premises, the Lease will automatically terminate in accordance with provisions of the California Civil Code, Section 1951.2. In the event of such termination of the Lease, the Lessor may recover from the Lessee: 1) the worth at the time of award of the unpaid rent which had been earned at the time of termination including interest at 7% per annum; 2) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided including interest at 7% per annum; 3) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such

rental loss that the Lessee proves could be reasonably avoided; and 4) any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform his obligations under the Lease or which in the ordinary course of things would be likely to result therefrom. If the Lessor chooses not to repossess the premises, but allows the Lessee to remain in full possession and control of the Premises, then in accordance with provisions of the California Civil Code, Section 1951.4, the Lessor may treat the Lease as being in full force and effect, and may collect from the Lessee all rents as they become due through the termination date of the lease as specified in the lease. For the purposes of this paragraph, the following do not constitute a termination of Lessee's right to possession:

a) Acts of maintenance or preservation or efforts to relet the property.

b) The appointment of a receiver on the initiative of the Lessor to protect his interest under this Lease.

LATE CHARGES

20. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, Lessee shall pay to Lessor a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of

Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

SURRENDER OF LEASE

21. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to him of any or all such subleases or subtenancies.

TAXES

22. The Lessee shall be liable for all taxes levied against personal property and trade or business fixtures. The Lessee also agrees to pay, as additional rental, during the term of this Lease and any extensions thereof, all real estate taxes plus the yearly installments of any special assessments which are of record or which may become of record during the term of this lease. If said taxes and assessments are assessed against the entire building and building site, and this Lease does not cover the entire building or building site, the taxes and assessment installments allocated to the Premises shall be pro-rated on a square footage or other equitable basis, as calculated by the Lessor. It is understood and agreed that the Lessee's obligation under this paragraph will be pro-rated to reflect the commencement and termination dates of this Lease.

NOTICES

23. All notices to be given to Lessee may be given in writing personally or by depositing the same in the United States mail, postage prepaid, and addressed to Lessee at the said Premises, whether or not Lessee has departed from, abandoned or vacated the Premises.

ENTRY BY LESSOR

24. Lessee shall permit Lessor and his agents to enter into and upon and with prior notice the Premises at all reasonable times for the purpose of inspecting the same or for the purpose of maintaining the building in which the Premises are situated, or for the purpose of making repairs, alterations or additions to any other portion of said building, including the erection and maintenance of such scaffolding, canopies, fences and props as may be required without any rebate of rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the Premises thereby occasioned; and shall permit Lessor and his agents, at any time within ninety days prior to the expiration of this Lease, to place upon the Premises any usual or ordinary "For Sale" or "To Lease" signs and exhibit the Premises to prospective tenants at reasonable hours.

DESTRUCTION OF PREMISES

25. In the event of a partial destruction of the Premises during the said term from any cause, Lessor shall forthwith repair the same, provided such repairs can be made within ninety (90) days from date of destruction under the laws and regulations of State, Federal, County or Municipal authorities, but such partial destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by Lessee in the Premises. If such repairs cannot be made in ninety (90) days from date of destruction Lessor may, at his option, make same within a reasonable time, this Lease continuing in full force and effect and the rent to be proportionately reduced as aforesaid in this paragraph provided. In the event that Lessor does not so elect to make such repairs which cannot be made in ninety (90) days, or such repairs cannot be made under such laws and regulations, this Lease may be terminated at the option of either party. In respect to any partial destruction which Lessor is obligated to repair or may elect to repair under the terms of this paragraph, the provision of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4, of the Civil Code of the State of California are waived by Lessee. In the event that the building in which the Premises may be situated be destroyed to the extent of not less than 33 1/3% of the replacement cost thereof, Lessor may elect to terminate this Lease, whether the Premises be injured or not. A total destruction of the building in which the Premises may be situated shall terminate this Lease. In the event of any dispute between Lessor and Lessee relative to the provisions of this paragraph, they shall each select an arbitrator, the two arbitrators so selected shall select a third arbitrator and the three arbitrators so selected shall hear and determine the controversy and their decision thereon shall be final and binding upon both Lessor and Lessee, who shall bear the cost of such arbitration equally between them.

ASSIGNMENT AND SUBLETTING

26. The Lessee shall not assign, transfer, or hypothecate the leasehold estate under this Lease, or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant

thereto, or suffer any other person or entity to occupy or use the Premises, or any portion thereof, without, in each case, the prior written consent of the Lessor. Lessor agrees not to unreasonably withhold consent to sublet or assign. As a condition for granting its consent to any subletting the Lessor may require the Lessee to agree to pay to the Lessor, as additional rental, all rents received by the Lessee from its Sublessee which are in excess of the amount payable by the Lessee to the Lessor hereunder. The Lessee shall, by sixty (60) days written notice, advise the Lessor of its intent to sublet the Premises or any portion thereof for any part of the term hereof. Within thirty (30) days after receipt of Lessee's notice, Lessor shall either give approval to Lessee to sublease the portion of the Premises described in Lessee's notice, or Lessor shall terminate this Lease as to the portion of the Premises described in Lessee's notice on the date specified in Lessee's notice. If Lessee intends to sublet the entire Premises and Lessor elects to terminate this Lease, this Lease shall be terminated on the date specified in Lessee's notice. If, however, this Lease shall terminate pursuant to the foregoing with respect to less than all the Premises, the rent, as defined and reserved herein above shall be adjusted on a prorata basis to the number of square feet retained by Lessee, and this Lease as so amended shall continue in full force and effect. If the Lessor approves a subletting, the Lessee may sublet immediately after receipt of the Lessor's written approval. In the event Lessee is allowed to assign, transfer or sublet the whole or any part of the Premises, with the prior written consent of Lessor, no assignee, transferee or sublessee shall assign or transfer this Lease, either in whole or in part, or sublet the whole or any part of the Premises, without also having obtained the prior written consent of the Lessor. A consent of Lessor to one assignment, transfer, hypothecation, subletting, occupation or use by any other person shall not release Lessee from any of Lessee's obligations hereunder or be deemed to be a consent to any subsequent similar or dissimilar assignment, transfer, hypothecation, subletting, occupation or use by any other person. Any such assignment, transfer, hypothecation, subletting, occupation or use without such consent shall be void and shall constitute a breach of this Lease by Lessee and shall, at the option of Lessor exercised by written notice to Lessee, terminate this Lease. The leasehold estate under this Lease shall not, nor shall any interest therein, be assignable for any purpose by operation of law without the written consent of Lessor. As a condition to its consent, Lessor may require Lessee to pay all expense in connection with the assignment, and Lessor may require Lessee's assignee or transferee (or other assignees or transferees) to assume in writing all of the obligations under this Lease.

CONDEMNATION

27. If any part of the premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the date title shall vest in the condemnor or purchaser, and the rent payable hereunder shall be adjusted so that the Lessee shall be required to pay for the remainder of the term only such portion of such rent as the value of the part remaining after such taking bears to the value of the entire

premises prior to such taking, but in such event Lessor shall have the option to terminate this Lease as of the date when title to the part so taken vests in the condemnor or purchaser. If all of the premises, or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall thereupon terminate. If a part or all of the Premises be taken, all compensation awarded upon such taking shall go to the Lessor and the Lessee shall have no claim thereto.

EFFECT OF CONVEYANCE

28. The term "Lessor" as used in this Lease, means only the owner for the time being of the land and building containing the Premises, so that, in the event of any sale of said land or building, or in the event of a lease of said building, the Lessor shall be and hereby is entirely freed and relieved of all covenants and obligations of the Lessor hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale, or the Lessee of the building, that the purchaser or lessee of the building has assumed and agreed to carry out any and all covenants and obligations of the Lessor hereunder. If any security be given by the Lessee to secure the faithful performance of all or any of the covenants of this Lease on the part of the Lessee, the Lessor may transfer and deliver the security, as such, to the purchaser at any such sale or the lessee of the building, and thereupon the Lessor shall be discharged from any further liability in reference thereto.

SUBORDINATION

29. Lessee agrees that this Lease may, at the option of Lessor, be subject and subordinate to any mortgage, deed of trust or other instrument of security which has been or shall be placed on the land and building or land or building of which the Premises form a part, and this subordination is hereby made effective without any further act of Lessee. The Lessee shall, at any time hereinafter, on demand, execute any instruments, releases, or other documents that may be required by any mortgagee, mortgagor, or trustor or beneficiary under any deed of trust for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage, deed of trust or other instrument of security, and

WAIVER

30. The waiver by Lessor of any breach of any term, covenant or condition, herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition therein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

HOLDING OVER

31. Any holding over after the expiration of the said term, with the consent of Lessor, shall be construed to be a tenancy from month to month, at a rental to be negotiated by Lessor and Lessee prior to the expiration of said term, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

SUCCESSORS AND ASSIGNS

32. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

TIME

33. Time is of the essence of this Lease.

MARGINAL CAPTIONS

34. The marginal headings or titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part thereof. This instrument contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any other manner than by an agreement in writing signed by all of the parties hereto or their respective successors in interest.

PARAGRAPHS 35, 36 & 37 ATTACHED HERETO ARE HEREBY MADE A PART OF THIS LEASE

THIS LEASE HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY WHO WILL REVIEW THE DOCUMENT AND ASSIST YOU TO DETERMINE WHETHER YOUR LEGAL RIGHTS ARE ADEQUATELY PROTECTED. RENAULT & HANDLEY IS NOT AUTHORIZED TO GIVE LEGAL AND TAX ADVICE. NO REPRESENTATION OR RECOMMENDATION IS MADE BY RENAULT & HANDLEY OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS DOCUMENT OR ANY TRANSACTION RELATING THERETO. THESE ARE QUESTIONS FOR YOUR ATTORNEY WITH WHOM YOU SHOULD CONSULT BEFORE SIGNING THIS DOCUMENT.

IN WITNESS WHEREOF, Lessor and Lessee have executed these presents, the day and year first above written.

LESSOR	LESSEE
ZAPPETTINI INVESTMENT Co.	INTUITIVE SURGICAL
/s/ George O. McKee	/s/ Frederic H. Moll
	Subject to Board approval
	V.P., Medical Director

ADDITIONAL PARAGRAPHS

The following additional paragraphs are hereby made a part of that certain Lease dated September 9, 1996, by and between Zappettini Investment Co., Lessor, and Intuitive Surgical, Lessee, covering the Premises located at 1340 Middlefield, Mountain View, California.

35. Lessor will indemnify Lessee from and against all costs of response, corrective action, remedial action, claims, demands, losses and liabilities arising from any pre-existing environmental contamination which may have occurred prior to the Lessee taking possession of the Premises.

Lessee will only be responsible for contamination of the Premises or the soils or ground water thereon or thereunder in violation of Hazardous Materials Laws, that is caused by Lessee or Lessee's agents or contractors during the term as may be extended. All hazardous materials and toxic wastes that Lessee brings on the Premises shall be stored according to Hazardous Materials' Laws.

All hazardous materials and toxic wastes that Lessee brings on the site shall be stored according to all local, state and national governmental regulations. Hazardous Materials shall be defined as those substances that are recognized as posing a risk of injury to health or safety by the Santa Clara Fire Department, the Santa Clara County Health Department, the Regional Water Quality Control Board, the State of California or the Federal Government.

For purposes of this Lease, "Hazardous Materials' Laws" shall mean all local, state and federal laws, statutes, ordinances, rules, regulations, judgements injunctions, stipulations, decrees, orders, permits, approvals, treaties or protocols now or hereafter enacted, issued or promulgated by any governmental authority which relate to any Hazardous Material or the use, handling, transportation, production, disposal, discharge, release, emission, sale or storage of, or the exposure of any person to, a Hazardous Material.

36. Quite Enjoyment. Landlord covenants and agrees that Tenant, so long as it shall not be in default hereunder, shall and may, at all times during the term of this Lease and any extension and renewal hereof, peacefully and quietly have, hold, occupy, and enjoy the Premises without any hindrance or molestation whatever.

37. Option. Lessor hereby grants to Lessee the option to renew this Lease for 1 (one) additional 3 (three) year term commencing on the termination date of the Lease. Said option shall be exercised by letter and no later than 60 (sixty) days and no earlier than 120 (one hundred twenty) days prior to the termination date of this Lease. All the terms and conditions contained in the original Lease shall govern the extension period excepting the monthly rental shall be 95% of the then fair market value for similar buildings within a one mile radius from the above location.

RENAULT & HANDLEY
INDUSTRIAL & COMMERCIAL REAL ESTATE

This LEASE, executed in duplicate at Palo Alto, California, this 5th
PARTIES day of February, by and between

Zappettini Investment Co.

and

Intuitive Surgical

hereinafter called respectively Lessor and Lessee, without regard to number or gender,

PREMISES 1. WITNESSETH: That Lessor hereby leases to Lessee, and Lessee hires from Lessor, those certain premises, hereinafter in this lease designated as "the Premises", with the appurtenances, situated in the City of Mountain View, County of Santa Clara, State of California, and more particularly described as follows, to-wit:

An approximate 25,000 square foot industrial building commonly referred to as 1330 W. Middlefield Road, Mountain View, California, together with landscaped areas and parking lot and further described in Exhibit A attached hereto.

USE 2. The Premises shall be used and occupied by Lessee for the development and technology in the field of minimum evasive surgery and for no other purpose without the prior written consent of Lessor.

TERM 3. The term shall be for five (5) years, commencing on 1st day of April, 1997, and ending on the 28th day of February 2002.

RENTAL 4. Rent shall be payable to the Lessor without deduction or offset at such place or places as may be designated from time to time by the Lessor as follows:

Seventeen Thousand Five Hundred and No/100ths Dollars ($17,500.00) shall be due upon the execution of this Lease representing rental due April 1, 1997. $17,750.00 shall be due on the 1st day of May 1997 and on the 1st day of each and every month including September 1997. Twenty Two Thousand Five Hundred and No/100ths Dollars ($22,500.00) shall be due on October 1, 1997 and on the 1st day of each and every month including March 1, 1998. Thirty Two Thousand Five Hundred and No/100ths Dollars ($32,500.00) shall be due on April 1, 1998 and on the 1st day of each and every succeeding month including February 1, 2002.

SECURITY DEPOSIT

5. Lessee has deposited with Lessor $ - as security for the full and faithful performance of each and every term, provision, covenant and condition of this Lease. In the event Lessee defaults in respect of any of the terms, provisions, covenants or conditions of this Lease, including, but not limited to the payment of rent, Lessor may use, apply or retain the whole or any part of such security for the payment of any rent in default or for any other sum which Lessor may spend or be required to spend by reason of Lessee's default. Should Lessee faithfully and fully comply with all of the terms, provisions, covenants and conditions of this Lease, the security of any balance thereof shall be returned to Lessee or, at the option of Lessor, to the last assignee of Lessee's interest in this Lease at the expiration of the term hereof. Lessee shall not be entitled to any interest on said security deposit.

POSSESSION

6. If Lessor, for any reason whatsoever, cannot deliver possession of the Premises to Lessee at the commencement of the said term, as hereinbefore specified, this Lease shall not be void or voidable, nor shall Lessor, or Lessor's agents, be liable to Lessee for any loss or damage resulting therefrom; but in that event the commencement and termination dates of the Lease and all other dates affected thereby shall be revised to conform to the date of Lessor's delivery of possession. The above is, however, subject to the provision that the period of delay of delivery of the Premises shall not exceed - days from the commencement date herein. If the period of delay of delivery exceeds the foregoing, Lessee, at his or its option, may declare this Lease null and void.

ACCEPTANCE OF PREMISES AND CONSENT TO SURRENDER

7. By entry hereunder, the Lessee accepts and Lessor warrants the Premises as being in good and satisfactory working condition, unless within fifteen (15) days after such entry Lessee shall give Lessor written notice specifying in reasonable detail the respects in which the Premises were not in satisfactory condition. The Lessee agrees on the last day of the term hereof, or on sooner termination of this Lease, to surrender the premises, together with all alterations, additions, and improvements which may have been made in, to, or on the Premises by Lessor or Lessee including all HVAC, electrical and mechanical systems, unto Lessor in the same good condition as at Lessee's entry into the Premises excepting for such wear and tear as would be normal for the period of the Lessee's occupancy. The Lessee, on or before the end of the term or sooner termination of this Lease, shall remove all Lessee's personal property and trade fixtures from the premises and all property not so removed shall be deemed to be abandoned by the Lessee. If the Premises be not surrendered at the end of the term or sooner termination of this Lease, the Lessee shall indemnify the Lessor against loss or liability resulting from delay by the Lessee in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay.

USES PROHIBITED

8. Lessee shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the buildings in which the Premises may be located, or allow any sale by auction upon the Premises, or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, or place any loads upon the floor, walls, or roof which endanger the structure, or place any harmful liquids in the drainage system of the building. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises outside of the building proper. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the buildings proper. unless they are in approved enclosures.

ALTERATIONS AND ADDITIONS

9. The lessee shall make no alterations, additions or improvements in excess of $10,000 to the Premises or any part thereof without first obtaining the prior written consent of the Lessor. The Lessor may impose as a condition to the aforesaid consent such requirements as Lessor may deem necessary in Lessor's sole discretion, including without limitation thereto, the manner in which the work is done, a right of approval of the contractor by whom the work is to be performed, the times during which it is to be accomplished, and the requirements that upon written request of Lessor prior to the expiration or earlier termination of the Lease, Lessee will remove any or all improvements or additions to the Premises installed at Lessee's expense. All such alterations, additions or improvements not specified to be removed shall at the expiration of earlier termination of the lease become the property of the Lessor and remain upon and be surrendered with the Premises. All movable furniture, business and trade fixtures, and machinery equipment and all special electrical, mechanical or HVAC systems installed by Lessee and used solely for the purpose of Lessee's manufacturing process, shall remain the property of the Lessee and may be removed by the Lessee at any time during the Lease term when Lessee is not in default hereunder. Items which are not to be deemed as movable furniture, business and trade fixtures, or machinery and equipment shall include heating, lighting, electrical systems, air conditioning, partitioning, carpeting, or any other installation which as become an integral part of the Premises. The Lessee will at all times permit notices of

non-responsibility to be posted and to remain posted until the completion of alterations or additions which have been approved by the Lessor.

MAINTE-NANCE OF PREMISES

10. Lessee shall, at Lessee's sole cost, keep and maintain the Premises and appurtenances and every part thereof, including but not limited to, glazing, sidewalks, parking areas including resealing when necessary, plumbing, electrical systems, heating and air conditioning installations, any store front, roof covering-unless it is not feasible to repair the existing roof covering and a new roof covering is required, and the interior of the Premises in good order, condition, and repair. Lessor at Lessor's sole cost and expense shall maintain the exterior of the walls, and structural portions of the roof, foundations, walls, and floors except for any repairs caused by the wrongful act of the Lessee and Lessee's agents. The Lessor will replace the roof covering if repairs to said covering are no longer economically feasible in the judgment of roofing experts, and provided that said replacement is not made necessary by acts of the Lessee and Lessee's agents. The Lessee shall water, maintain and replace, when necessary, any shrubbery and landscaping provided by the Lessor on the Premises. The Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Lessee the right to make repairs at Lessor's expense or to terminate this lease because of Lessor's failure to keep the Premises in good order, conditions or repair.

SEE REVISED INSURANCE CLAUSE ATTACHED

ABANDONMENT

12. Lessee shall not vacate or abandon the Premises at any time during the term; and if Lessee shall abandon, vacate or surrender the premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the Premises shall be deemed to be abandoned, at the option of Lessor, except such property as may be mortgaged to Lessor. Abandonment shall be defined as outlined in Section 1951.3 of the California Civil Code.

FREE FROM LIENS

13. Lessee shall keep the Premises and the property in which the Premises are situated, free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee.

COMPLIANCE WITH GOVERNMENTAL REGULATIONS

14. Lessee shall, at his sole cost and expense, comply with all of the requirements of all Municipal, State and Federal authorities now in force, or which may hereafter be in force, pertaining to Lessee's specific use the Premises, and shall faithfully observe in the use of the Premises all Municipal ordinances and State and Federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be a party thereto or not, that Lessee has violated any such ordinance or statute in the use of the Premises, shall be conclusive of that fact as between Lessor and Lessee.

INDEMNIFICATION OF LESSOR AND LESSEE'S LIABILITY INSURANCE

15. The Lessee, as a material part of the consideration to be rendered to the Lessor, hereby waives all claims against the Lessor for damages to goods, wares and merchandise, and all other personal property in, upon, or about the Premises and for injuries to persons in or about the Premises, from any cause arising at any time, excepting claims arising from the Lessor's negligence, and the Lessee will hold the Lessor exempt and harmless from any damage or injury to any person, or to the goods, wares and merchandise and all other personal property of any person, arising from the use of the Premises by the Lessee, or from the failure of the Lessee to keep the Premises in good condition and repair, as herein provided.

SEE REVISED INSURANCE CLAUSE ATTACHED

ADVERTISEMENTS AND SIGNS

16. Lessee will not place or permit to be placed, in, upon or about the Premises any unusual or extraordinary signs, or any signs not approved by the city or other governing authority. The Lessee will not place, or permit to be placed, upon the Premises, any signs, advertisements or notices without the written consent of the Lessor first had and obtained. Any sign so placed upon the Premises shall be so placed upon the understanding and agreement that Lessee will remove same at the termination of the tenancy herein created and repair any damage or injury to the Premises caused thereby, and if not so removed by Lessee then Lessor may have same so removed at Lessee's expense.

UTILITIES

17. Lessee shall pay for all water, gas, heat, light, power, telephone service and all other service supplied to the Premises. If the premises are not served by a separate water meter, the Lessee shall pay to the Lessor 100 percent of the water bill for the entire property covered by said bill and of which the Premises are a part.

ATTORNEY'S FEES

18. In case suit should be brought for the possession of the Premises, for the recovery of any sum due hereunder, or because of the breach of any other covenant herein, the losing party shall pay to the prevailing party a reasonable attorney's fee, which shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

DEFAULT

19. In the event of any breach of this Lease by the Lessee, or an abandonment of the Premises by the Lessee, the Lessor has the option of 1) removing all persons and property from the Premises and repossessing the Premises in which case any of the Lessee's property which the Lessor removes from the Premises may be stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee, or 2) allowing the Lessee to remain in full possession and control of the Premises. If the Lessor chooses to repossess the Premises, the Lease will automatically terminate in accordance with provisions of the California Civil Code, Section 1951.2. In the event of such termination of the Lease, the Lessor may recover from the Lessee: 1) the worth at the time of award of the unpaid rent which had been earned at the time of termination including interest at 7% per annum; 2) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided including interest at 7% per annum; 3) the worth at the time of award of the amount by which the unpaid rent for the balance

of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and 4) any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform his obligations under the Lease or which in the ordinary course of things would be likely to result therefrom. If the Lessor chooses not to repossess the premises, but allows the Lessee to remain in full possession and control of the Premises, then in accordance with provisions of the California Civil Code, Section 1951.4, the Lessor may treat the Lease as being in full force and effect, and may collect from the Lessee all rents as they become due through the termination date of the lease as specified in the lease. For the purposes of this paragraph, the following do not constitute a termination of Lessee's right to possession:

a) Acts of maintenance or preservation or efforts to relet the property.
b) The appointment of a receiver on the initiative of the Lessor to protect his interest under this Lease.

LATE CHARGES

20. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, Lessee shall pay to Lessor a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of

REVISED INSURANCE CLAUSE

This Lease Clause replaces the Insurance clause (11.) in the Renault & Handley Net Lease Form.

11. Lessee shall not use, or permit the Premises, or any part thereof, to be used, for any purposes other than that for which the Premises are hereby leased; and no use shall be made or permitted to be made on the Premises, nor acts done, which will cause a cancellation of any insurance policy covering said building, or any part thereof, nor shall Lessee sell or permit to be kept, used or sold, in or about the premises, any article which may be prohibited by the standard form of fire insurance policies. Lessee shall, at his sole cost and expense, comply with any and all requirements, pertaining to the Lessee's use and occupancy of the Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance, covering said building and appurtenances.

11.1 Lessee shall, at its expense, obtain and keep in force during the term of this Lease a policy of comprehensive public liability insurance insuring Lessee, Lessor agents, invitees and contractors including, Lessor's lender, against any liability arising out of the Lessee's use, occupancy or maintenance of the Premises. Such insurance policy shall have a combined single limit for both bodily injury and property damage in an amount not less than ONE MILLION Dollars ($1,000,000.00). The limits of said insurance shall not limit the liability of Lessee hereunder.

INSURANCE

11.2 Lessee shall, at its expense, keep in force during the term of this Lease, a policy of fire and property damage insurance in an "all risk" form with a sprinkler leakage endorsement, insuring Lessee's inventory, fixtures, equipment and personal property within the Premises for the full replacement value thereof.

11.3 Lessor shall maintain a policy or policies of fire and property damage insurance in an "all risk" form, with sprinkler and, at the option of the Lessor, earthquake endorsements, covering loss or damage to the building, including Lessee's leasehold improvements installed with the written consent of the Lessor, in such amounts and with such coverage as Lessor deems advisable.

11.4 Lessee shall pay to Lessor as additional rent, during the term hereof within 10 days after receipt of an invoice therefore, 100 percent of the premiums for any insurance obtained by Lessor pursuant to 11.3 above. Lessor may obtain such insurance for the Building separately, or together with other buildings and improvements which Lessor elects to insure together under blanket policies of insurance. In such case Lessee shall be liable for only such portion of the premiums for such blanket policies as are allocable to the Premises. It is understood and agreed that Lessee's obligation under this paragraph shall be prorated to reflect the Commencement Date and Expiration Date of the Lease.

11.5 Lessee and Lessor each hereby waives any and all rights of recovery against the other, or against the officers, directors, employees, partners, agents and representatives of the other, for loss of or damage to the property of the waiving party or the property of others under its control, to the extent such loss or damage is insured against under any insurance policy carried by Lessor or Lessee hereunder. Each party shall notify their respective insurance carriers of this waiver, and obtain from the respective insurer a waiver by such insurer of all rights of subrogation or assignment of claims in connection with a claim against Lessor or Lessee, as the case may be, covered by such insurance.

Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

SURRENDER OF LEASE

21. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to him of any or all such subleases or subtenancies.

TAXES

22. The Lessee shall be liable for all taxes levied against personal property and trade or business fixtures. The Lessee also agrees to pay, as additional rental, during the term of this Lease and any extensions thereof, all real estate taxes plus the yearly installments of any special assessments which are of record or which may become of record during the term of this lease. If said taxes and assessments are assessed against the entire building and building site, and this Lease does not cover the entire building or building site, the taxes and assessment installments allocated to the Premises shall be prorated on a square footage or other equitable basis, as calculated by the Lessor. It is understood and agreed that the Lessee's obligation under this paragraph will be pro-rated to reflect the commencement and termination dates of this Lease.

NOTICES

23. All notices to be given to Lessee may be given in writing personally or by depositing the same in the United States mail, postage prepaid, and addressed to Lessee at the said Premises, whether or not Lessee has departed from, abandoned or vacated the Premises.

ENTRY BY LESSOR

24. Lessee shall permit Lessor and his agents to enter into and upon and with prior written notice the Premises at all reasonable times for the purpose of inspecting the same or for the purpose of maintaining the building in which the Premises are situated, or for the purpose of making repairs, alterations or additions to any other portion of said building, including the erection and maintenance of such scaffolding, canopies, fences and props as may be required without any rebate of rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the Premises thereby occasioned; and shall permit Lessor and his agents, at any time within ninety days prior to the expiration of this Lease, to place upon the Premises any usual or ordinary "For Sale" or "To Lease" signs and exhibit the Premises to prospective tenants at reasonable hours.

DESTRUCTION OF PREMISES

25. In the event of a partial destruction of the Premises during the said term from any cause, Lessor shall forthwith repair the same, provided such repairs can be made within ninety (90) days from date of destruction under the laws and regulations of State, Federal, County or Municipal authorities, but such partial destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by Lessee in the Premises. If such repairs cannot be made in ninety (90) days from date of destruction Lessor may, at his option, make same within a reasonable time, this Lease continuing in full force and effect and the rent to be proportionately reduced as aforesaid in this paragraph provided. In the event that Lessor does not so elect to make such repairs which cannot be made in ninety (90) days, or such repairs cannot be made under such laws and regulations, this Lease may be terminated at the option of either party. In respect to any partial destruction which Lessor is obligated to repair or may elect to repair under the terms of this paragraph, the provision of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4, of the Civil Code of the State of California are waived by Lessee. In the event that the building in which the Premises may be situated be destroyed to the extent of not less than 33-1/3% of the replacement cost thereof, Lessor may elect to terminate this Lease, whether the Premises be injured or not. A total destruction of the building in which the Premises may be situated shall terminate this Lease. In the event of any dispute between Lessor and Lessee relative to the provisions of this paragraph, they shall each select an arbitrator, the two arbitrators so selected shall select a third arbitrator and the three arbitrators so selected shall hear and determine the controversy and their decision thereon shall be final and binding upon both Lessor and Lessee, who shall bear the cost of such arbitration equally between them.

ASSIGNMENT AND SUBLET-TING

26. The Lessee shall not assign, transfer, or hypothecate the leasehold estate under this Lease, or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant

thereto, or suffer any other person or entity to occupy or use the Premises, or any portion thereof, without, in each case, the prior written consent of the Lessor. Lessor agrees not to unreasonably withhold consent to sublet or assign. As a condition for granting its consent to any subletting the Lessor may require the Lessee to agree to pay to the Lessor, as additional rental, all rents received by the Lessee from its Sublessee which are in excess of the amount payable by the Lessee to the Lessor hereunder. The Lessee shall, by sixty (60) days written notice, advise the Lessor of its intent to sublet the Premises or any portion thereof for any part of the term hereof. Within thirty (30) days after receipt of Lessee's notice, Lessor shall either give approval to Lessee to sublease the portion of the Premises described in Lessee's notice, or Lessor shall terminate this Lease as to the portion of the Premises described in Lessee's notice on the date specified in Lessee's notice. If Lessee intends to sublet the entire Premises and Lessor elects to terminate this Lease, this Lease shall be terminated on the date specified in Lessee's notice. If, however, this Lease shall terminate pursuant to the foregoing with respect to less than all the Premises, the rent, as defined and reserved hereinabove shall be adjusted on a prorata basis to the number of square feet retained by Lessee, and this Lease as so amended shall continue in full force and effect. If the Lessor approves a subletting, the Lessee may sublet immediately after receipt of the Lessor's written approval. In the event Lessee is allowed to assign, transfer or sublet the whole or any part of the Premises, with the prior written consent of Lessor, no assignee, transferee or sublessee shall assign or transfer this Lease, either in whole or in part, or sublet the whole or any part of the Premises, without also having obtained the prior written consent of the Lessor. A consent of Lessor to one assignment, transfer, hypothecation, subletting, occupation or use by any other person shall not release Lessee from any of Lessee's obligations hereunder or be deemed to be a consent to any subsequent similar or dissimilar assignment, transfer, hypothecation, subletting, occupation or use by any other person. Any such assignment, transfer, hypothecation, subletting, occupation or use without such consent shall be void and shall constitute a breach of this Lease by Lessee and shall, at the option of Lessor exercised by written notice to Lessee, terminate this Lease. The leasehold estate under this Lease shall not, nor shall any interest therein, be assignable for any purpose by operation of law without the written consent of Lessor. As a condition to its consent, Lessor may require Lessee to pay all expense in connection with the assignment, and Lessor may require Lessee's assignee or transferee (or other assignees or transferees) to assume in writing all of the obligations under this Lease.

CONDEM-
NATION

27. If any part of the premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the date title shall vest in the condemnor or purchaser, and the rent payable hereunder shall be adjusted so that the Lessee shall be required to pay for the remainder of the term only such portion of such rent as the value of the part remaining after such taking bears to the value of the entire

Premises prior to such taking; but in such event Lessor shall have the option to terminate this Lease as of the date when title to the part so taken vests in the condemnor or purchaser. If all of the premises, or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall thereupon terminate. If a part or all of the Premises be taken, all compensation awarded upon such taking shall go to the Lessor and the Lessee shall have no claim thereto.

EFFECT OF CONVEYANCE

28. The term "Lessor" as used in this Lease, means only the owner for the time being of the land and building containing the Premises, so that, in the event of any sale of said land or building, or in the event of a lease of said building, the Lessor shall be and hereby is entirely freed and relieved of all covenants and obligations of the Lessor hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale, or the Lessee of the building, that the purchaser or lessee of the building has assumed and agreed to carry out any and all covenants and obligations of the Lessor hereunder. If any security be given by the Lessee to secure the faithful performance of all or any of the covenants of this Lease on the part of the Lessee, the Lessor may transfer and deliver the security, as such, to the purchaser at any such sale or the lessee of the building, and thereupon the Lessor shall be discharged from any further liability in reference thereto.

SUBORDI-NATION

29. Lessee agrees that this Lease may, at the option of Lessor, be subject and subordinate to any mortgage, deed of trust or other instrument of security which has been or shall be placed on the land and building or land or building of which the Premises form a part, and this subordination is hereby made effective without any further act of Lessee. The Lessee shall, at any time hereinafter, on demand, execute any instruments, releases, or other documents that may be required by any mortgagee, mortgagor, or trustor or beneficiary under any deed of trust for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage, deed of trust or other instrument of security.

WAIVER

30. The waiver by Lessor of any breach of any term, covenant or condition, herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition therein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

HOLDING OVER

31. Any holding over after the expiration of the said term, with the consent of Lessor, shall be construed to be a tenancy from month to month, at a rental to be negotiated by Lessor and Lessee prior to the expiration of said term, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

SUCCESSORS AND ASSIGNS

32. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

TIME

33. Time is of the essence of this Lease.

MARGINAL CAPTIONS

34. The marginal headings or titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part thereof. This instrument contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any other manner than by an agreement in writing signed by all of the parties hereto or their respective successors in interest.

PARAGRAPHS #35, 36 AND 37 ATTACHED HERETO ARE HEREBY MADE A PART OF THIS LEASE.

THIS LEASE HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY WHO WILL REVIEW THE DOCUMENT AND ASSIST YOU TO DETERMINE WHETHER YOUR LEGAL RIGHTS ARE ADEQUATELY PROTECTED. RENAULT & HANDLEY IS NOT AUTHORIZED TO GIVE LEGAL AND TAX ADVICE. NO REPRESENTATION OR RECOMMENDATION IS MADE BY RENAULT & HANDLEY OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS DOCUMENT OR ANY TRANSACTION RELATING THERETO. THESE ARE QUESTIONS FOR YOUR ATTORNEY WITH WHOM YOU SHOULD CONSULT BEFORE SIGNING THIS DOCUMENT.

IN WITNESS WHEREOF, Lessor and Lessee have executed these presents, the day and year first above written.

LESSOR	LESSEE
ZAPPETTINI INVESTMENT CO.	INTUITIVE SURGICAL
/s/ G. O. McKee	/s/ Lonnie M. Smith
3/4/97	3/4/97

ADDITIONAL PARAGRAPHS

The following additional paragraphs are hereby made a part of that certain Lease dated February 5, 1997, by and between Zappettini Investment Co., Lessor, and Intuitive Surgical, Lessee, covering the Premises located at 1330 W. Middlefield, Mountain View, California.

35. Lessor will indemnify Lessee from and against all costs of response, corrective action, remedial action, claims, demands, losses and liabilities arising from any pre-existing environmental contamination which may have occurred prior to the Lessee taking possession of the Premises.

Lessee will only be responsible for contamination of the Premises or the soils or ground water thereon or thereunder in violation of Hazardous Materials Laws, that is caused by Lessee or Lessee's agents or contractors during the term as may be extended. All hazardous materials and toxic wastes that Lessee brings on the Premises shall be stored according to Hazardous Materials' Laws.

All hazardous materials and toxic wastes that Lessee brings on the site shall be stored according to all local, state and national government regulations. Hazardous Materials shall be defined as those substances that are recognized as posing a risk of injury to health or safety by the Santa Clara Fire Department, the Santa Clara County Health Department, the Regional Water Quality Control Board, the State of California or the Federal Government.

For purposes of this Lease, "Hazardous Materials' Laws" shall mean all local, state and federal laws, statutes, ordinances, rules, regulations, judgements, injunctions, stipulations, decrees, orders, permits, approvals, treaties or protocols now or hereafter enacted, issued or promulgated by any governmental authority which relate to any Hazardous Material or the use, handling, transportation, production, disposal, discharge, release, emission, sale or storage of, or the exposure of any person to, a Hazardous Material.

36. Quiet Enjoyment. Landlord covenants and agrees that Tenant, so long as it shall not be in default hereunder, shall and may, at all times during the term of this Lease and any extension and renewal hereof, peacefully and quietly have, hold, occupy, and enjoy the Premises without any hindrance or molestation whatever.

37. Option. Lessor hereby grants to Lessee the option to renew this Lease for 1 (one) additional 3 (three) year term commencing on the termination date of the Lease. Said option shall be exercised by letter and no later than 60 (sixty) days and no earlier than 120 (one hundred twenty) days prior to the termination date of this Lease. All the terms and conditions contained in the original Lease shall govern the extension period excepting the monthly rental shall be 95% of the then fair market value for similar buildings within a one mile radius from the above location.

38. Lessor recognizes that Lessee intends to sublease some or all of the Premises in one or more portions prior to use of the Premises by Lessee for research development and manufacturing in connection with minimally invasive surgical instrument systems. Lessor therefore agrees not to unreasonably withhold consent for Lessee to sublease the Premises in one or more portions. Notwithstanding paragraph 26 of this lease, in the event that Lessor withholds consent to sublease a portion of the Premises, Lessor shall not terminate the lease with respect to the portion of the Premises specified in Lessee's notice without the prior written consent of Lessee.

Lessor recognizes that Sublessees of Lessee will use the Premises for purposes other than research and development of minimally invasive surgery systems. Lessor therefore agrees not to unreasonably withhold consent for use of the Premises for purposes other than research, development and manufacturing minimally invasive surgical instrument systems. Lessee recognizes that use of the Premises may be reasonably limited to office space, research, development, storage and light manufacturing as is typical in similar buildings in the immediate vicinity.

/s/ G. O. McKee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made this 28th day of Feb, 1997 ("Effective Date"), by and between INTUITIVE SURGICAL DEVICES, INC., a Delaware corporation (the "Company") and LONNIE SMITH ("Executive").

RECITALS

A. The Company desires assurance of the association and services of Executive in order to retain Executive's experience, skills, abilities, background and knowledge, and is willing to engage Executive's services on the terms and conditions set forth in this Agreement.

B. Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement.

C. In consideration of the foregoing promises and the mutual covenants and agreements contained herein, and for other good and valuable consideration the adequacy of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. EMPLOYMENT.

(a) The Company hereby agrees to employ Executive and Executive hereby agrees to accept employment by the Company, upon the terms and conditions set forth in this Agreement.

(b) The Company and Executive each agree and acknowledge that Executive is employed by the Company as an "at-will" employee and that either Executive or the Company has the right at any time to terminate Executive's employment with the Company, with or without cause or advance notice, for any reason or for no reason. The Company and Executive wish to set forth the compensation and benefits which Executive shall be entitled to receive in the event that Executive's employment with the Company terminates under the circumstances described herein.

2. POSITION AND DUTIES.

(a) Executive shall be the Chief Executive Officer of the Company, reporting directly to the Board of Directors, and shall serve in such other capacity or capacities as the Board of Directors of the Company may from time to time prescribe.

(b) Executive shall serve as a director of the Company during his employment by the Company, and shall serve in such capacity for such compensation, if any, as is provided to other employee directors.

(c) Executive shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company, provided however, that at all times during his employment Executive shall be subject to the direction and policies from time to time established by the Board of Directors of the Company. Executive's duties shall include, but not be limited to providing strong leadership for the Company's operations, and playing a major role in the development of new products, technology, external collaborations and corporate alliances. The Company particularly expects Executive to serve as a role model for staff development and scientific excellence.

(d) Executive shall devote his full time and attention during normal business hours to the business affairs of the Company except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude Executive from devoting reasonable time required for serving as a director or a member of a committee of any organization involving no conflict of interest with the interest of the Company, from engaging in charitable and community activities, and from managing his personal affairs, provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

3. COMPENSATION AND BENEFITS.

(a) SALARY AND BENEFITS. During the period of Executive's employment hereunder, the Company shall pay to Executive an annual salary in an amount of three hundred thousand dollars ($300,000), less standard deductions and withholdings, payable in installments in accordance with Company policy. Executive also shall be entitled to all rights and benefits for which he meets applicable eligibility conditions under such group insurance and other Company benefit programs, including sick and vacation leave and the 1996 Equity Incentive Plan, (Exhibit D) which may be in force from time to time and provided to Executive or for the Company's employees generally. The Company reserves the right to modify Executive's compensation and benefits from time to time as it deems necessary.

(b) BONUS. To the extent determined by the Compensation Committee of the Board, Executive shall be eligible to participate in such management bonus programs as may be adopted by the Company from time to time, if any.

(c) STOCK OPTIONS. The Company intends and agrees that Executive will be granted an option to purchase capital stock of the Company. Upon the commencement of Executive's employment, the Company agrees to grant Executive an option to purchase seven hundred thousand (700,000) shares of the Company's common stock under the Company's 1996 Equity Incentive Plan. The exercise price per share of the option shall be equal to one hundred percent (100%) of the fair market value of the Company's common stock as determined under

the 1996 Equity Incentive Plan on the date of grant. The option shall vest as to one sixtieth (1/60th) of the shares subject to the option for each full month of completed service, beginning on the date of the grant. If the Company enters into an Acquisition, then the option shall vest as to all the shares subject to the option immediately prior to the closing of such Acquisition. For purposes of this Agreement, "Acquisition" shall mean any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization in which the shareholders of the Corporation prior to such consolidation, merger or reorganization or any transaction or series of related transactions shall own less than fifty percent (50%) of the voting stock of the continuing or surviving entity of such consolidation, merger or reorganization, or any transaction of series of related transactions in which in excess of fifty percent (50%) of the Corporation's voting power is transferred. The Company intends and agrees that Executive will be allowed to purchase five hundred thousand dollars ($500,000) worth of the Series C Preferred Stock of the Company, at the same price and on the same terms and conditions as the institutional investors, when the Company closes the sale of its Series C Preferred Stock. Notwithstanding the foregoing, Executive acknowledges and agrees that there are no further commitments or obligations on the part of the Company to grant to Executive any additional options.

(d) EXPENSES. Executive shall be entitled to receive reimbursement of all actual and reasonable expenses incurred by Executive in performing Company services, including expenses related to travel and expenses while away from home on business. Such expenses shall be accounted for under the policies and procedures established by the Company.

(e) RELOCATION EXPENSES. In connection with Executive's relocation, Executive shall be entitled to receive reimbursement of the closing costs associated with selling Executive's principal residence, the cost of moving Executive's furnishings and family, and expenses for temporary local housing. Such reimbursement shall not exceed one hundred thousand ($100,000) dollars.

4. TERMINATION BY THE COMPANY. Executive's employment with the Company may be terminated by the Company in the following circumstances.

(a) DEATH. Upon Executive's death, the termination date shall be the last day of the month in which Executive's death occurs.

(b) DISABILITY. If Executive becomes incapacitated due to physical or mental illness, injury, or if Executive is absent from his full-time duties for twelve (12) consecutive weeks on account of physical or mental illness, the Company shall continue to pay to Executive an amount which, when combined with disability or income-continuance benefits pursuant to a Company plan or provided under state law and received by Executive, shall equal but not exceed Executive's base salary, less standard deductions and withholdings. However, Executive must submit claims for any and all such disability benefits to which he may be entitled. For any waiting period during which Executive receives no benefits under any disability plan, the Company shall pay his entire base salary, less standard deductions and withholdings. The

Company shall continue to integrate such salary payments with benefits until such time as Executive returns to work or Executive's employment is terminated but in no event for longer than twelve (12) weeks.

(c) FOR CAUSE. If the Company terminates Executive's employment for Cause, Executive shall not be entitled to receive any payments or benefits under the provisions of this Agreement, except as otherwise specifically set forth herein, and the Company shall cease paying compensation or providing benefits to Executive as of Executive's termination date. For purposes of this Agreement, Cause shall mean misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company; (iii) wilful breach of the Company's policies; (iv) intentional damage to the Company's property; or (v) material breach of this Agreement or Executive's Proprietary Information and Inventions Agreement attached hereto as Exhibit B. Physical or mental disability shall not constitute Cause.

(d) WITHOUT CAUSE. The Company shall have the right to terminate Executive's employment at any time, without Cause, effective on the date determined by the Company. If the Company terminates Executive's employment without Cause, then Executive shall be paid the following:

(i) SEVERANCE PAYMENTS. The Company shall continue to pay Executive his base salary in effect at the time of such termination for twelve months following the date of termination ("Severance Payments"). The Severance Payments shall be made on the Company's normal payroll dates and will be subject to standard deductions and withholdings. Notwithstanding the foregoing, pursuant to Sections 6(b) and 10 of this Agreement (relating to a termination of benefits in the event Executive competes with the Company or solicits on behalf of another person or entity), the Severance Payments shall cease as of the date Executive enters into an activity in competition with the Company or solicits the Company's employees, consultants or independent contractors, as determined solely by the Company, and Executive shall have no further rights to such benefits.

(ii) HEALTH INSURANCE. To the extent permitted by law and by the Company's group health insurance plans, Executive will be eligible, after the date of termination, to continue his health insurance benefits under the federal COBRA law, at his own expense for up to eighteen (18) months and, later, to convert to an individual policy if he wishes. Executive will be provided with a separate notice of his COBRA rights. If Executive elects COBRA continuation, the Company agrees to pay Executive's health insurance continuation premiums for twelve (12) months following the termination date ("Benefit Period"). The Company's obligation to make such payments shall cease immediately if, during the Benefit Period, (A) Executive becomes eligible for other health insurance benefits at the expense of a new employer; or (B) in accordance with Section 6(b) of this Agreement, Executive competes with the Company or solicits on behalf of another person or entity. Executive agrees to notify a duly authorized officer of the Company, in writing, at least ten (10) business days prior to his

acceptance of any employment which provides health insurance benefits, or his engagement in prohibited activity defined in Section 6(b).

(iii) STOCK OPTIONS. Vesting under Executive's stock option will cease immediately. Executive's rights with respect to vested shares will be as set forth in the stock option.

5. TERMINATION BY EXECUTIVE. Executive may terminate his employment with the Company (1) for Good Reason within sixty (60) consecutive days following the occurrence of an event or events constituting such Good Reasons; or (2) for the convenience of Executive.

(a) GOOD REASON. If Executive voluntarily terminates his employment with Good Reason, Executive shall receive the Severance Payments and other benefits set forth in Section 4(d) above. For the purposes of this Agreement, Good Reason means (i) substantial reduction of Executive's rate of compensation as in effect immediately prior to the Effective Date of this Agreement; (ii) failure to provide a package of welfare benefit plans which, taken as a whole, provide substantially similar benefits to those in which the Executive is entitled to participate (except that employee contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company which would adversely affect Executive's participation or substantially reduce Executive's benefits under any of such plans; (iii) change in Executive's responsibilities, authority, title or office resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith which is remedied by the Company promptly after notice thereof is given by Executive; (iv) request that Executive relocate his current residence, unless Executive accepts such relocation request; (v) material reduction in Executive's duties; (vi) failure or refusal of a successor to the Company to assume the Company's obligations under this Agreement; or (vii) material breach by the Company or any successor to the Company of any of the material provisions of this Agreement.

(b) CONVENIENCE. If Executive voluntarily resigns his employment without Good Reason as defined below, the Company shall pay Executive his base salary, less standard deductions and withholdings, through the date of termination at the rate in effect at the time of the notice of termination. Thereafter, the Company shall have no further obligations to Executive under this Agreement.

6. LIMITATIONS AND CONDITIONS ON BENEFITS; AMENDMENT OF AGREEMENT

(a) REDUCTION IN PAYMENTS AND BENEFITS. The benefits provided under this Agreement are in lieu of any other benefit provided under any group severance plan of the Company in effect at the time of termination.

(b) EARLY CESSATION OF PAYMENTS AND OTHER BENEFITS. In the event that Executive, at any time during his employment with the Company, or while receiving Severance Payments, (i) performs work for any business entity, or engages in any other work activity

which is in competition, or is preparing to compete, with the Company; or (ii) either directly or through others, solicits or attempts to solicit any employee, consultant, or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity, then, except as otherwise specifically provided herein, the Company's obligations to pay Executive any amounts, including but not limited to Severance Payments, health insurance premiums, or provide any benefits under the terms of this Agreement shall all cease immediately. For purposes of this Agreement, the holding of less than one percent (1%) of the outstanding voting securities of any firm or business organization in competition with the Company shall not constitute activities or services precluded by this Agreement. Executive agrees to notify the Company, in writing, at least ten (10) business days prior to (i) engaging in any work for any business purpose other than work for the Company; or (ii) soliciting or attempting to solicit any employee, consultant, or independent contractor of the Company to terminate his other relationship with the Company on behalf of another person or entity. The Company shall not seek to recover any amounts paid or benefits provided to Executive prior to his engagement in such competitive or solicitation activities.

(c) RELEASE AND WAIVER OF CLAIMS. Prior to the receipt of any Severance Payments and other benefits provided under this Agreement following termination of Executive's Employment, and prior to the beginning of the Consulting Period, Executive shall, as of the date of termination, execute a Release and Waiver of Claims in the form attached hereto as Exhibit A ("Release"). In the event Executive does not execute the Release within the specified period set forth in the Release, no further amounts shall be payable and no further benefits shall be provided under this Agreement, and this Agreement shall be null and void.

(d) CERTAIN REDUCTIONS IN PAYMENTS OR BENEFITS.

(i) In the event that any payments or other benefits received or to be received by Executive pursuant to this Agreement ("Payments") would (A) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (B) but for this subsection (d), be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, in accordance with this subsection 6(d), such Payments shall be reduced to the maximum amount that would result in no portion of the Payments being subject to the Excise Tax. For such purpose, the maximum amount of Payments that may be paid without incurring the Excise Tax shall be determined by Ernst & Young, LLP or any other nationally recognized accounting firm which is the Company's outside auditor at the time of such determination (the "Accounting Firm") and shall be the largest amount for which there is substantial authority (within the meaning of Section 6662(d)(2)(B) of the Code) for no portion of the Payments being treated as subject to the Excise Tax. Any such determination shall be conclusive and binding on Executive and the Company. For purposes of making the calculations required by this subsection 6(d)(i), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. All fees and expenses of the Accounting Firm shall be borne solely by the

Company. If the Internal Revenue Service (the "IRS") determines that a Payment is subject to the Excise Tax, then subsection 6(d)(ii) hereof shall apply.

(ii) If, notwithstanding any reduction described in subsection 6(d)(i) hereof (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of Payments, then Executive shall be obligated to pay back to the Company, within 30 days after final IRS determination, an amount of the Payments sufficient that none of the Payments retained by Executive constitute a "parachute payment" within the meaning of Code Section 280G that is subject to the Excise Tax.

(e) CERTAIN DEFERRAL OF PAYMENTS. Notwithstanding the other provisions of this Agreement, to the extent that any amounts payable hereunder would not be deductible by the Company for federal income tax purposes on account of the limitations of Section 162(m) of the Code, the Company may defer payment of such amounts to the earliest one or more subsequent calendar years in which the payment of such amounts would be deductible by the Company.

(f) AMENDMENT OR TERMINATION OF THIS AGREEMENT. This Agreement may be changed or terminated only upon the mutual written consent of the Company and Executive. The written consent of the Company to a change or termination of this Agreement must be signed by an appropriate officer of the Company other than Executive, which may be the Company's Chief Financial Officer, Vice President of Human Resources or other officer authorized by the Compensation Committee of the Board, after such change or termination has been approved by the Compensation Committee of the Board.

7. CONFIDENTIAL INFORMATION; EXECUTIVE'S DUTIES UPON TERMINATION. Executive recognizes that his employment with the Company will involve contact with information of substantial value to the Company, which is not old and generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it, including but not limited to, techniques, designs, drawings, processes, inventions, developments, equipments, prototypes, sales and customer information, and business and financial information relating to the business, products, practices and techniques of the Company, (hereinafter referred to as "Confidential Information"). Executive will at all times regard and preserve as confidential such Confidential Information obtained by Executive from whatever source and will not, either during his employment with the Company or thereafter, publish or disclose any part of such Confidential Information in any manner at any time, or use the same except on behalf of the Company, without the prior written consent of the Company. As a condition of this Agreement, Executive will sign and return a copy of the Company's "Proprietary Information and Inventions Agreement," attached as Exhibit B.

8. NONEXCLUSIVITY. Nothing in the Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Company and for which Executive may otherwise qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under any

stock option or other agreements with the Company; provided, however, that any benefits provided hereunder shall be in lieu of any other severance payments to which Executive may otherwise be entitled, including without limitation, under any employment contract or severance plan. Except as otherwise expressly provided herein, amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company at or subsequent to the date of termination shall be payable in accordance with such plan, policy, practice or program.

9. CONFIDENTIALITY. The parties mutually agree not to disclose publicly the terms of this Agreement except to the extent that disclosure is mandated by applicable law.

10. NONSOLICITATION. Executive agrees that for two (2) years after his employment with the Company is terminated he will not, either directly or through others, solicit or attempt to solicit any employee, consultant, or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity.

11. NOTICES. Any notices called for under this Agreement shall be given as follows or to such other addresses as either party may furnish the other from time to time:

IF TO EXECUTIVE: Lonnie Smith
76 Crosstie Lane
Batesville, Indiana 47006

IF TO THE COMPANY: Intuitive Surgical Devices, Inc.
Frederic H. Moll
Director
900 Hansen Way
Palo Alto, CA 94304

12. CONFIDENTIAL ARBITRATION. To ensure rapid and economical resolution of any and all disputes which may arise under this Agreement, the Company and Executive each agree that any and all disputes or controversies, whether of law or fact of any nature whatsoever (including, but not limited to, all state and federal statutory and common law discrimination claims), with the sole exception of those disputes which may arise from Executive's Proprietary Information Agreement, arising from or regarding the interpretation, performance, enforcement or breach of this Agreement, or any other disputes or claims arising from or related to Executive's employment or the termination of his employment, shall be resolved by final and binding confidential arbitration under the procedures set forth in Exhibit C to this Agreement and the then existing Judicial Arbitration and Mediation Services Rules of Practice and Procedure (except insofar as they are inconsistent with the procedures set forth in Exhibit C).

13. SEVERABILITY. If a court of competent jurisdiction determines that any term or provision of this Agreement is invalid or unenforceable, in whole or in part, then the remaining

terms and provisions hereof shall be unimpaired. Such court will have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision that most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

14. WAIVER. If either party should waive any breach of any provisions of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

15. ENTIRE AGREEMENT. This Agreement, including Exhibits A, B and C, constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to the subject matter hereof and supersedes any and all prior agreements relating to such subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein. It may not be modified except in a writing signed by Executive and a duly authorized officer of the Company. Each party has carefully read this Agreement, has been afforded the opportunity to be advised of its meaning and consequences by his or its respective attorneys, and signed the same of his or its own free will.

16. SUCCESSORS AND ASSIGNS. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the written consent of the Company, which consent shall not be withheld unreasonably.

17. ATTORNEY FEES. If either party hereto brings any action to enforce his or its rights hereunder, each party in any such action shall be responsible for his or its costs and attorneys fees incurred in connection with such action.

18. COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

19. HEADINGS. The headings of the Sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

IN WITNESS WHEREOF, the parties have duly authorized and caused this Agreement to be executed as follows:

LONNIE SMITH, an individual	INTUITIVE SURGICAL DEVICES, INC., a corporation
/s/ Lonnie Smith Lonnie Smith	By: /s/ A. Grant Heidrich Title: Director
Date: 2/28, 1997	Date: 10/2, 1996

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

In exchange for the Severance Payments and other benefits to which I would not otherwise be entitled, I hereby furnish Intuitive Surgical Devices, Inc. (the "Company") with the following release and waiver.

I hereby release, and forever discharge the Company, its officers, directors, agents, employees, stockholders, attorneys, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising at any time prior to and including my employment termination date with respect to any claims relating to my employment and the termination of my employment, including but not limited to, claims pursuant to any federal, state or local law relating to employment, including, but not limited to, discrimination claims, claims under the California Fair Employment and Housing Act, and the Federal Age Discrimination in Employment Act of 1967, as amended ("ADEA"), or claims for wrongful termination, breach of the covenant of good faith, contract claims, tort claims, and wage or benefit claims, including but not limited to, claims for salary, bonuses, commissions, stock, stock options, vacation pay, fringe benefits, severance pay or any form of compensation.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR." I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to any claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this waiver and release is knowing and voluntary, and that the consideration given for this waiver and release is in addition to anything of value to which I was already entitled as an employee of the Company. I further acknowledge that I have been advised, as required by the Older Workers Benefit Protection Act, that: (a) the waiver and release granted herein does not relate to claims which may arise after this agreement is executed; (b) I have the right to consult with an attorney prior to executing this agreement (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days from the date I receive this agreement, in which to consider this agreement (although I may choose voluntarily to execute this agreement earlier); (d) I have seven (7) days following the execution of this agreement to revoke my consent to the agreement; and (e) this agreement shall not be effective until the seven (7) day revocation period has expired.

Date: _____ By: _____

EXHIBIT B

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

INTUITIVE SURGICAL DEVICES, INC.

EMPLOYEE PROPRIETY INFORMATION
AND INVENTIONS AGREEMENT

In consideration of my employment or continued employment by INTUITIVE SURGICAL DEVICES, INC. (the "COMPANY"), and the compensation now and hereafter paid to me, I hereby agree as follows:

1. NONDISCLOSURE

1.1 RECOGNITION OF COMPANY'S RIGHTS; NONDISCLOSURE. At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company's written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

1.2 PROPRIETARY INFORMATION. The term "PROPRIETARY INFORMATION" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "PROPRIETARY INFORMATION" includes (a) information relating to products, processes, know-how, designs, drawings, clinical data, test data, formulas, methods, samples, media and/or cell lines, developmental or experimental work, improvements, discoveries, plans for research, new products, manufacturing, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company (hereinafter collectively referred to as "INVENTIONS"); (b) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (c) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as a result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

1.3 THIRD PARTY INFORMATION. I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("THIRD PARTY INFORMATION") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

1.4 NO IMPROPER USE OF INFORMATION OF PRIOR EMPLOYERS AND OTHERS. During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

2. ASSIGNMENT OF INVENTIONS.

2.1 PROPRIETARY RIGHTS. The term "PROPRIETARY RIGHTS" shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

2.2 PRIOR INVENTIONS. Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on EXHIBIT B (Previous Inventions) attached hereto a complete list of all

Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as "PRIOR INVENTIONS"). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in EXHIBIT B but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on EXHIBIT B for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

2.3 ASSIGNMENT OF INVENTIONS. Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as "COMPANY INVENTIONS."

2.4 NONASSIGNABLE INVENTIONS. This Agreement does not apply to an Invention which qualifies fully as a nonassignable Invention under Section 2870 of the California Labor Code (hereinafter "SECTION 2870"). I have reviewed the notification on EXHIBIT A (Limited Exclusion Notification) and agree that my signature acknowledges receipt of the notification.

2.5 OBLIGATION TO KEEP COMPANY INFORMED. During the period of my employment and for six (6) months after termination of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under Section 2870; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under the provisions of Section 2870. I will preserve the confidentiality of any Invention that does not fully qualify for protection under Section 2870.

2.6 GOVERNMENT OR THIRD PARTY. I also agree to assign all my right, title and interest in and to any particular Invention to a third party, including without limitation the United States, as directed by the Company.

2.7 WORKS FOR HIRE. I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

2.8 ENFORCEMENT OF PROPRIETARY RIGHTS. During and after my employment with the Company, I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company's request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified

in the preceding paragraph. I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

3. RECORDS. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

4. ADDITIONAL ACTIVITIES. I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or business activity which is competitive with, or would otherwise conflict with, my employment by the Company.

5. NON-SOLICITATION. I agree that, during the term of my employment with the Company, and for a period of one (1) year following the date of my termination of employment with the Company, I will not form a business relationship with, offer to employ, or arrange employment of, anyone who is at that time employed by the Company or has been employed by the Company for any period of time during the previous six (6) months, nor shall I induce any employee of the Company to leave the employ of the Company.

6. NO CONFLICTING OBLIGATION. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

7. RETURN OF COMPANY DOCUMENTS. When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will cooperate with the Company in completing and signing the Company's termination statement.

8. LEGAL AND EQUITABLE REMEDIES. Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

9. NOTICES. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

10. NOTIFICATION OF NEW EMPLOYER. In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

11. GENERAL PROVISIONS.

11.1 GOVERNING LAW; CONSENT TO PERSONAL JURISDICTION. This Agreement will be governed by and construed according to the laws of the State of California, as such laws are applied to agreements entered into and to be performed entirely within California between California residents. I hereby expressly consent to the personal jurisdiction of the state and federal courts located in Santa Clara County, California for any lawsuit filed there against me by Company arising from or related to this Agreement.

11.2 SEVERABILITY. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and

reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11.3 SUCCESSORS AND ASSIGNS. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

11.4 SURVIVAL. The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

11.5 AT-WILL EMPLOYMENT. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, for any reason, with or without cause, and with or without notice.

11.6 WAIVER. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

11.7 ENTIRE AGREEMENT. The obligations pursuant to Sections 1 and 2 of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement shall be effective as of the first day of my employment with the Company, namely:
4/1/97 .
- ------------

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT B TO THIS AGREEMENT.

ACCEPTED AND AGREED TO:

INTUITIVE SURGICAL DEVICES, INC.

Dated: 2/28/97

/s/ Lonnie M. Smith
Signature

Lonnie M. Smith
(Printed Name)

76 Crosstie Lane
(Address)

Batesville, In 47006

By:

Title:

Address: 900 Hansen Way
Palo Alto, CA 94304

EXHIBIT A

LIMITED EXCLUSION NOTIFICATION

THIS IS TO NOTIFY you in accordance with Section 2872 of the California Labor Code that the foregoing Agreement between you and the Company does not require you to assign or offer to assign to the Company any invention that you developed entirely on your own time without using the Company's equipment, supplies, facilities or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company;

(2) Result from any work performed by you for the Company.

To the extent a provision in the foregoing Agreement purports to require you to assign an invention otherwise excluded from the preceding paragraph, the provision is against the public policy of this state and is unenforceable.

This limited exclusion does not apply to any patent or invention covered by a contract between the Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States.

I ACKNOWLEDGE RECEIPT of a copy of this notification.

By: /s/ Lonnie Smith

Lonnie Smith

Date: 2/28/97

WITNESSED BY:

(Printed Name of Representative)

Dated:

EXHIBIT B

TO: Intuitive Surgical Devices, Inc.

FROM: Lonnie Smith (/s/ Lonnie Smith)
signature

DATE: 2/28/97

SUBJECT: Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by [Company] (the "COMPANY") that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

/x/ No inventions or improvements.

/ / See below:

/ / Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	INVENTION OR IMPROVEMENT	PARTY(IES)	RELATIONSHIP
1.	---	---	---
2.	---	---	---
3.	---	---	---

/ / Additional sheets attached.

EXHIBIT C

ARBITRATION PROCEDURE

1. The parties agree that any dispute that arises in connection with this Agreement or the termination of this Agreement shall be resolved by binding arbitration in the manner described below.

2. A party intending to seek resolution of any dispute under the Agreement by arbitration shall provide a written demand for arbitration to the other party, which demand shall contain a brief statement of the issues to be resolved.

3. The arbitration shall be conducted in San Jose, California by a mutually acceptable retired judge from the panel of Judicial Arbitration and Mediation Services, Inc. ("JAMS"). At the request of either party, arbitration proceedings will be conducted in the utmost secrecy and, in such case, all documents, testimony and records shall be received, heard and maintained by the arbitrator in secrecy under seal, available for inspection only by the parties to the arbitration, their respective attorneys, and their respective expert consultants or witnesses who shall agree, in advance and in writing, to receive all such information confidentially and to maintain such information in secrecy, and make no use of such information except for the purposes of the arbitration, unless compelled by legal process.

4. The arbitrator is required to disclose any circumstances that might preclude the arbitrator from rendering an objective and impartial determination. In the event the parties cannot mutually agree upon the selection of a JAMS arbitrator, the President and Vice-President of JAMS shall designate the arbitrator.

The party demanding arbitration shall promptly request that JAMS conduct a scheduling conference within fifteen (15) days of the date of that party's written demand for arbitration or on the first available date thereafter on the arbitrator's calendar. The arbitration hearing shall be held within thirty (30) days after the scheduling conference or on the first available date thereafter on the arbitrator's calendar. Nothing in this paragraph shall prevent a party from at any time seeking temporary equitable relief, from JAMS or any court of competent jurisdiction, to prevent irreparable harm pending the resolution of the arbitration.

5. Discovery shall be conducted as follows: (a) prior to the arbitration any party may make a written demand for lists of the witnesses to be called and the documents to be introduced at the hearing; (b) the lists must be served within fifteen days of the date of receipt of the demand, or one day prior to the arbitration, whichever is earlier; and (c) each party may take no more than two depositions (pursuant to the procedures set forth in the California Code of Civil Procedure) with a maximum of five hours of examination time per deposition, and no other form of pre-arbitration discovery shall be permitted.

6. It is the intent of the parties that the Federal Arbitration Act ("FAA") shall apply to the enforcement of this provision unless it is held inapplicable by a court with jurisdiction over the dispute, in which event the California Arbitration Act ("CAA") shall apply.

7. The arbitrator shall apply California law, including the California Evidence Code, and shall be able to decree any and all relief of an equitable nature, including but not limited to such relief as a temporary restraining order, a preliminary injunction, a permanent injunction, or replevin of Company property. The arbitrator shall also be able to award actual, general or consequential damages, but shall not award any other form of damage (e.g., punitive damages).

8. Each party shall pay its pro rata share of the arbitrator's fees and expenses, in addition to other expenses of the arbitration approved by the arbitrator, pending the resolution of the arbitration. The arbitrator shall have authority to award the payment of such fees and expenses to the prevailing party, as appropriate in the discretion of the arbitrator. Each party shall pay its own attorneys fees, witness fees and other expenses incurred for its own benefit.

9. The arbitrator shall render a written award setting forth the reasons for his or her decision. The decree or judgment of an award rendered by the arbitrator may be entered and enforced in any court having jurisdiction over the parties. The award of the arbitrator shall be final and binding upon the parties without appeal or review except as permitted by the FAA, or if the FAA is not applicable, as permitted by the CAA.

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the references to our firm under the captions "Selected Financial Data" and "Experts" and to the use of our report dated February 6, 1998 (except for Note 7, as to which the date is April 21, 1998) in the Registration Statement (Form S-1) and related Prospectus of Intuitive Surgical, Inc. for the registration of shares of its common stock.

ERNST & YOUNG LLP

Palo Alto, California
April 21, 1998

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1,000

YEAR	
	DEC-31-1997
	JAN-01-1997
	DEC-31-1997
	17,034
	15,640
	0
	0
	0
	32,870
	3,683
	(879)
	35,674
	7,446
	0
	14
	0
	7
	27,310
	35,674
	0
	0
	0
	0
	24,716
	0
	1,244
	(23,602)
	0
	(23,602)
	0
	0
	0
	(23,602)
	(11.24)
	(1.85)