AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 22, 2000

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.
LAURA A. BEREZIN, ESQ.
COOLEY GODWARD LLP
FIVE PALO ALTO SQUARE
3000 EL CAMINO REAL
PALO ALTO, CALIFORNIA 94306
(650) 843-5000

KENNETH M. DORAN, ESQ.
GIBSON, DUNN & CRUTCHER LLP
333 SOUTH GRAND AVENUE
LOS ANGELES, CA 90071
(213) 229-7000

APPROXIMATE DATE OF COMMENCEMENT 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 this Form is a post-effective amendment filed pursuant to Rule 462(d) 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 SHARES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $.001 par value.....	$115,000,000	$30,360

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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 SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

- ---
- ---

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY.

SUBJECT TO COMPLETION, DATED MARCH 22, 2000

PROSPECTUS

SHARES

[INTUITIVE SURGICAL LOGO]

COMMON STOCK

- ---

This is our initial public offering of shares of common stock. We are offering shares. No public market currently exists for our shares.

We propose to list our common stock on the Nasdaq National Market under the symbol "ISRG." Anticipated price range of $ to $ per share.

INVESTING IN THE SHARES INVOLVES RISKS. "RISK FACTORS" BEGIN ON PAGE 5.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Intuitive Surgical	$	$

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock on the same terms and conditions as set forth above solely to cover over-allotments, if any.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Lehman Brothers expects to deliver the shares on or about , 2000.

- ---

LEHMAN BROTHERS

BEAR, STEARNS & CO. INC.
ROBERTSON STEPHENS
WARBURG DILLON READ LLC

, 2000

[Description of Graphics]

Outside Front Cover

Captions

Headline: DA VINCI(TM) Surgical System
The future of surgery is now at your fingertips(TM)

A series of four photographs are shown on the right side and bottom of the page. The first image shows two ENDOWRIST instruments suturing an organ. The second image shows a surgeon's hands inside our Surgeon's console manipulating the instrument controls to move the instruments shown in the first image. The surgeon's hands are positioned and oriented relative to one another in the same manner the instruments of the first image are relatively positioned and oriented. The third image shows a surgeon holding an actual ENDOWRIST instrument in front of his face. The fourth image is a graphic comparing the range of motion of the human hand and wrist to that of an ENDOWRIST instrument.

Captions:

First and
Second Images: Orientation and movement of the surgeon's wrists, hands and fingers are seamlessly translated to the instrument tips

Third Image: Enhanced precision and intuitive control are provided through incisions the diameter of a pencil

Fourth Image: Full dexterity of the surgeon's wrists, hands and fingers are replicated real-time at the operative field

Gatefold

Captions

Headline: DA VINCI(TM) Surgical System

Illustration: This illustration, centered on the page, shows various operating room personnel performing a simulated surgery using Intuitive Surgical's DA VINCI(TM) Surgical System.

Legend

Orange dot 1 Surgeon's Console

Blue dot 2 Patient-Side Cart

Yellow dot 3 ENDOWRIST Instruments

Teal dot 4 INSITE Vision System High-Resolution 3-D Endoscope

Purple dot 5 INSITE Vision System Image Processing Equipment

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy our common stock in any jurisdiction where it is unlawful. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock. This preliminary prospectus is subject to completion prior to this offering.

Until , 2000 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including "Risk Factors" and the financial statements and the notes to those statements, appearing elsewhere in this prospectus. Unless otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their over-allotment option, assumes the conversion of all of our preferred stock into common stock upon completion of this offering and assumes the filing of our amended and restated certificate of incorporation immediately following the closing of this offering. In this prospectus, we refer to Intuitive Surgical, Inc. as "Intuitive Surgical," "we" and "us."

INTUITIVE SURGICAL

We design and manufacture the da Vinci Surgical System, an advanced surgical system that we believe represents a fundamentally new generation of surgery. We believe this new generation of surgery, Intuitive surgery, represents an advance similar in magnitude to the previous two generations of surgery -- open surgery and minimally invasive surgery, or MIS. Our da Vinci Surgical System seamlessly translates the surgeon's natural hand movements on instrument controls at a console into corresponding micromovements of instruments positioned inside the patient through small puncture incisions, or ports. Our products provide the surgeon with the range of motion and fine tissue control previously possible only with open surgery, while simultaneously allowing the surgeon to work through small ports. To date, surgeons have performed over 500 surgical procedures using our da Vinci Surgical System.

Although open surgery is still the predominant form of surgery, the large incisions required create significant trauma to the patient, often contributing to long hospitalization and recovery times, high hospitalization costs, as well as significant pain and suffering. Over the past several decades, physicians have made progress in reducing surgery-related trauma by developing MIS techniques. These techniques allow surgery to be performed through ports rather than large incisions, resulting in shorter recovery times and reduced hospitalization costs. MIS techniques have been widely adopted in certain surgical procedures, such as gall bladder removal, but have not been widely adopted for most complex surgical procedures. We believe surgeons have been slow to adopt MIS for many surgical procedures because of the inherent drawbacks with existing MIS tools and techniques, which include "backward" instrument movements, restricted range of motion, magnified hand tremor, lack of precision, difficulty in performing fine tissue manipulations, exaggerated instrument movements and poor visualization.

Intuitive surgery overcomes many of the limitations of existing MIS surgery by using 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 our da Vinci Surgical System, the surgeon operates while seated comfortably at a console viewing a 3-D image of the surgical field. The surgeon's fingers grasp the instrument controls below the display with wrists naturally positioned relative to his or her eyes. Our technology seamlessly translates the surgeon's movements into precise, real-time movements of our surgical instruments inside the patient. The key advantages of Intuitive surgery over conventional MIS techniques include the following:

- natural instrument movements that directly transform the surgeon's hand, wrist and finger movements outside the patient's body into corresponding instrument micromovements inside the body;

- a full range of motion for surgical instruments, previously available only in open surgery;

- reduced hand tremor and finer instrument movements as a result of computer enhancements of the surgeon's hand, wrist and finger movements;

- the look and feel of open surgery enabled by our 3-D InSite vision system;

- ease of use enabling surgeons to learn to use our products with a limited amount of training;

- the capability to perform complex surgical procedures; and

- broad applicability to multiple surgical procedures through a single surgical platform.

Our products include our da Vinci Surgical System and a variety of "smart disposable" EndoWrist instruments that incorporate our flexible "wrist" joint technology. Our product revenues are generated primarily from the direct sale of (1) the da Vinci Surgical System, consisting of a surgeon's console, a patient-side cart that holds electromechanical arms, and our 3-D InSite vision system, and (2) our EndoWrist instruments, which include scissors, forceps, scalpels and a variety of other tools. Our instruments are resterilizable and the number of procedures or hours that each can perform is controlled by a custom computer chip. Because we have designed our EndoWrist instruments to expire after their recommended useful lives, we expect continuing sales of our EndoWrist instruments to generate recurring revenues.

We have applied for trademark registration of, or claim trademark rights in, the following: Intuitive, da Vinci, EndoWrist, InSite, the Intuitive Surgical logo, Immersive and Navigator. Other trademarks and trade names appearing in this prospectus are the property of their holders.

We were incorporated in Delaware in November 1995 as Intuitive Surgical Devices, Inc. and changed our name to Intuitive Surgical, Inc. in January 1997. Our executive offices are located at 1340 W. Middlefield Road, Mountain View, California 94043, and our telephone number is (650) 237-7000. Our website is located at http://www.intuitivesurgical.com. Information contained on our website is not a part of this prospectus.

THE OFFERING

Common Stock offered.....	shares
Common Stock to be outstanding after this offering.....	shares
Use of Proceeds.....	For working capital and general corporate purposes.
Proposed Nasdaq National Market Symbol.....	"ISRG"

The number or shares of common stock to be outstanding after this offering is based on the number of shares of common stock outstanding as of December 31, 1999, and excludes:

- 1,466,725 shares of common stock underlying options outstanding as of December 31, 1999 at a weighted-average exercise price of $1.90 per share;

- 203,997 shares of common stock available for future grants under our stock option plans as of December 31, 1999;

- 5,107,875 shares of common stock underlying warrants outstanding as of December 31, 1999 at a weighted-average exercise price of $9.49 per share, of which 3,588,400 shares of preferred stock were issued upon exercise of outstanding warrants in March 2000 at a weighted-average exercise price of $9.84 per share; and

- an additional 6,960,000 shares authorized subsequent to December 31, 1999 for issuance under our stock option and employee stock purchase plans, of which options to purchase 70,250 shares and 303,600 shares of common stock were granted in February 2000 and March 2000, respectively, at a weighted-average exercise price of $3.00 per share.

SUMMARY FINANCIAL DATA

The following tables summarize our financial data. The pro forma information contained in the statements of operations data gives effect to the automatic conversion of our preferred stock into common stock upon the completion of this offering. The as adjusted column of the balance sheet data gives effect to the automatic conversion of our preferred stock into common stock upon completion of this offering and reflects the sale of shares of our common stock in this offering at the assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The following tables do not reflect the March 2000 exercise of warrants to purchase 3,588,400 shares of preferred stock for gross proceeds of $35.3 million.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF OPERATIONS DATA			
Sales	$ --	$ --	$ 10,192
Cost of sales	--	--	9,273
Gross margin	--	--	919
Operating costs and expenses:			
Research and development	20,282	23,208	11,130
Selling, general and administrative	4,434	7,565	9,338
Total operating costs and expenses	24,716	30,773	20,468
Loss from operations	(24,716)	(30,773)	(19,549)
Interest income (expense), net	1,114	1,330	1,134
Net loss	$(23,602)	$(29,443)	$(18,415)
Basic and diluted net loss per share	$ (11.24)	$ (8.14)	$ (3.81)
Shares used in computing basic and diluted net loss per share	2,100	3,619	4,837
Pro forma basic and diluted net loss per share (unaudited)			$ (0.79)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)			23,331

	AS OF DECEMBER 31, 1999	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
BALANCE SHEET DATA		
Cash, cash equivalents and short-term investments	$ 26,260	$
Working capital	22,023	
Total assets	34,455	
Notes payable, less current portion	2,521	
Deferred compensation	(943)	
Accumulated deficit	(75,147)	
Total stockholders' equity	22,211	

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the following risks, as well as the other information contained in this prospectus. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you might lose all or part of your investment. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. If any of these additional risks or uncertainties occurs, the trading price of our common stock could decline, and you might lose all or part of your investment.

RISKS RELATED TO INTUITIVE SURGICAL

OUR FUTURE OPERATING RESULTS MAY BE BELOW SECURITIES ANALYSTS' OR INVESTORS' EXPECTATIONS, WHICH COULD CAUSE OUR STOCK PRICE TO DECLINE.

Because of our limited operating history, we have limited insight into trends that may emerge in our market and affect our business. The revenue and income potential of our market are unproven, and we may be unable to generate significant commercial revenues. In addition, our costs may be higher than we, securities analysts or investors expect. If we fail to generate sufficient revenues or our costs are higher than we expect, our results of operations will suffer, which in turn could cause our stock price to decline. Further, future revenue from sales of our products, if any, will be difficult to forecast because the market for new surgical technologies is still evolving. Our results of operations will depend upon numerous factors, including:

- the progress and results of clinical trials;
- actions relating to regulatory matters;
- the extent to which our products gain market acceptance;
- our timing and ability to develop our manufacturing and sales and marketing capabilities;
- demand for our products;
- the progress of surgical training in the use of our products;
- our ability to develop, introduce and market new or enhanced versions of our products on a timely basis;
- product quality problems;
- our ability to protect our proprietary rights;
- our ability to license additional intellectual property rights; and
- third-party payor reimbursement policies.

Our operating results in any particular period will not be a reliable indication of our future performance. It is likely that in some future quarters, our operating results will be below the expectations of securities analysts or investors. If this occurs, the price of our common stock, and the value of your investment, will likely decline.

WE HAVE A LARGE ACCUMULATED DEFICIT, WE EXPECT FUTURE LOSSES, AND WE MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY.

We have incurred substantial losses since inception as we funded the development of our products and technologies. Our net loss for 1999 was $18.4 million. As of December 31, 1999, we had an accumulated deficit of $75.1 million.

We expect to spend substantial amounts in the future to expand our manufacturing and sales and marketing capabilities, and for additional research and development activities, clinical trials, and regulatory approval applications. As a result, we expect our operating losses to continue for the foreseeable future. The extent of our future losses and the timing of profitability are highly uncertain, and we may never achieve profitable operations. If the time required to generate significant revenues and achieve profitability is longer than anticipated, we may not be able to continue our operations.

WE EXPERIENCE LONG AND VARIABLE SALES CYCLES, WHICH COULD HAVE A NEGATIVE IMPACT ON OUR RESULTS OF OPERATIONS FOR ANY GIVEN QUARTER.

Our da Vinci Surgical System has a lengthy sales and purchase order cycle because it is a major capital item and generally requires the approval of senior management at purchasing institutions. We do not plan to maintain an inventory of assembled da Vinci Surgical Systems, but rather plan to manufacture our products only after receiving customer orders. These factors may contribute to substantial fluctuations in our quarterly operating results, particularly during the periods in which our sales volume is low. Because of these fluctuations, it is likely that in some future quarters, our operating results could fall below the expectations of securities analysts or investors. If that happens, the market price of our stock would likely decrease. These fluctuations also mean that you will not be able to rely upon our operating results in any particular period as an indication of future performance.

IF OUR PRODUCTS DO NOT ACHIEVE MARKET ACCEPTANCE, OUR BUSINESS COULD FAIL.

Our products represent a fundamentally new way of performing surgery. Achieving physician, patient and third-party payor acceptance of Intuitive surgery as a preferred method of performing surgery will be crucial to our success. We believe that physicians' and third-party payors' acceptance of the benefits of procedures performed using our products will be essential for acceptance of our products by patients. Physicians will not recommend the use of our products unless we can demonstrate that they produce results comparable or superior to existing surgical techniques. Even if we can prove the effectiveness of our products through clinical trials, surgeons may elect not to use our products for any number of other reasons. For example, cardiologists may continue to recommend conventional open heart surgery simply because such surgery is already so widely accepted. In addition, surgeons may be slow to adopt our products because of the perceived liability risks arising from the use of new products and the uncertainty of reimbursement from third-party payors. If our products fail to achieve market acceptance, we will not be able to generate the revenue necessary to support our business.

We expect that there will be a learning process involved for surgical teams to become proficient in the use of our products. Broad use of our products will require training of surgical teams. Market acceptance could be delayed by the time required to complete this training. We may not be able to rapidly train surgical teams in numbers sufficient to generate adequate demand for our products. Although we are in the process of developing training programs for surgical teams, we cannot be certain that our training programs will be cost effective or sufficient to meet our customers' needs.

OUR ABILITY TO MARKET AND SELL OUR PRODUCTS DOMESTICALLY DEPENDS UPON RECEIVING REGULATORY APPROVALS.

Our products are subject to extensive regulation in the United States by the U.S. Food and Drug Administration, or FDA. The FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, promotion, distribution and production of medical devices in the United States. Our products have not been approved by the FDA for any surgical procedure. If we fail to obtain FDA approval for the use of our products, our business will be harmed and we will not be able to market and sell our products in the United States. In November 1999, we submitted a premarket approval, or PMA, application requesting permission to market our da Vinci Surgical System and EndoWrist instruments for laparoscopic surgical procedures, which the FDA accepted for review in December 1999. In addition to the pending PMA application for laparoscopic approval, we presently have a clinical study in progress covering surgery in the chest called thoracoscopic surgery. A PMA application must be supported by valid scientific evidence, which typically includes extensive preclinical and clinical trials and other data, to demonstrate the safety and effectiveness of the device. Data obtained from clinical trials are subject to varying interpretations that could delay, limit or prevent us from obtaining FDA approval. Even if our products are approved by the FDA, if we modify them, the FDA may require us to obtain approval of the modified products before we are permitted to market and sell them. Any delay in receiving approval, failure to receive approval or failure to comply with existing or future regulatory requirements would harm our ability to market and sell our products. For additional information concerning regulatory approval of our products, see "Business -- Government Regulation."

OUR ABILITY TO MARKET AND SELL OUR PRODUCTS INTERNATIONALLY DEPENDS UPON RECEIVING REGULATORY APPROVALS.

To be able to market and sell our products in other countries, we must obtain regulatory approvals and comply with the regulations of those countries. These regulations, including the requirements for approvals, and the time required for regulatory review vary from country to country. Obtaining and maintaining foreign regulatory approvals are expensive, and we cannot be certain that we will receive regulatory approvals in any foreign country in which we plan to market our products. If we fail to obtain regulatory approval in any foreign country in which we plan to market our products, our ability to generate revenue will be harmed.

The European Union requires that manufacturers of medical products obtain the right to affix the CE mark to their products before selling them in member countries of the European Union. 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 products, a manufacturer must obtain certification that its processes meet certain European quality standards. In January 1999, we received permission to affix the CE mark to our da Vinci Surgical System and EndoWrist instruments for general surgical use. We received additional CE approvals for use of our da Vinci Surgical System and EndoWrist instruments in cardiac surgery in September 1999 and February 2000.

If we modify existing products or develop new products in the future, including new instruments, we will need to apply for permission to affix the CE mark to such products. In addition, we will be subject to annual regulatory audits in order to maintain the CE mark permissions we have already obtained. We cannot be certain that we will be able to obtain permission to affix the CE mark for new or modified products or that we will continue to meet the quality and safety standards required to maintain the permissions we have already received. If we are unable to maintain permission to

affix the CE mark to our products, we will no longer be able to sell our products in member countries of the European Union.

IF INSTITUTIONS OR SURGEONS ARE UNABLE TO OBTAIN REIMBURSEMENT FROM THIRD-PARTY PAYORS FOR PROCEDURES USING OUR PRODUCTS, OR IF REIMBURSEMENT IS INSUFFICIENT TO COVER THE COSTS OF PURCHASING OUR PRODUCTS, WE MAY BE UNABLE TO GENERATE SUFFICIENT SALES.

At present, the da Vinci Surgical System is categorized as an "experimental device" and thus does not qualify for Medicare reimbursement. In late 1999, the FDA denied our formal request for reclassification of the da Vinci Surgical System as an investigational, rather than an experimental, device. We believe that unless the FDA approves our PMA application for a particular indication, such as laparoscopic use, reimbursement through Medicare will be unavailable in the United States for our products.

Domestic institutions will typically bill the services performed with our products to various third-party payors, such as Medicare, Medicaid and other government programs and private insurance plans. We believe that the procedures we intend to target if we receive FDA approval are generally already reimbursable by government agencies and insurance companies. Accordingly, we believe 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 approved surgery using our products. If hospitals do not obtain sufficient reimbursement from third-party payors for procedures performed with our products, or if government and private payors' policies do not permit reimbursement for surgical procedures performed using our products, we may not be able to generate the revenues necessary to support our business. In such circumstances, we may have to apply to the American Medical Association for a unique Current Procedural Terminology code covering computer-enhanced surgery. If an application for a unique code is required, reimbursement for any use of our products may be unavailable until an appropriate code is granted. The application process, from filing until adoption of a new code, can take two or more years.

Our success in international markets also depends upon the eligibility of our products for reimbursement through government-sponsored health care payment systems and third-party payors. Reimbursement practices vary significantly by country. Many international markets have government-managed healthcare systems that control reimbursement for new products and procedures. Other foreign markets have both private insurance systems and government-managed systems that control reimbursement for new products and procedures. Market acceptance of our products may depend on the availability and level of reimbursement in any country within a particular time. In addition, health care cost containment efforts similar to those we face in the United States are prevalent in many of the other countries in which we intend to sell our products and these efforts are expected to continue. For further information on third-party reimbursement policies, see "Business -- Third-Party Reimbursement."

IF WE ARE UNABLE TO PROTECT THE INTELLECTUAL PROPERTY CONTAINED IN OUR PRODUCTS FROM USE BY THIRD PARTIES, OUR ABILITY TO COMPETE IN THE MARKET WILL BE HARMED.

Our commercial success will depend in part on obtaining patent and other intellectual property protection for the technologies contained in our products, and on successfully defending our patents and other intellectual property against third party challenges.

We will incur substantial costs in obtaining patents and, if necessary, defending our proprietary rights. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. We cannot assure you that we will obtain the patent protection we seek, or that the protection we do obtain will be found valid and enforceable

if challenged. We also cannot assure you that we will be able to develop additional patentable proprietary technologies. If we fail to obtain adequate protection of our intellectual property, or if any protection we obtain is reduced or eliminated, others could use our intellectual property without compensating us, resulting in harm to our business. We may also determine that it is in our best interests to voluntarily challenge a third party's products or patents in litigation or administrative proceedings, including patent interferences or reexaminations. Given the early priority dates of some of our licensed patents, we believe one or more patent proceedings may be in our best interests in the foreseeable future. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States.

OTHERS MAY ASSERT THAT OUR PRODUCTS INFRINGE THEIR INTELLECTUAL PROPERTY RIGHTS, WHICH MAY CAUSE US TO ENGAGE IN COSTLY DISPUTES AND, IF WE ARE NOT SUCCESSFUL IN DEFENDING OURSELVES, COULD ALSO CAUSE US TO PAY SUBSTANTIAL DAMAGES AND PROHIBIT US FROM SELLING OUR PRODUCTS.

We are aware of both United States and foreign patents issued to third parties that relate to computer-assisted surgery and minimally invasive surgery. Some of these patents on their face appear broad enough to cover one or more aspects of our present technology, and may cover aspects of our future technology. We do not know whether any of these patents, if challenged, would be held valid, enforceable and infringed. From time to time, we receive, and likely will continue to receive, letters from third parties inviting us to license their patents. We may be sued by, or become involved in an administrative proceeding because of one or more of these third parties, regardless of the merits or likely outcome of such suit or proceeding. We cannot assure you that a court or administrative body would agree with any arguments or defenses we have concerning invalidity, unenforceability or noninfringement of any third-party patent. In addition to the issued patents of which we are aware, other parties may have filed, and in the future are likely to file, patent applications covering surgical products that are similar or identical to ours. We cannot assure you that any patents issuing from applications filed by a third party will not cover our products or will not have priority over our patent applications.

The medical device industry has been characterized by extensive litigation and administrative proceedings regarding patents and other intellectual property rights, and companies have employed such actions to gain a competitive advantage. If third parties assert infringement or other intellectual property claims against us, our technical and management personnel will experience a significant diversion of time and effort and we will incur large expenses defending ourselves. If third parties in any patent action are successful, our patent portfolio may be damaged, we may have to pay substantial damages, including treble damages, and we may be required to stop selling our products or obtain a license which, if available at all, may require us to pay substantial royalties. We cannot be certain that we will have the financial resources or the substantive arguments to defend our patents from infringement or claims of invalidity or unenforceability, or to defend against allegations of infringement of third-party patents. In addition, any public announcements related to litigation or administrative proceedings initiated by us, or initiated or threatened against us, could cause our stock price to decline.

THE RIGHTS AND MEASURES WE RELY ON TO PROTECT THE INTELLECTUAL PROPERTY UNDERLYING OUR PRODUCTS MAY NOT BE ADEQUATE, WHICH COULD ENABLE THIRD PARTIES TO USE OUR TECHNOLOGY AND WOULD REDUCE OUR ABILITY TO COMPETE IN THE MARKET.

In addition to patents, we typically rely on a combination of trade secret, copyright and trademark laws, nondisclosure agreements and other contractual provisions and technical security measures to protect our intellectual property rights. Nevertheless, these measures may not be adequate to safeguard the technology underlying our products. If they do not protect our rights adequately, third parties could use our technology, and our ability to compete in the market would be

reduced. In addition, employees, consultants and others who participate in developing our products may breach their agreements with us regarding our intellectual property, and we may not have adequate remedies for the breach. We also may not be able to effectively protect our intellectual property rights in some foreign countries. For a variety of reasons, we may decide not to file for patent, copyright or trademark protection outside the United States. We also realize that our trade secrets may become known through other means not currently foreseen by us. Notwithstanding our efforts to protect our intellectual property, our competitors may independently develop similar or alternative technologies or products that are equal or superior to our technology and products without infringing any of our intellectual property rights, or may design around our proprietary technologies. For further information on our intellectual property and the difficulties in protecting it, see "Business -- Intellectual Property."

OUR PRODUCTS RELY ON LICENSES FROM THIRD PARTIES, AND IF WE LOSE ACCESS TO THESE TECHNOLOGIES, OUR REVENUES COULD DECLINE.

We rely on technology that we license from others, including technology that is integral to our products. We have entered into license agreements with SRI International, IBM and MIT. Any of these agreements may be terminated for breach, including the failure to make required payments under the IBM license and the failure to commercialize our products under the SRI license. If any of these agreements is terminated, we may be unable to reacquire the necessary license on satisfactory terms, or at all. The loss or failure to maintain these licenses could prevent or delay further development or commercialization of our products. See "Business -- Intellectual Property" for further information on our license agreements.

WE OPERATE IN A HIGHLY COMPETITIVE BUSINESS ENVIRONMENT AND OUR REVENUES MAY BE REDUCED OR ELIMINATED IF WE DO NOT COMPETE EFFECTIVELY.

Intuitive surgery is a new technology that must compete with established minimally invasive surgery and open surgery. These procedures are widely accepted in the medical community and in many cases have a long history of use. We also face competition from several companies that are developing new approaches and products for the minimally invasive surgery market. In addition, we presently face increasing competition from companies who are developing robotic and computer-assisted surgical systems. Our revenues may be reduced or eliminated if our competitors develop and market products that are more effective or less expensive than our products. If we are unable to compete successfully, our revenues will suffer.

Many of our competitors have greater financial and other resources than we do. 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 many cases, the medical conditions that can be treated using our products can also be treated by pharmaceuticals or other medical devices and procedures. Many of these alternative treatments are also widely accepted in the medical community and have a long history of use. In addition, technological advances could make such treatments more effective or less expensive than using our products, which could render our products obsolete or unmarketable. We cannot be certain that

physicians will use our products to replace or supplement established treatments or that our products will be competitive with current or future technologies.

IF SOFTWARE DEFECTS ARE DISCOVERED IN OUR PRODUCTS, OUR BUSINESS MAY BE HARMED.

Our products incorporate sophisticated computer software. Complex software frequently contains 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 our products are designed to be used to perform complex surgical procedures, we expect that our customers will have an increased sensitivity to software defects. We cannot assure you that our software will not experience errors or performance problems in the future. If we experience software errors or performance problems, any of the following could occur:

- delays in product shipments;
- loss of revenue;
- delay in market acceptance;
- diversion of our resources;
- damage to our reputation;
- increased service or warranty costs; or
- product liability claims.

WE HAVE LIMITED EXPERIENCE IN MANUFACTURING OUR PRODUCTS AND MAY ENCOUNTER MANUFACTURING PROBLEMS OR DELAYS THAT COULD RESULT IN LOST REVENUE.

We have manufactured a limited number of our products for prototypes and sales to customers. We may be unable to establish or maintain reliable, high-volume manufacturing capacity. Even if this capacity can be established and maintained, the cost of doing so may increase the cost of our products and reduce our ability to compete. We may encounter difficulties in scaling up production of our products, including:

- problems involving production yields;
- quality control and assurance;
- component supply shortages;
- shortages of qualified personnel; and
- compliance with state, federal and foreign regulations.

Manufacturing our products is a complex process. We plan to manufacture products to fill purchase orders rather than to maintain inventories of our assembled products. If demand for our products exceeds our manufacturing capacity, we could develop a substantial backlog of customer orders. If we are unable to establish and maintain larger-scale manufacturing capabilities, our ability to generate revenues will be limited and our reputation in the marketplace would be damaged.

IF OUR MANUFACTURING FACILITIES DO NOT CONTINUE TO MEET FEDERAL, STATE OR EUROPEAN MANUFACTURING STANDARDS, WE MAY NOT BE ABLE TO SELL OUR PRODUCTS IN THE UNITED STATES OR EUROPE.

Our manufacturing facilities are subject to periodic inspection by regulatory authorities and our operations will continue to be regulated by the FDA for compliance with Good Manufacturing Practices, or GMP. We are also required to comply with the ISO 9000 series standards in order to produce products for sale in Europe. We are currently in compliance with GMP requirements for medical devices and ISO 9000 series standards. Maintaining such compliance is difficult and costly. If we fail to continue to comply with GMP requirements or ISO 9000 series standards, we may be required to cease all or part of our operations until we comply with these regulations. We cannot be certain that our facilities will be found to comply with GMP requirements or the ISO 9000 series standards in future audits by regulatory authorities.

The state of California also requires that we maintain a license to manufacture medical devices. Our facilities and manufacturing processes were inspected in February 1998. In March 1998, we passed the inspection and received a device manufacturing license from the California Department of Health Services. We will be subject to periodic inspections by the California Department of Health Services and if we are unable to maintain this license following any future inspections, we will be unable to manufacture or ship any products.

OUR RELIANCE ON SOLE AND SINGLE SOURCE SUPPLIERS COULD HARM OUR ABILITY TO MEET DEMAND FOR OUR PRODUCTS IN A TIMELY MANNER OR WITHIN BUDGET.

Some of the components necessary for the assembly of our products are currently provided to us by sole source suppliers or single source suppliers. We purchase components through purchase orders rather than long-term supply agreements and generally do not maintain large volumes of inventory. The disruption or termination of the supply of components could cause a significant increase in the costs of these components, which could affect our profitability. A disruption or termination in the supply of components could also result in our inability to meet demand for our products, which could harm our ability to generate revenues, lead to customer dissatisfaction and damage our reputation. Furthermore, if we are required to change the manufacturer of a key component of our products, we may be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could delay our ability to manufacture our products in a timely manner or within budget.

THE USE OF OUR PRODUCTS COULD RESULT IN PRODUCT LIABILITY CLAIMS THAT COULD BE EXPENSIVE, DIVERT MANAGEMENT'S ATTENTION AND HARM OUR BUSINESS.

Our business exposes us to significant risks of product liability claims. The medical device industry has historically been litigious, and we face financial exposure to product liability claims if the use of our products were to cause injury or death. There is also the possibility that defects in the design or manufacture of our products might necessitate a product recall. Although we maintain product liability insurance, the coverage limits of these policies may not be adequate to cover future claims. Particularly as sales of our products increase, we may be unable to maintain product liability insurance in the future at satisfactory rates or adequate amounts. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. A product liability claim or any product recalls could also harm our reputation or result in a decline in revenues.

OUR GROWTH WILL PLACE A SIGNIFICANT STRAIN ON OUR MANAGEMENT SYSTEMS AND RESOURCES AND, IF WE FAIL TO MANAGE OUR GROWTH, OUR ABILITY TO MARKET, SELL AND DEVELOP OUR PRODUCTS MAY BE HARMED.

In order to complete clinical trials, scale-up manufacturing, expand marketing and distribution capabilities and develop future products, we must expand our operations. We expect that future expansion will occur particularly in the areas of sales and marketing, manufacturing and research and development. This expansion will likely result in new and increased responsibilities for management personnel and place significant strain upon our management, operating and financial systems and resources. We plan to sell our products primarily through direct sales, and we currently have a small sales organization. We will need to expand our sales team significantly over the next 12 months to achieve our sales growth goals. We will face significant challenges and risks in building and managing our sales team, including managing geographically dispersed sales efforts and adequately training our sales people in the use and benefits of our products. To accommodate our growth and compete effectively, we will be required to improve our information systems, create additional procedures and controls and expand, train, motivate and manage our work force. Our future success will depend in part on the ability of current and future management personnel to operate effectively, both independently and as a group. We cannot be certain that our personnel, systems, procedures and controls will be adequate to support our future operations.

IF WE LOSE OUR KEY PERSONNEL OR ARE UNABLE TO ATTRACT AND RETAIN ADDITIONAL PERSONNEL, OUR ABILITY TO COMPETE WILL BE HARMED.

We are highly dependent on the principal members of our management and scientific staff, in particular Lonnie M. Smith, our President and Chief Executive Officer, Frederic H. Moll, M.D., our Vice President and Medical Director and Robert G. Younge, our Vice President and Chief Technology Officer. In order to pursue our product development, marketing and commercialization plans, we will need to hire additional qualified personnel with expertise in research and development, clinical testing, government regulation, manufacturing, sales and marketing, and finance. Attracting and retaining qualified personnel will be critical to our success. We may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among technology and healthcare companies, and universities. The loss of any of these persons or our inability to attract and retain qualified personnel could harm our business and our ability to compete.

WE MAY NOT BE ABLE TO MEET THE UNIQUE OPERATIONAL, LEGAL AND FINANCIAL CHALLENGES THAT WE WILL ENCOUNTER IN OUR INTERNATIONAL OPERATIONS, WHICH MAY LIMIT THE GROWTH OF OUR BUSINESS.

Our business currently depends in large part on our activities in Europe, and a component of our growth strategy is to expand our presence into additional foreign markets. We will be subject to a number of challenges that specifically relate to our international business activities. These challenges include:

- failure of local laws to provide the same degree of protection against infringement of our intellectual property;

- protectionist laws and business practices that favor local competitors, which could slow our growth in international markets;

- the risks associated with foreign currency exchange rate fluctuation;

- the expense of establishing facilities and operations in new foreign markets; and

- building an organization capable of supporting geographically dispersed operations.

If we are unable to meet and overcome these challenges, our international operations may not be successful, which would limit the growth of our business.

FAILURE TO RAISE ADDITIONAL CAPITAL OR GENERATE THE SIGNIFICANT CAPITAL NECESSARY TO EXPAND OUR OPERATIONS AND INVEST IN NEW PRODUCTS COULD REDUCE OUR ABILITY TO COMPETE AND RESULT IN LOWER REVENUES.

We expect that the cash proceeds from this offering will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. After that, we may need to raise additional funds and we cannot be certain that we will be able to obtain additional financing on favorable terms, or at all. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products and services;

- acquire technologies, products or businesses;

- expand operations in the United States or internationally;

- hire, train and retain employees; or

- respond to competitive pressures or unanticipated capital requirements.

Our failure to do any of these things could result in lower revenues and could harm our business.

RISKS RELATED TO OUR OFFERING

THE SUBSTANTIAL NUMBER OF SHARES THAT WILL BE ELIGIBLE FOR SALE IN THE NEAR FUTURE MAY CAUSE THE MARKET PRICE FOR OUR COMMON STOCK TO DECLINE.

Sales of a substantial number of shares of our common stock in the public market following this offering could cause the market price of our common stock to decline. The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities law and under some agreements that our stockholders have entered into with the underwriters and with us. Those lockup agreements restrict our stockholders from selling, pledging or otherwise disposing of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Lehman Brothers Inc. However, Lehman Brothers Inc. may, in its sole discretion, release all or any portion of the common stock from the restrictions of the lockup agreements. The following table indicates approximately when the shares of our common stock that are not being sold in the offering but which were outstanding as of will be eligible for sale into the public market:

DAYS AFTER THE EFFECTIVE DATE	ELIGIBILITY OF RESTRICTED SHARES FOR SALE IN PUBLIC MARKET	COMMENT
On Effectiveness.....		Shares not locked-up and saleable under Rule 144(k)
180 days.....		Lock-up released; shares saleable under Rules 144, 144(k) and 701
At various times after 180 days.....		Shares saleable under Rules 144, 144(k) and 701

Additionally, of the shares issuable upon exercise of options to purchase our common stock outstanding as of 2000, approximately shares will be vested and eligible for sale 180 days after the date of this prospectus. For a further description of the

eligibility of shares for sale in to the public market following the offering, see "Shares Eligible for Future Sale."

NEW INVESTORS IN OUR COMMON STOCK WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION.

The assumed initial public offering price is substantially higher than the book value per share of our common stock. Investors purchasing common stock in this offering will, therefore, incur immediate dilution of $ in net tangible book value per share of common stock, based on an assumed initial public offering price of $ per share. In addition, the number of shares available for issuance under our stock option and employee stock purchase plans will automatically increase without stockholder approval. Investors will incur additional dilution upon the exercise of outstanding stock options and warrants. See "Dilution" for a more detailed discussion of the dilution new investors will incur in this offering.

OUR STOCK PRICE MAY BE VOLATILE BECAUSE OUR SHARES HAVE NOT BEEN PUBLICLY TRADED BEFORE, AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.

Prior to this offering, there has been no public market for our common stock and an active public market for our common stock may not develop or be sustained after the offering. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us and may not be indicative of future market prices.

The market prices for securities of medical device companies in general have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents by our competitors or us;
- developments concerning our clinical trials;
- publicity regarding actual or potential medical results relating to products under development by our competitors or us;
- regulatory developments in the United States and foreign countries;
- litigation or other disputes and associated public announcements;
- economic and other external factors or other disaster or crisis; or
- period-to-period fluctuations in financial results.

WE ARE AT RISK OF SECURITIES CLASS ACTION LITIGATION DUE TO OUR EXPECTED STOCK PRICE VOLATILITY.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially acute for us because technology companies have experienced greater than average stock price volatility in recent years and, as a result, have been subject to, on average, a greater number of securities class action claims than companies in other industries. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources, and could harm our business.

WE HAVE IMPLEMENTED ANTI-TAKEOVER PROVISIONS WHICH COULD DISCOURAGE OR PREVENT A TAKEOVER, EVEN IF AN ACQUISITION WOULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- establishment of a classified board of directors that prevents a majority of the board from being elected at one time;
- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- prohibiting cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- limitations on the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law and the terms of our stock option plans may discourage, delay or prevent a change in control of Intuitive Surgical.

CONCENTRATION OF OWNERSHIP AMONG OUR EXISTING EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS MAY PREVENT NEW INVESTORS FROM INFLUENCING SIGNIFICANT CORPORATE DECISIONS.

Upon completion of this offering, our executive officers, directors and principal stockholders will beneficially own, in the aggregate, approximately % of our outstanding common stock. These stockholders as a group will be able to exercise control over all matters requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets and any other significant corporation transactions. This could have the effect of delaying or preventing a change of control of Intuitive Surgical and will make some transactions difficult or impossible without the support of these stockholders. See "Principal Stockholders" for details of our stock ownership.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this prospectus are "forward-looking statements." These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "anticipates," "believes," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "seeks," "should" or "will" or the negative of these terms or other similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results, unless required by law.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of our common stock to be approximately $ million, approximately $ million if the underwriters' over-allotment option is exercised in full, at an assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses.

We intend to use the net proceeds of this offering primarily for additional working capital and other general corporate purposes, including increased expenditures for research and development, sales and marketing, and selling, general and administrative. The amounts and timing of these expenditures will vary depending on a number of factors, including the amount of cash generated by our operations, competitive and technological developments and the rate of growth, if any, of our business. We may also use a portion of the net proceeds to acquire additional businesses, products and technologies, to lease additional facilities, or to establish joint ventures that we believe will complement our current or future business. However, we have no specific plans, agreements or commitments to do so and are not currently engaged in any negotiations for any business acquisition or joint venture.

We will retain broad discretion in the allocation of the net proceeds of this offering. Pending the uses described above, we will invest the net proceeds of this offering in short term interest bearing, investment-grade securities. We cannot predict whether the proceeds will be invested to yield a favorable return. We believe that our available cash, together with the net proceeds of this offering, will be sufficient to meet our capital requirements for at least the next 12 months.

DIVIDEND POLICY

We have never paid or declared any cash dividends. We currently expect to retain earnings for use in the operation and expansion of our business, and therefore do not anticipate paying any cash dividends for the foreseeable future.

CAPITALIZATION

The following table sets forth our actual capitalization as of December 31, 1999. Our capitalization is also presented:

- on a pro forma basis to give effect to the automatic conversion of our preferred stock into an aggregate of 19,134,375 shares of common stock, which will occur upon the closing of this offering; and

- on a pro forma as adjusted basis to give effect to the automatic conversion of our preferred stock into common stock upon closing of this offering and to reflect our receipt of net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses.

	AS OF DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)		
Notes payable	$ 2,521	$ 2,521	$ 2,521
Stockholders' equity:			
Preferred Stock, $0.001 par value; 30,000,000 shares authorized, actual and 5,000,000 shares authorized, pro forma and pro forma as adjusted; 19,134,375 shares issued and outstanding, actual; none issued and outstanding, pro forma and pro forma as adjusted	19	--	--
Common Stock, $0.001 par value; 45,000,000 shares authorized, actual; 200,000,000 shares authorized, pro forma and pro forma as adjusted; 6,681,848 shares issued and outstanding, actual; 25,816,223 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	7	26	
Additional paid-in capital	98,508	98,508	
Deferred compensation	(943)	(943)	(943)
Accumulated deficit	(75,147)	(75,147)	(75,147)
Accumulated other comprehensive income	(233)	(233)	(233)
Total stockholders' equity	22,211	22,211	
Total capitalization	$ 24,732	$ 24,732	$

- ---

The number of shares of common stock to be outstanding after the offering is based on the number of common shares outstanding as of December 31, 1999 and excludes:

- 1,466,725 shares of common stock underlying options outstanding as of December 31, 1999 at a weighted-average exercise price of $1.90 per share;

- 203,997 shares of common stock available for future grants under our stock option plan as of December 31, 1999;

- 5,107,875 shares of common stock underlying warrants outstanding as of December 31, 1999 at a weighted-average exercise price of $9.49 per share, of which 3,588,400 shares of preferred stock were issued upon exercise of outstanding warrants in March 2000 at a weighted-average exercise price of $9.84 per share; and

- an additional 6,960,000 shares authorized subsequent to December 31, 1999 for issuance under our stock option and employee stock purchase plans, of which options to purchase 70,250 shares and 303,600 shares of common stock were granted in February 2000 and March 2000, respectively, at a weighted-average exercise price of $3.00 per share.

See "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in this prospectus.

DILUTION

The pro forma net tangible book value of our common stock, on December 31, 1999, after giving effect to the conversion of all outstanding shares of preferred stock upon the closing of the offering, was approximately $22.2 million, or approximately $0.86 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities divided by the number of shares of common stock outstanding. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. Assuming our sale of shares of common stock offered by this prospectus at an assumed initial public offering price of $ per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our net tangible book value at December 31, 1999 would have been approximately $ million or $ per share. This represents an immediate decrease in net tangible book value of $ per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution:

Assumed initial public offering		$
Pro forma net tangible book value per share at December 31, 1999	$	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after this offering		
Dilution in net tangible book value per share to new investors		$

If the underwriters' over-allotment option were exercised in full, the pro forma net tangible book value per share after the offering would be $ per share, the increase in net tangible book value per share to existing stockholders would be $ per shares and the dilution in net tangible book value to new investors would be $ per share.

The following table summarizes, on a pro forma basis, as of December 31, 1999, the differences between the total consideration paid and the average price per share paid by the existing stockholders and the new investors with respect to the number of shares of common stock purchased from us based on an assumed public offering price of $ per share. We have not deducted the underwriting discounts and commissions and estimated offering expenses in our calculations.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders	25,816,223	%	$94,455,000	%	$
New stockholders					
Total		%	$	%	

The foregoing discussion and tables do not assume the exercise of any stock options or warrants outstanding at December 31, 1999. At December 31, 1999, there were:

- 1,466,725 shares of common stock underlying options outstanding as of December 31, 1999 at a weighted-average exercise price of $1.90 per share;
- 203,997 shares of common stock available for future grants under our option plan as of December 31, 1999;
- 5,107,875 shares of common stock underlying warrants outstanding as of December 31, 1999 at a weighted-average exercise price of $9.49 per share, of which 3,588,400 shares of preferred stock were issued upon exercise of outstanding warrants in March 2000 at a weighted-average exercise price of $9.84 per share; and

- an additional 6,960,000 shares authorized subsequent to December 31, 1999 for issuance under our stock option and employee stock purchase plans, of which options to purchase 70,250 shares and 303,600 shares of common stock were granted in February 2000 and March 2000, respectively, at a weighted-average exercise price of $3.00 per share.

The exercise of options outstanding under our stock option plans and warrants having an exercise price less than the offering price would increase the dilutive effect to new investors. See "Capitalization" and "Management -- Employee Benefit Plans."

SELECTED FINANCIAL DATA

This section presents our historical financial data. You should read carefully the financial statements included in this prospectus, including the notes to the financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected data in this section are not intended to replace the financial statements.

We derived the statement of operations data for the years ended December 31, 1997, 1998 and 1999 and the balance sheet data as of December 31, 1998 and 1999 from the financial statements which have been audited by Ernst & Young LLP and included elsewhere in this prospectus. We derived the statement of operations data for the period from inception (November 9, 1995) through December 31, 1996 and the balance sheet data as of December 31, 1996 and 1997 from the audited financial statements which have been audited by Ernst & Young LLP but which are not included elsewhere in this prospectus. Historical results are not necessarily indicative of future results. See notes to the financial statements for an explanation of the method used to determine the number of shares used in computing basic and diluted and pro forma basic and diluted net loss per share.

	PERIOD FROM INCEPTION (NOVEMBER 9, 1995) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:				
Sales	$ --	$ --	$ --	$ 10,192
Cost of sales	--	--	--	9,273
Gross margin	--	--	--	919
Operating costs and expenses:				
Research and development	2,934	20,282	23,208	11,130
Selling, general and administrative	951	4,434	7,565	9,338
Total operating costs and expenses	3,885	24,716	30,773	20,468
Loss from operations	(3,885)	(24,716)	(30,773)	(19,549)
Interest income (expense), net	198	1,114	1,330	1,134
Net loss	$(3,687)	$(23,602)	$(29,443)	$(18,415)
Basic and diluted net loss per share	$ (2.86)	$ (11.24)	$ (8.14)	$ (3.81)
Shares used in computing basic and diluted net loss per share	1,287	2,100	3,619	4,837
Pro forma basic and diluted net loss per share (unaudited)				$ (0.79)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)				23,331

	AS OF DECEMBER 31, 1996	1997	1998	1999
	(IN THOUSANDS)			
BALANCE SHEET DATA:				
Cash, cash equivalents and short-term investments	$ 1,494	$ 32,674	$ 23,220	$ 26,260
Working capital	1,045	25,424	19,817	22,023
Total assets	2,289	35,674	28,167	34,455
Notes payable, less current portion	--	897	2,438	2,521
Deferred compensation	--	(1,831)	(1,128)	(943)
Accumulated deficit	(3,687)	(27,289)	(56,732)	(75,147)
Total stockholders' equity	1,770	27,331	20,596	22,211

Our statement of operations data for the period from inception (November 9, 1995) to December 31, 1995 are not presented separately as our operations during that period were not material.

MANAGEMENT'S DISCUSSION AND ANALYSIS 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. Our 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. We assume no obligation to update forward-looking statements or the risk factors. The following discussion should be read in conjunction with our financial statements and related notes included elsewhere in this prospectus.

OVERVIEW

Since our inception in November 1995, we have engaged in the development and commercialization of products that are designed to provide the flexibility of open surgery while operating through ports. We believe that our technology enables surgeons to perform better surgery while giving patients the benefits of MIS surgery, including decreased trauma and postoperative pain, reduced surgical complications, shorter hospital stays and lower total treatment costs. In 1999, we introduced our da Vinci Surgical System and EndoWrist instruments.

We incurred net losses of $23.6 million in 1997, $29.4 million in 1998, and $18.4 million in 1999. As of December 31, 1999, we had an accumulated deficit of $75.1 million. We expect to expend substantial financial resources to expand marketing, direct sales, training and customer support needed to support higher sales. In addition, we anticipate our research and development expenses to increase as we continue to develop new products and conduct clinical trials. If we receive FDA approval, we will need to expend significant capital resources to expand our manufacturing capabilities. This investment is likely to result in low gross margins. Furthermore, we may encounter difficulties in scaling up production. Problems may include low production yields, component supply shortages, shortages of qualified personnel and failure to comply with federal, state and international regulations.

We have obtained permission from the European Union to affix the CE Mark to the da Vinci Surgical System and EndoWrist instruments for general surgical and cardiac surgical use. In the second quarter of 1999, we recognized revenue for the first time for the sale of our products. Sales from markets outside of the United States represent 91% of our 1999 sales. In November 1999, we filed a PMA application with the FDA for laparoscopic use of the da Vinci Surgical System and our EndoWrist instruments, and this application is currently under FDA review. Substantial revenue growth in the United States is dependent on FDA approval of our products.

Sales are generated through our direct sales force and through our distributors. Revenue is generated from sales of our da Vinci Surgical System and related accessories, our EndoWrist instruments and ongoing service provided to our customers. System revenue is recognized upon installation for direct sales and upon shipment for sales to our distributors. If substantial contractual obligations exist after system installation, revenue is recognized after our obligations are fulfilled. We recognize revenue for our EndoWrist instruments and accessories upon shipment.

In 1999, the majority of our revenues came from the sales of da Vinci Surgical Systems, which are high revenue dollar items. A smaller percentage of our 1999 revenue came from sales of EndoWrist instruments and accessories, which are lower revenue dollar items. Although we expect the majority of our revenues to continue to come from the sale of da Vinci Surgical Systems over the next few years, we expect the percentage of revenue from our EndoWrist instruments to increase. Due to the high dollar revenue per system sold, small variations in system unit sales may cause revenue to vary significantly from quarter to quarter. During the useful life of each installed da Vinci

Surgical System, we expect to generate recurring revenue through sales of our EndoWrist instruments and accessories.

RESULTS OF OPERATIONS

Years ended December 31, 1997, 1998 and 1999

Sales. Sales were recorded for the first time in 1999. For the year ended December 31, 1999, we recorded $10.2 million in revenue for shipments of the da Vinci Surgical System, EndoWrist instruments and accessories.

Cost of Sales. Cost of sales includes material, manufacturing labor, overhead and warranty costs. No cost of sales exists for years 1997 and 1998. We reported cost of sales of $9.3 million, or 91% of sales, for the year ended December 31, 1999.

Gross Profit. No gross profit exists for years 1997 and 1998. For the year ended December 31, 1999, gross profit was $919,000, or 9% of sales.

Research and Development Expenses. Research and development expenses include costs associated with the design, development, testing and enhancement of our products, purchase of laboratory supplies and clinical trials. We expense research and development costs as incurred. Research and development expenses increased from $20.3 million in 1997 to $23.2 million in 1998 and decreased to $11.1 million in 1999. In 1997, we expensed $6.0 million in conjunction with technology rights obtained from IBM. The increase in research and development expenses from 1997 to 1998 was primarily attributable to increases of $2.6 million in prototype costs associated with development of the da Vinci Surgical System, $2.4 million in clinical trial costs, and $3.1 million related to increased personnel costs, and partially offset by the IBM charge in 1997. The decrease in research and development expenses from 1998 to 1999 is primarily attributable to reductions of $5.4 million in prototype costs, $2.3 million in clinical trial costs, and $622,000 in deferred compensation expense. In addition, we transitioned from recording manufacturing-related costs as research and development in 1998 to cost of sales in 1999. This resulted in a decrease of $3.6 million in research and development costs from 1998 to 1999. We expect research and development spending to increase in the future, in absolute dollars, as we expand our product development efforts and seek further regulatory approvals.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include personnel costs for sales, marketing, and administrative personnel, tradeshow expenses, legal expenses, regulatory fees and general corporate expenses. Selling, general and administrative expenses increased from $4.4 million in 1997 to $7.6 million in 1998 and to $9.3 million in 1999. The increase from 1997 to 1998 is primarily attributable to $1.4 million in increased personnel costs and $468,000 in marketing expenses. The increase from 1998 to 1999 is primarily due to increased personnel costs. Selling, general and administrative expenses are expected to increase in the future to support expanding business activities and the additional administrative costs related to being a public company.

Interest Income (Expense). Net interest income remained relatively constant at $1.1 million in 1997, $1.3 million in 1998 and $1.1 million in 1999. The increase from 1997 to 1998 resulted from increased interest income earned on higher average cash balances. The decrease from 1998 to 1999 resulted from lower interest income earned on lower average cash balances, and higher interest expense on additional debt.

DEFERRED COMPENSATION

We recorded deferred compensation as the difference between the exercise price of options granted and the fair value of its common stock at the time of grant for financial reporting purposes. Deferred compensation is amortized to research and development expense, and selling, general and administrative expense. Deferred compensation recorded through December 31, 1999 was $4.7 million with accumulated amortization of $3.8 million. The remaining $943,000 will be amortized over the remaining vesting periods of the options, generally four years from the date of grant. We anticipate that additional deferred compensation totaling $2.4 million will be recorded for options granted in January, February and March 2000. These amounts are being amortized over the respective vesting periods of the individual stock options using a graded-vesting model. We expect to record amortization expense for deferred compensation as follows: $1.9 million during 2000, $900,000 during 2001, $400,000 during 2002 and $100,000 during 2003. The amount of deferred compensation expense to be recorded in future periods may decrease if unvested options for which deferred compensation has been recorded are subsequently canceled.

NET OPERATING LOSS AND RESEARCH TAX CREDIT CARRY FORWARDS

As of December 31, 1999, net operating loss carryforwards were approximately $44.8 million and $13.8 million for federal and state income tax purposes, respectively. Federal and state research tax credit carryforwards were approximately $2.0 million. The state and federal net operating loss carryforwards will expire at various dates from 2003 through 2019 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 before utilization.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS 133 which, as amended, is required to be adopted in years beginning after June 15, 2000. Because we do not use derivatives, management does not anticipate the adoption of SFAS 133 will have a significant effect on the results of operations, financial position or cash flows of Intuitive Surgical.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," or SAB 101. SAB 101 summarizes some areas of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. We believe that our current revenue recognition principles comply with SAB 101.

LIQUIDITY AND CAPITAL RESOURCES

From our inception through December 31, 1999, we have financed our operations primarily through sales of our preferred stock, yielding net proceeds of approximately $92.5 million, and equipment financing arrangements yielding approximately $6.0 million. The equipment arrangements provide financing at specified interest rates for periods of up to 48 months, by which time the principal is repaid to the lessors. As collateral for the equipment financing, we have granted the lessors a security interest in equipment specified under each arrangement. As of December 31, 1999, we had cash, cash equivalents and short-term investments of $26.3 million and working capital of $22.0 million. In March 2000, we received approximately $35.3 million in cash from the exercise of warrants to purchase preferred stock and $500,000 in cash from additional equipment financing arrangements.

Net cash used in operating activities was approximately $14.9 million, $31.1 million and $15.9 million in 1997, 1998 and 1999. For such periods, net cash used in operating activities resulted primarily from net losses.

Net cash used in investing activities was approximately $18.4 million and $10.3 million in 1997 and 1999. Net cash provided by investing activities was $954,000 in 1998. Investing activities primarily consist of capital expenditures and the purchase and sale and maturity of short-term investments.

Net cash provided by financing activities was approximately $48.9 million, $23.3 million, and $20.2 million in 1997, 1998 and 1999. The net cash provided by financing activities was primarily attributable to the sale of preferred stock and proceeds from long-term borrowings.

In June 1999 and October 1999, we entered into equipment financing agreements with Heller Financial to finance equipment totaling $1.5 million and $0.5 million, respectively. The term of both leases is 36 months. The interest rates for both financing agreements approximate 10.0%. The June 1999 and October 1999 financing agreements provided for monthly payments of approximately $48,000 and $16,000, respectively. We have granted Heller Financial a security interest in all equipment covered under these agreements.

In addition, we have four prior equipment financing agreements with GE Capital with an outstanding balance of $2.4 million at December 31, 1999. We are currently repaying this amount at interest rates ranging from approximately 9.0% to 13.8%. We have granted to GE Capital a security interest in all equipment covered under these agreements. In connection with these financing agreements, we 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.

As of December 31, 1999, we had capital equipment of $6.3 million less accumulated depreciation of $3.6 million to support our clinical, research, development, manufacturing and administrative activities. For the next twelve months, we expect capital expenditures to increase modestly as we acquire equipment and expand our facilities. Among these planned expenditures are tooling costs for production and tenant improvements.

Our capital requirements depend on numerous factors, including market acceptance of our products, the resources we devote to developing and supporting our products, and other factors. We expect to devote substantial capital resources to continue our research and development efforts, to expand our support and product development activities, and for other general corporate activities. If cash generated by operations is insufficient to satisfy our liquidity requirements, we may need to sell additional equity or debt securities or obtain additional credit arrangements. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, money market funds and government and non-government debt securities. The average duration of all of our investments as of December 31, 1999 is less than one year. Due to the short term nature of these investments, we believe we have no material exposure to interest rate risk arising from our investments. Therefore, no quantitative tabular disclosure is required.

BUSINESS

OVERVIEW

We design and manufacture the da Vinci Surgical System, an advanced surgical system that we believe represents a new generation of surgery -- the third generation. We believe that this new generation of surgery, which we call Intuitive surgery, is a revolutionary advance similar in scope to the previous two generations of surgery -- open surgery and minimally invasive surgery, or MIS. Our da Vinci System consists of a surgeon's console, a patient-side cart, a high performance vision system and our proprietary instruments. By placing computer-enhanced technology between the surgeon and patient, we believe that our system enables surgeons to perform better surgery in a manner never before experienced. The da Vinci Surgical System seamlessly translates the surgeon's natural hand movements on instrument controls at a console into corresponding micro-movements of instruments positioned inside the patient through small puncture incisions, or ports. Our da Vinci Surgical System is the only commercially available technology that can provide the surgeon with the intuitive control, range of motion, fine tissue manipulation capability and 3-D visualization characteristic of open surgery, while simultaneously allowing the surgeon to work through the small ports of minimally invasive surgery.

In March 1997, surgeons using an early prototype of our technology successfully performed Intuitive surgery on humans. Beginning in May 1998, surgeons using our technology successfully performed what we believe were the world's first computer-enhanced closed chest heart surgeries, including mitral valve repair, dissection of an internal mammary artery and grafting of a coronary artery. Since then, surgeons using our technology have successfully completed hundreds of general surgery procedures of various types. In early 2000, surgeons using our technology successfully completed what we believe was the world's first beating heart bypass procedure using only small ports. To date, we have sold 14 of our da Vinci Surgical Systems. During the second quarter of 2000, we expect the FDA to approve use of the da Vinci Surgical System in laparoscopic surgical procedures, which would make us the only company to have received FDA approval for a third generation surgical product. Laparoscopic surgery is surgery in the abdominal and pelvic areas of the body using an endoscope.

The first generation of surgery, open surgery, remains the predominant form of surgery and is still used in almost every area of the body. However, the large incisions required for open surgery 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, the second generation of surgery, MIS surgery, has reduced trauma to the patient by allowing some surgeries to be performed through small ports rather than large incisions, resulting in shorter recovery times, fewer complications and reduced hospitalization costs. MIS surgery has been widely adopted for certain surgical procedures, but it has not been widely adopted for complex procedures. We believe surgeons have been slow to adopt MIS surgery for complex procedures because they generally find that fine tissue manipulations, such as dissecting and suturing, using these techniques are more difficult to learn and perform, and are less precise, than in open surgery.

Intuitive surgery overcomes many of the shortcomings of both open surgery and MIS surgery. Surgeons operate while seated comfortably at a console viewing a bright and sharp 3-D image of the surgical field. This immersive visualization results in surgeons no longer feeling disconnected from the surgical field and the instruments, as they do when using an endoscope in MIS surgery. While seated at the console, the surgeon manipulates instrument controls in a natural manner, just as he or she has been trained to do in open surgery. Our technology is designed to provide surgeons with a range of motion in the surgical field analogous to the motions of a human wrist, while filtering out the tremor inherent in every surgeon's hand. In designing our products, we have focused on making our

technology as simple as possible to use. In our experience, based on hundreds of procedures, surgeons can learn to manipulate our instruments with only a short amount of training and can learn to perform Intuitive surgery with less training than is required for MIS surgery.

Our products are designed to make a broad range of open surgical and MIS procedures suitable for Intuitive surgery. The da Vinci Surgical System is designed to allow surgeons to perform better surgery while providing patients with the benefits of MIS surgery. We believe that these advantages will enable us to drive a fundamental change in surgery.

BACKGROUND

We believe that there are three generations of surgical techniques: (1) open surgery, which began its modern era in the 19th century, (2) MIS surgery, which has developed over the past several decades, and (3) Intuitive surgery, which we have developed. Each generation of surgery has been enabled by the development of an important technology or set of related technologies.

First Generation: Open Surgery

Modern open surgical technique developed in the second half of the 19th century because of the combination of two medical breakthroughs: anesthesia and sterile technique. Using open surgical techniques, a surgeon generally creates an incision large enough to allow a direct view 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, forceps, 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. In most cases, repairing damaged tissue is much less traumatic than creating the large incisions necessary to expose that tissue. 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 considered the most precise and the easiest technique for the surgeon to perform. Despite trauma and other drawbacks, open surgery remains the predominant form of surgical technique.

Second Generation: Minimally Invasive Surgery

Minimally invasive surgical techniques have evolved over the past few decades, beginning with the development of the endoscope. The objective of MIS surgery is to substantially reduce trauma to the patient by replacing the large six- to twelve-inch incision typically required for open surgery with three or more small puncture incisions, or ports. These ports are each approximately ten millimeters, or less than one-half inch, in diameter. The 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. MIS surgery generally results in shorter hospitalization and recovery times, reduced hospitalization costs and substantially less pain and suffering.

During an MIS procedure, the surgeon inserts an endoscope through a port. An endoscope makes use of fiber optics or fine glass tubes that allow the surgeon to view a surgical field through a small incision. The endoscope transmits an image to a television monitor so the surgeon can see the surgical site and indirectly observe the operation. The surgeon inserts a variety of long, hand-held instruments through the ports and manipulates the handles of these instruments outside the patient's body to perform the operation inside the patient's body. The instruments typically have tips similar to the corresponding instrument tips used in open surgery, such as forceps or scissors. These tips are connected to 15- to 18-inch or 35- to 45-centimeter long tubes, which are connected to the handles.

Existing Limitations of Minimally Invasive Surgery. We believe that surgeons generally find MIS surgical techniques more difficult to learn and perform than open surgery for the following reasons:

- "Backward" Instrument Movements. Existing MIS instruments are essentially long rigid levers that rotate around a fulcrum, or pivot point, located at the port created in the body wall. As a result, the instrument tip moves in the opposite direction from the surgeon's hand. For example, to move the tip left, surgeons move the instrument handle to the right; to move the tip up, surgeons move the instrument handle down. Surgeons must relearn their hand-eye coordination to translate their hand movements in 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 provide in open surgical procedures. For example, MIS instruments in widespread use today do not have joints near their tips to replicate surgeons' hand and wrist movements used in open surgery to perform manipulations such as reaching behind tissue, suturing and fine dissection.

- Magnified Tremor and Exaggerated Instrument Movements. In open surgery, instruments are held near their tips, allowing fine movements of surgeons' hands to be directly translated into fine movements of the instruments. In MIS surgery, the length of MIS instruments magnifies surgeons' hand movements. As a result, the tremor inherent 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. The difficulty of these movements is analogous to the lack of precision one would experience in writing while holding the eraser end of a pencil.

- Poor Visualization. Since the video image from the endoscope is usually displayed on a video monitor, surgeons typically must look up and away from their hands, the patient and the instruments to see the surgical field on 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 available give the surgeon only a two-dimensional image. Although three-dimensional endoscopes exist, they typically have diminished sharpness and lower brightness than two-dimensional endoscopes, making fine detail more difficult for the surgeon to see.

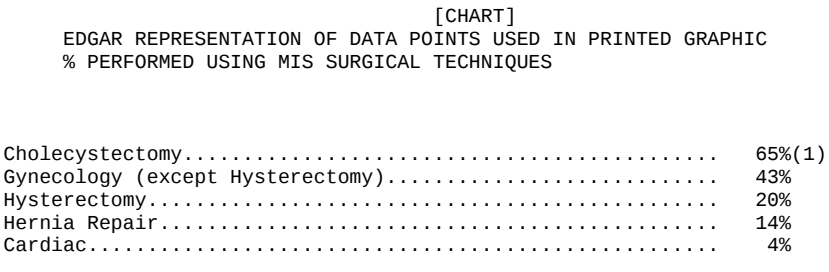
- Difficult to Learn. The combination of the inherent difficulties mentioned above makes conventional MIS surgical techniques difficult to learn. Although most surgeons are now trained in their residency programs in basic laparoscopic skills, a significant amount of advanced training is required for surgeons to become proficient in most MIS procedures. The need for extensive training revolves around the difficulty of learning certain laparoscopic skills such as suturing and precise dissection. Without the assistance of computer-enhanced techniques, these types of advanced laparoscopic skills take months of practice to learn and perfect.

Slowing MIS Procedure Conversion Rates. Despite the limitations of existing MIS techniques, a number of procedures are routinely performed using laparoscopic procedures. For example, laparoscopic cholecystectomy, removal of the gall bladder through ports, is learned by most surgeons after a moderate amount of training, in part because of the anatomical location of the gallbladder and the relatively gross tissue manipulations required. Consequently, laparoscopic cholecystectomy grew from a newly-introduced procedure to the "standard of care" in the United States over approximately three years, beginning in the late 1980s. In 1997, approximately 85% of cholecystectomies in the United States were performed using MIS techniques.

We believe that the adoption rate of laparoscopic cholecystectomy has not been replicated for most subsequently introduced MIS procedures because such procedures have been more difficult to

learn and perform. In addition, as a result of these difficulties, many surgical procedures commonly performed using open surgery have not been adapted to MIS surgical techniques.

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



	NUMBER OF PROCEDURES PERFORMED USING MIS SURGICAL TECHNIQUES	TOTAL NUMBER OF PROCEDURES PERFORMED
Cholecystectomy	1,173,000	1,804,000
Gynecology (except Hysterectomy)	1,098,000	2,540,000
Hysterectomy	234,000	1,170,000
Hernia Repair	198,000	1,430,000
Cardiac	39,000	1,065,000

- ---
(1) 85% in United States
Source: Medical Data International, Inc.

The Intuitive Surgical Solution: Third Generation Surgery

Our technology is designed to return to the surgeon the range of motion, fine tissue control and 3-D vision characteristic of open surgery while simultaneously allowing the surgeon to work through the ports used in MIS surgery. All this is accomplished in an intuitive manner, in the same way that the movements of a surgeon's hands in open surgery are entirely intuitive.

We believe that our technology overcomes many of the limitations of existing MIS surgery in the following ways:

- Natural Instrument Movements. Our 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 Instruments Provide Natural Dexterity and Range of Motion. Our technology is designed to provide surgeons with a range of motion in the surgical field analogous to the motions of a human hand and wrist. Our proprietary instruments, which we call EndoWrist instruments, incorporate "wrist" joints that enable surgeons to reach behind tissues and suture with precision, just as they can in open surgery. The surgeon controls the joint's movements from the surgeon's console using natural hand and wrist movements. EndoWrist joints are located near the tips of all of our instruments.

- More Precise Movements and Reduced Tremor. With our technology, the surgeon can also use "motion scaling," a feature that translates, for example, a three millimeter hand movement outside the patient's body into a one millimeter instrument movement in the surgical field inside the patient's body. Motion scaling is designed to allow greater precision than is normally achievable in both open and MIS surgery. In addition, our technology is designed to filter out the tremor inherent in every surgeon's hands.

- Immersive 3-D Visualization. Our vision system, which we call the InSite vision system, is designed to give surgeons the perception that their hands are immersed in the surgical field even though they are outside the patient's body. As a result, we believe that surgeons no longer feel disconnected from the surgical field and the instruments, as they currently do with MIS surgery. In addition, we believe that the InSite system provides a much brighter and sharper image than any other 3-D endoscope vision system. The InSite system also incorporates our proprietary Navigator camera control technology that allows the surgeon to easily change, move, zoom and rotate his or her field of vision. The combination of these features offers what we believe is the most advanced surgical vision system available today.

- Easy to Learn and Perform. In designing our products, we have focused on making our technology as simple as possible to use, even though it is inherently complex. We believe that tissue manipulations using our products are as natural as hand movements in open surgery. In our experience, based on feedback from surgeons who have performed hundreds of procedures, surgeons can learn to manipulate our instruments with only a short amount of training. Learning to perform surgical procedures using the da Vinci System will vary depending on the complexity of the procedure and the surgical team's experience with MIS surgery techniques.

- Multi-Specialty Surgical Platform. The da Vinci System is designed to enable surgeons to perform surgery in virtually any part of the body. To date, surgeons have used the da Vinci System to perform over 20 different types of surgical procedures.

We believe that these advantages give the patient the benefits of less traumatic MIS surgery while restoring to the surgeon the range of motion and fine tissue control possible with open surgery, along with further enhancements such as tremor reduction, motion scaling and superior visualization.

We believe that our technology has the potential to change surgical procedures in three basic ways:

- Convert Open Procedures to Intuitive Surgery. We believe our technology will make a number of surgical procedures that currently are performed only with open surgical techniques suitable for Intuitive surgery.

- Facilitate Difficult MIS Operations. We believe surgical procedures that today are performed only rarely using MIS techniques will be performed routinely and with confidence using Intuitive surgery. Some procedures have been adapted for port-based techniques but are extremely difficult and are currently performed by a limited number of highly skilled surgeons. We believe our da Vinci System will enable more surgeons at more institutions to perform these procedures.

- Simplify Existing, High-Volume MIS Procedures. We believe surgical procedures that today are performed routinely using MIS techniques will be performed more quickly and safely with Intuitive surgery. For example, over the past decade, approximately 85% of gall bladder removals performed in the United States have been converted to MIS surgery. We believe that the da Vinci System will make these procedures easier, faster and more cost effective to perform.

INTUITIVE SURGICAL'S PRODUCTS

Our principal products include the da Vinci Surgical System and a variety of "smart disposable" EndoWrist instruments.

da Vinci Surgical System

Surgeon's Console. The da Vinci System allows the surgeon to operate while comfortably seated at an ergonomic console viewing a 3-D image of the surgical field. The surgeon's fingers grasp the instrument controls below the display with wrists naturally positioned relative to his or her eyes. Using hardware, software, algorithms, mechanics and optics, our technology is designed to seamlessly translate the surgeon's hand movements into precise and corresponding real-time microsurgical movements of the EndoWrist instruments inside the patient.

Patient-Side Cart. The patient-side cart, which can be easily moved next to the operating table, holds electromechanical arms that manipulate the instruments inside the patient. Three arms attached to the cart can be easily positioned as appropriate, and then locked into place. The first two arms, one representing the left hand and one the right hand of the surgeon, hold our EndoWrist instruments. The third arm positions the endoscope, allowing the surgeon to easily change, move, zoom and rotate his or her field of vision.

Immersive 3-D Visualization System. The InSite system uses two entirely separate vision channels linked with an optical assembly to two high resolution, progressively scanned color monitors. The system incorporates special high resolution video cameras and specialized edge enhancement and noise reduction technologies. The resulting image has high resolution and contrast and no flicker or cross-fading, which occurs in single monitor systems, and minimizes eye fatigue. The InSite system allows the surgeon to move his or her head in the viewer without affecting image quality.

EndoWrist Instruments

We manufacture a variety of EndoWrist instruments, each of which incorporates a wrist joint for natural dexterity, with tips customized for various surgical procedures. These EndoWrist instruments are currently approximately seven millimeters in diameter. The instruments mount onto the electromechanical arms that represent the surgeon's left and right hands and provide the mechanical capability necessary for performing complex tissue manipulations through ports. At their tips, the various EndoWrist instruments include forceps, scissors, electrocautery, scalpels and other surgical tools that are readily familiar to the surgeon from open and MIS surgery. Generally, a variety of EndoWrist instruments are selected and used interchangeably during the surgery. Where instrument tips need to incorporate a disposable component, for example, scalpel blades, we sell disposable inserts. We plan to continue to add new types of EndoWrist instruments for additional types of surgical procedures.

The EndoWrist instruments are "smart disposables" because they are resterilizable and reusable for a defined number of procedures or hours of use. A custom computer chip inside each instrument performs several functions that help determine how the system and instruments work together. When an EndoWrist instrument is attached to an arm of the patient-side cart, the chip performs an "electronic handshake" that ensures the instrument was manufactured by us and recognizes the type and function of the instrument and number of past uses or hours. For example, the chip distinguishes between scissors and a scalpel and controls the unique functions of different instruments as appropriate. In addition, the chip will not allow the instrument to be used for more than the prescribed number of procedures or hours so that its performance meets specifications during each procedure. In addition, we can sell the instrument for a fixed number of uses or hours and effectively price our EndoWrist instruments on a per-procedure or per-hour basis.

USING THE DA VINCI SURGICAL SYSTEM

During a procedure, the patient-side cart is positioned next to the operating table with the electromechanical arms arranged to provide access to the initial ports selected by the surgeon. Metal tubes attached to the arms are inserted through the ports, and the EndoWrist instruments are introduced through the tubes into the patient's body. The surgeon then performs the procedure while sitting comfortably at the surgeon's console, manipulating the instrument controls and viewing the operation through our InSite vision system. When a surgeon needs to change an instrument, as is done many times during an operation, the instrument is withdrawn from the surgical field using the controls 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 and replaces it with the new instrument, in a process designed to be rapid enough not to disturb the natural flow of the procedure. As a result, the scrub nurse plays a role similar to that played in open and MIS surgery. At the conclusion of the operation, the metal tubes are removed from the patient's body and the small incisions are sutured or stapled.

OUR STRATEGY

Our goal is to establish Intuitive surgery as the standard for complex surgical procedures and many other procedures currently performed using either open or MIS surgery. We intend to accomplish this objective both by pioneering new types of endoscopic surgery and by making existing MIS procedures easier, safer and more cost effective. Over time, our strategy is to broaden the number of procedures performed using the da Vinci Surgical System and to educate surgeons and hospitals as to the benefits of Intuitive surgery. Key elements of this strategy include:

Focus on Key Institutions. Our marketing efforts are focused on large multi-specialty care hospitals where a majority of complex surgical procedures are performed. Following the initial placement at a given hospital, we intend to expand the number of physicians who use the da Vinci Surgical System and work with the hospitals and their surgeons to promote patient education as to the benefits of Intuitive surgery. We believe that these efforts will result in increased usage per system, leading to high volume sales of instruments and sales of additional systems at each hospital. In addition, we believe such efforts will benefit early-adopting hospitals by increasing their market share in the procedures and specialties that benefit from Intuitive surgery. We expect these efforts to increase demand for our products among competitive hospitals, surgeons and referring physicians.

Focus on Leading Surgeons to Drive Rapid and Broad Adoption. We will place significant emphasis on marketing the da Vinci Surgical System to leading surgeons who are considered to be the "thought leaders" in their institutions and fields. These surgeons typically perform complex surgical procedures that are currently not adaptable to MIS techniques. For example, cardiac procedures, of which over one million are currently performed annually worldwide, are among the most difficult to perform using MIS techniques. This strategy puts surgeons at the forefront of procedure development and provides them an opportunity to maintain a competitive edge in their specialty. We believe that early adoption of our products by surgical thought leaders will give many other surgeons the confidence that the da Vinci Surgical System can be used for all types of surgical procedures.

Develop Protocols for New Surgical Procedures. We intend to leverage our relationships with key institutions and surgical thought leaders to develop protocols for new surgical procedures. These protocols would include guidance on patient screening, port placement, interaction of the surgical team and advice on the sequence and selection of tools and maneuvers. We believe that establishing protocols for a given procedure will facilitate the broader adoption of Intuitive surgery for that procedure.

Maintain Market Leadership. We intend to maintain our leadership advantage by continuing to develop and enhance our technology and to communicate the benefits of our da Vinci Surgical System to surgeons, hospitals and patients. We will continue to improve our da Vinci Surgical System through software and hardware enhancements and by developing new surgical instruments. We will also continue to develop our surgical platform to facilitate and support future surgical innovations.

CLINICAL CONTRIBUTIONS

We believe our technology is capable of enhancing or enabling a wide variety of procedures in many surgical specialties. Some of these applications include the following:

General and Vascular Surgery

Aortic Aneurysms. A common vascular procedure is the repair of aortic aneurysms, which are sacs formed by the dilation of the wall of the main artery in the body. Aneurysms are caused primarily by atherosclerosis, which is characterized by the deposition of fatty substances in large and medium-sized arteries, such as the arteries that lead to the heart and brain. 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 heart/lung bypass machines. Thus, only a narrow window of time for completion is available. Currently, some aneurysms are treated by intravascular stent-grafts. These stent-grafts can be inserted through the main artery in the thigh, called 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. We believe that the capability of our technology to deliver to the surgeon enhanced 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 above and below the blockage. This procedure currently requires open surgery because of the need to suture the grafts in place. We believe that with our technology, surgeons will be able to perform the required suturing of arteries, called an anastomosis, through ports and avoid the large incision currently required.

Cholecystectomy. Removal of the gallbladder, or cholecystectomy, is the most common procedure performed by general surgeons. The procedure is used to treat cholecystitis, which is an inflammation of the gall bladder. Although a minimally invasive approach, called a laparoscopic cholecystectomy, 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 disease status the surgeon discovers after the abdomen is entered. For example, acute cholecystitis can result in inflammation and the abnormal union of tissues resulting from the formation of new fibrous tissue in the inflammatory process. As a result, very meticulous surgery to access gallbladder anatomy can be required. 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 its difficulty. This usually results in a conversion to open technique or another surgical or delicate gastrointestinal endoscopic procedure to extract the stones. With our technology, we believe 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 that is performed to correct esophageal reflux. Esophageal reflux disease is a digestive disorder that affects the muscle connecting the esophagus with the stomach. As an elective procedure, Nissen fundoplication is currently performed on only a small fraction of candidates who suffer from this condition because the open surgical procedure is quite invasive. An MIS alternative exists, but there are only a limited number of surgeons skilled in the procedure. We believe that our technology will significantly improve the ease of performing the Nissen procedure through ports. Specifically, our technology will address the two most difficult steps in this procedure, which are made more difficult by existing MIS techniques, esophageal dissection and suturing of the fundus of the stomach. If adoption of our technology becomes widespread for Nissen procedures, we believe that the number of surgeons able to perform a Nissen procedure using port-based techniques will increase. Further, we expect 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 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, we believe that our products will allow port-based colon resection to be performed more widely.

Hernia Repair. An inguinal hernia is a condition in which tissue protrudes through the wall of the pelvis. It is caused by a defect or weakness in the lining covering the pelvic region. Repair of inguinal hernia is the second most common procedure done in general surgery. 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 some of the structures and the peritoneal sac, which often adheres to the pelvic anatomy, is very difficult for surgeons to accomplish using MIS techniques. We believe that our technology will encourage surgeons to convert hernia procedures to the port-based approach by removing the training barrier that limits its adoption.

Gynecologic Surgery

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 that 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. We believe that our 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 surgical removal of an ovary or fallopian tube.

Hysterectomy. Removal of the uterus is one of the most commonly performed surgeries in gynecology and 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, or tying, of blood vessels, ligaments and other pelvic structures. Further, laparoscopic techniques used in this procedure increase the risk of injury to the ureters, which are 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. We believe that our 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 port-based 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 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 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. We believe our technology may provide a better solution for suturing the bladder neck and would represent an advance in the ease of performing incontinence surgery.

Orthopedic Surgery

Arthroscopy. 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 meniscus is a structure located in the knee joint that provides a surface and cushion upon which the bones of the knee joint can move. We believe that our technology and the capabilities of our EndoWrist instruments will increase the ease with which complex arthroscopic procedures such as advanced knee and shoulder arthroscopy can be performed.

Spinal Surgery. Disc removal and spinal fusion are common procedures performed in open spinal surgery. MIS techniques where surgeons approach the spine through the abdomen and use laparoscopic methods to expose the anterior portion of the spine and lumbar disc space are just emerging. This procedure requires both delicate and precise dissection and retraction of tissue, and would benefit greatly from the enhanced capabilities offered by the da Vinci Surgical System. We believe that our technology may make this procedure safer, easier, more precise, and allow more surgeons to perform it with confidence.

Cardiothoracic Surgery

IMA Dissection. In a Coronary Artery Bypass Graft, or CABG, procedure used in cardiac surgery, a blocked coronary artery is bypassed with a graft. When available, an artery from the chest called the internal mammary artery, or 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 chest, dissection of the vessel is challenging using existing surgical instruments through the three-to five-inch incision currently used in a CABG procedure. Our products have multiple joints that emulate the surgeon's shoulders and elbows, allowing exact positioning of the instruments inside the patient's chest. In addition, the EndoWrist joints permit the surgeon to reach behind the tissues for easier dissection of the IMA. Thus, we believe that the IMA can be dissected with greater ease and precision using our technology.

Coronary Anastomosis. CABG surgery demands that the surgeon delicately dissect and precisely suture very small structures, which are less than two millimeters in diameter, 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, and extraordinarily difficult to perform when the heart is beating. As a result, this procedure is typically done as open surgery while stopping the heart and using a heart/lung bypass machine. Our

technology is designed to allow surgeons to perform scaled instrument movements that can be even more precise than the movements used in open surgery, thus, enabling precise suturing of single and multiple coronary vessels on a stopped or beating heart.

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 valves and other structures inside the heart, and is key to successful surgical outcomes with minimal complications. Because motion scaling allows a surgeon using our da Vinci Surgical System to maneuver instruments inside the patient even more precisely than is possible in open surgery, the system has already enabled heart valve repairs that could not have been accomplished with open surgery, and has done so through small ports. Replacement of valves currently requires a small incision, even if the majority of the procedure is eventually performed through ports using our technology, because the replacement valve itself is too large to be inserted into the chest through a port. However, new valve designs that can be delivered through ports are being developed, and the small incisions necessary today to delivery a replacement valve to the heart may eventually not be required, allowing a surgeon using the da Vinci Surgical System to replace a valve entirely using ports.

Thoracoscopy. A number of procedures performed in the thorax, or chest cavity, can be accomplished by minimally invasive methods. These methods are generally referred to as thoracoscopic procedures. They include various types of lung resection, biopsy procedures, node dissections, nerve resections and esophageal surgery. Conventional thoracoscopic tools have all the limitations of conventional laparoscopic tools, such as "backward" movement and limited range of motion. The capability of our technology to operate dexterously in the often very small and restrictive space of the chest cavity is believed to offer significant clinical value in the performance of advanced thoracoscopic procedures.

MARKETING AND DISTRIBUTION

We market our products through a direct sales force in the United States and most of Europe. We have also entered into agreements with distributors in Italy and Japan. Our marketing and sales strategy in the United States and Europe involves the use of a combination of area sales managers, technical sales representatives and clinical training specialists. As of March 15, 2000, we had 20 employees in sales and marketing. We expect to significantly increase our sales and marketing force as we expand our business.

The role of our technical sales representatives is to educate physicians and surgeons on the advantages of Intuitive surgery and the clinical applications that our technology makes possible. We also train our technical sales representatives to educate hospital management on the potential benefits of early adoption of our technology and the potential for increased local market share that may result from Intuitive surgery. Once a hospital has installed a da Vinci Surgical System, our sales force helps to introduce the technology to other surgical specialties within the hospital.

Clinical training specialists provide training and support to physicians and other hospital staff and coordinate installation of our products. We employ service technicians to provide non-clinical technical expertise, upgrades, service and maintenance for our da Vinci Surgical Systems. We believe that this combination of technical sales representatives, clinical training specialists and service technicians provides an appropriate balance of professional selling skills while maintaining an appropriate level of technical expertise in the field.

Our da Vinci Surgical System has a lengthy sales and purchase order cycle because it is a major capital item and requires the approval of senior management at purchasing institutions. Particularly

during the period in which our sales volume is low, this may contribute to fluctuations in our quarterly operating results.

TECHNOLOGY

Using key technologies, we have designed the da Vinci Surgical System to ensure intuitive control and fail-safe operation of the system. The system updates arm and instrument positions over 1000 times per second, thereby ensuring real-time connectivity between the surgeon's hand movements and the movements of the instrument tips. A backup battery is included in the system that can power the system for more than 20 minutes in case of power loss or fluctuation. This 20-minute period is believed to be sufficient either to reestablish the power supply or for the hospital back-up power system to become effective.

Monitoring the operation of the system at all times is a network of approximately 20 micro-controllers that checks for proper system performance. System misuse or system fault can be detected and the system can be transitioned to a safe state in micro-seconds. The system also includes a sensor that detects the presence of the surgeon's head in the viewer. If the surgeon removes his or her head from the viewer, the system automatically disengages and locks the instruments in place to prevent their inadvertent movement.

The instrument controls at the surgeon's console have eight degrees of freedom of motion that allow the surgeon to move each hand through a workspace approximately one cubic foot in volume. These degrees of freedom allow the surgeon to orient his or her hands without limitation. The instrument controls are constructed with very low friction cables and gear transmissions to ensure smooth operation. Furthermore, critical components are constructed of magnesium and titanium to provide high mechanical stiffness and low inertia, ensuring a light and responsive feel to the surgeon.

The electromechanical arms of the patient-side cart are gravitationally counterbalanced to allow for smooth, easy and safe positioning of the instruments in the patient. The arms have seven degrees of freedom, allowing for control of position, orientation, translation and grip of the instrument, all inside the body. Redundant sensors are designed to ensure fail-safe operation of the instrument tips.

Unlike other 3-D systems, our InSite vision system relies on two entirely separate vision channels. Two eyepieces are linked by a precisely designed optical assembly to two high resolution, and high contrast medical grade monitors, which have been specially designed to have a high visual update rate that eliminates flicker and thus, reduces eye fatigue. Our stereo endoscope uses two separate high resolution optical channels to improve image clarity. The stereo images pass through video processing electronics that provide specialized edge enhancement and noise reduction. A foot switch at the surgeon's console operates a focus controller on the endoscope. The endoscope self-regulates the temperature of its tip to eliminate fogging during procedures.

Our EndoWrist instruments use a wrist joint architecture driven by six tiny but very high strength, flexible tungsten cables. Each tungsten cable is a "metal rope" constructed from over 200 fibers that are each less than one thousandth of an inch in diameter. These cables are similar in function to the tendons of a human wrist and are used to drive fluid motions of the wrist joint. The instruments each contain a custom memory chip that records and stores data each time the instrument is placed on the system. The chip contains encrypted security codes to protect against use of non-Intuitive Surgical instruments so that only our instruments will work with the da Vinci Surgical System. The chip identifies the type of tool being inserted so that different instrument types can be controlled uniquely by the system. The chip also records usage of the instrument and expires the instrument after its prescribed life.

INTELLECTUAL PROPERTY

Since our inception in late 1995, we have encountered and solved a number of technical hurdles. We have patented and continue to pursue patent and other intellectual property protection for the technology that we have developed to overcome such hurdles. In addition to developing our own patent portfolio, we have spent significant resources in acquiring exclusive license rights to necessary and desirable patents and other intellectual property from SRI International and IBM, who were early leaders in applying robotics to surgery. One of the strengths of our portfolio is that the licensed SRI and IBM patents have original filing dates as early as January 1992 and June 1991, respectively. We have also exclusively licensed a patent application from MIT concerning robotic surgery. As of March 15, 2000, we hold exclusive field-of-use licenses for 28 United States patents and 35 foreign patents, and own outright four U.S. patents that expire in 2016. We also own or have licensed numerous pending United States and foreign patent applications, two of which were recently allowed. Our patents and patent applications relate to a number of important aspects of our technology, including our surgeon's console, electromechanical arms, vision system and our EndoWrist instruments. We intend to continue to file additional patent applications to seek protection for other proprietary aspects of our technology.

Our success will depend in part on our ability to obtain patent and copyright protection for our products and processes, to preserve our trade secrets, to operate without infringing or violating valid and enforceable proprietary rights of third parties, and to prevent others from infringing our proprietary rights. We intend to take action to protect our intellectual property rights when we believe doing so is necessary and appropriate. In addition, our strategy is to actively pursue patent protection in the United States and in foreign jurisdictions for technology that we believe is proprietary and that offers a potential competitive advantage, and to license appropriate technologies when necessary or desirable. However, we cannot be certain that we will be able to obtain adequate protection for our technology or licenses on acceptable terms. Furthermore, if any protection we obtain is reduced or eliminated, others could use our intellectual property without compensating us, resulting in harm to our business. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States.

SRI License Agreement

After receiving funding in 1990 from the U.S. Advanced Research Projects Agency, SRI International conducted research to develop a "telesurgery" system to allow surgeons to perform surgery on the battlefield from a remote location. SRI developed the precise electromechanics, force-feedback systems, vision systems and surgical instruments needed to build and demonstrate a prototype system that could accurately reproduce a surgeon's hand motions with remote surgical instruments. In 1995, John G. Freund, M.D., one of our founders, acquired an option to license SRI's telesurgery technology, which resulted in SRI granting us a license.

Under the terms of our license agreement with SRI, we have an exclusive, worldwide, royalty-free license to use the SRI technology developed before September 12, 1997, including all patents and patent applications resulting from such work, in the field of manipulating tissues and medical devices in animal and human medicine, including surgery, laparoscopic surgery and microsurgery. We also have the right of first negotiation with respect to any SRI technology developed in these areas before September 12, 1999 but after September 12, 1997.

Our license with SRI 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 in 2016, although this could change. SRI may terminate the license in the event of a material, uncured breach of our obligations. In the event SRI terminates the license, we cannot assure you that the necessary licenses could be reacquired from SRI on satisfactory terms, if at all.

IBM License Agreement

IBM conducted research on the application of computers and robotics to surgery during the late 1980s and early 1990s. IBM performed some of this work in conjunction with the Johns Hopkins Medical Center. Our license agreement with IBM covers a number of technologies related to the application of computers and robotics to surgery. Under the terms of this agreement, we have an exclusive, worldwide, royalty-free license to a number of IBM patents and patent applications in the field of surgery performed on animals and humans. We also have a non-exclusive license from IBM to practice in the areas neurology, ophthalmology, orthopedics and biopsies. Under the license, we are obligated to make two future payments tied to revenue milestones. The IBM license agreement will terminate upon the last expiration of the licensed patents. Currently, the last patent expiration date is in 2016, although this could change. IBM may terminate the license in the event that we fail to make the required payments. In the event IBM terminates the license agreement, we cannot assure you that necessary licenses could be reacquired from IBM on satisfactory terms, if at all.

MIT License Agreement

After receiving funding from the U.S. Department of the Army, several researchers at MIT conducted research on various aspects of robotic surgical systems. As a result of that work, several patent applications were filed. Both MIT and the Army waived their rights to one of these applications, which the inventors ultimately assigned to Intuitive Surgical. MIT owns the other application. Under the terms of our license agreement with MIT, we have an exclusive, worldwide, royalty-free license to this patent application in the field of medical devices. The MIT license will terminate upon the last expiration of any patents issuing from the licensed patent application. MIT also has the right to terminate the MIT license in the event of a material, uncured breach of our obligations under the license. In the event MIT terminates the license, we cannot assure you that we would be able to reacquire a license from MIT on satisfactory terms, if at all.

RESEARCH AND DEVELOPMENT

Substantially all of our research and development activity is performed internally. Our 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 used in fabricating our products.

MANUFACTURING

We have a 13,000 square foot manufacturing facility in Mountain View, California that is currently certified for GMP by the FDA. We have used this facility and our manufacturing personnel to produce the systems and instruments that have been sold to date and used in clinical trials. The manufacture of our products is a complex operation involving a number of separate processes and components. All of our products are assembled and tested in accordance with FDA requirements.

We purchase both custom and off-the-shelf components from a large number of certified suppliers and subject them to stringent quality specifications. We periodically conduct quality audits of suppliers and have established a supplier certification program. Some of the components necessary for the assembly of our products are currently provided to us by sole source suppliers or single source suppliers. We purchase components through purchase orders rather than long-term supply agreements and generally do not maintain large volumes of inventory. The disruption or termination of the supply of components could cause a significant increase in the costs of these components, which could affect our profitability. A disruption or termination in the supply of components could also result in our

inability to meet demand for our products, which could harm our ability to generate revenues, lead to customer dissatisfaction and damage our reputation.

COMPETITION

We consider our primary competition to be existing open or MIS surgical techniques. Our success depends in part on convincing hospitals, surgeons and patients to convert procedures to Intuitive surgery from open or existing MIS surgery.

We also face competition from several companies that are developing new approaches and products for the minimally invasive surgery market, 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., a division of Guidant Corporation, C.R. Bard, Inc., Guidant Corporation, Heartport, Inc., Ethicon Endo-Surgery, Inc., a division of Johnson & Johnson, Medtronic, Inc., and United States Surgical Corporation, a division of Tyco International Ltd. If we are unable to compete successfully with these companies our revenues will suffer.

In addition, a limited number of companies are using robots and computers in surgery, including Brock Rogers Surgical, Inc., Computer Motion, Inc., Integrated Surgical Systems, Inc., Johns Hopkins University Engineering Research Consortium, Maquet AG, MicroDexterity Systems, Inc. and Ross-Hime Designs, Inc. Our revenues may be reduced or eliminated if our competitors develop and market products that are more effective or less expensive than our products.

We believe that the primary competitive factors in the market we 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.

GOVERNMENT REGULATION

FDA's Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device that we wish to market in the U.S. must first receive either "510(k) clearance" or "PMA approval" from the U.S. Food and Drug Administration pursuant to the Federal Food, Drug, and Cosmetic Act. The FDA's 510(k) clearance process usually takes from four to 12 months, but it can last longer. The process of obtaining PMA approval is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer. We cannot be sure that 510(k) clearance or PMA approval will be obtained in the future for any product we propose to market.

The FDA decides whether a device must undergo either the 510(k) clearance or PMA approval process based upon statutory criteria. These criteria include the level of risk that the agency perceives is associated with the device and a determination whether the product is similar to devices that are already legally marketed. Devices deemed to pose relatively less risk are placed in either class I or II, which requires the manufacturer to request 510(k) clearance, unless an exemption applies. The manufacturer must demonstrate that the proposed device is "substantially equivalent" in intended use, safety and effectiveness to a legally marketed "predicate device" that is either in class I, class II, or is a "preamendment" class III device, one that was in commercial distribution before May 28, 1976, for which the FDA has not yet called for submission of a PMA application. After a device receives 510(k) clearance, any modification to the device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval.

Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a legally marketed predicate

device, are placed in class III. Such devices are required to undergo the PMA approval process in which the manufacturer must prove the safety and effectiveness of the device to the FDA's satisfaction.

A PMA application must provide extensive preclinical and clinical trial data as well as information about the device and its components regarding, among other things, device design, manufacturing and labeling. As part of the PMA review, the FDA will inspect the manufacturer's facilities for compliance with Good Manufacturing Practice requirements, which include elaborate testing, control, documentation and other quality assurance procedures. During the FDA's review, an FDA advisory committee, typically a panel of clinicians, likely will be convened to review the application and recommend to the FDA whether, or upon what conditions, the device should be approved. Although the FDA is not bound by the advisory panel decision, the panel's recommendation is important to the FDA's overall decision making process. If the FDA's evaluation of the PMA application is favorable, the FDA typically issues an "approvable letter" requiring the applicant's agreement to comply with specific conditions or to supply specific additional data or information in order to secure final PMA approval.

Once the approvable letter conditions are satisfied, the FDA will issue a PMA order for the approved indications, which can be more limited than those originally sought by the manufacturer. The PMA order can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution. Failure to comply with the conditions of approval can result in an enforcement action, including withdrawal of the approval. The PMA process can be expensive and lengthy, and no assurance can be given that any PMA application will ever be approved for marketing. After approval of a PMA, a new PMA or PMA supplement may be required in the event of modifications to the device, its labeling or its manufacturing process.

A clinical trial may be required to support a 510(k) submission and generally is required for a PMA application. Such trials generally require an investigational device exemption application, or IDE, approved in advance by the FDA for a specified number of patients, unless the product is deemed an insignificant risk device eligible for more abbreviated IDE requirements. The IDE must be supported by appropriate data, such as animal and laboratory testing results. Clinical trials may begin if the FDA and the appropriate institutional review boards, or IRBs, at the clinical trial sites approve the IDE. Trials must be conducted in conformance with FDA regulations and IRB requirements. The sponsor or the FDA may suspend these trials at any time if they are deemed to pose unacceptable health risks or if the FDA finds deficiencies in the way they are being conducted. Data from clinical trials are often subject to varying interpretations that could delay, limit or prevent FDA approval.

Currently, our console, patient-side cart and all of our instruments have not been approved by the FDA to be used in any particular surgical procedure. In July 1997, we received 510(k) clearance from the FDA for the surgeon's console and patient cart to be used with only rigid endoscopes, blunt dissectors, retractors and stabilizer instruments. In November 1997, we withdrew a subsequent 510(k) submission covering additional instruments necessary for performing most surgical procedures, including scissors, scalpels, forceps/pickups, needle holders, clip appliers and electrocautery, after the FDA indicated that substantial clinical data would be required to support clearance.

In January 1999, we filed a 510(k) submission with clinical data, seeking clearance for the da Vinci Surgical System and EndoWrist instruments for laparoscopic surgical procedures. In May 1999, the FDA determined that our products were not eligible for 510(k) clearance but would instead be required to undergo the PMA approval process. On June 16, 1999, after review of the clinical data on the use of our products in laparoscopic surgical procedures, the FDA's General Surgery Advisory Panel recommended approval. In November 1999, we filed a PMA application to commercialize our

products for laparoscopic surgery which was accepted by the FDA in December 1999. This PMA application is currently subject to approval by the FDA. In March 2000, the FDA inspected our Mountain View facility and found it to be in compliance with Good Manufacturing Practice requirements. We cannot assure you that we will obtain FDA approval for the use of our products in laparoscopic or other surgical procedures on a timely basis, or at all. We anticipate that the FDA will require a new PMA approval for each additional surgical procedure for which we propose to market our products.

We presently have a thoracoscopic clinical study in progress. If completed, this study may be the subject of a PMA application for permission to commercialize our products for thoracoscopic procedures. In the next twelve months, we anticipate submitting one or more IDE applications requesting permission to conduct trials for mitral valve repair and coronary artery bypass. We cannot assure you that the FDA will approve our IDE applications or permit such trials to go forward.

We are subject to inspection and market surveillance by the FDA to determine compliance with regulatory requirements. If the FDA finds that we have failed to comply, the agency can institute a wide variety of enforcement actions, ranging from a public warning letter to more severe sanctions. The FDA also has the authority to request repair, replacement or refund of the cost of any medical device manufactured or distributed by us. Our failure to comply with applicable requirements could lead to an enforcement action that may have an adverse effect on our financial condition and results of operations.

California Regulation

The state of California requires that we obtain a license to manufacture medical devices and subjects us to periodic inspection. Our facilities and manufacturing processes were inspected in February 1998. We passed the inspection and received our device manufacturing license from the Food and Drug Branch of the California Department of Health Service in March 1998. The license has remained in effect ever since.

Foreign Regulation

In order for us to market our products in other countries, we must obtain regulatory approvals and comply with extensive safety and quality regulations in other countries. These regulations, including the requirements for approvals or clearance and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval in any foreign country in which we plan to market our products may harm our ability to generate revenue and harm our business.

Commercialization of medical devices in Europe is regulated by the European Union. The European Union presently requires that all medical products bear the CE mark, an international symbol of adherence to quality assurance standards and demonstrated clinical effectiveness. Compliance with the Medical Device Directive, as certified by a recognized European Competent Authority, permits the manufacturer to affix the CE mark on its products. In January 1999, following an audit of our quality system and Mountain View facility, we received permission from the Danish Government, which was our European Competent Authority, to affix the CE mark to our da Vinci Surgical System and EndoWrist instruments for general surgical use, Class II-b. Additional CE approvals for use of our da Vinci Surgical System and EndoWrist instruments in cardiac surgery were received in September 1999 and February 2000, Class III.

If we modify existing products or develop new products in the future, we will need to apply for permission to affix the CE mark to such products. In addition, we will be subject to annual regulatory audits in order to maintain the CE mark permissions we have already obtained. We cannot be certain that we will be able to obtain permission to affix the CE mark for new or modified products or that we will continue to meet the quality and safety standards required to maintain the permissions we

have already received. If we are unable to maintain permission to affix the CE mark to our products, we will no longer be able to sell our products in member countries of the European Union.

The Ministry of Health and Welfare regulates commercialization and reimbursement of medical devices in Japan. We are currently in the process of developing a clinical trial strategy for laparoscopic and cardiovascular use of the da Vinci Surgical System and our EndoWrist instruments with our commercial partner in Japan. However, we cannot assure you that we will succeed in procuring the required approvals to market our products in Japan or elsewhere, even if we develop a strategy and ultimately apply for these approvals.

THIRD-PARTY REIMBURSEMENT

In the United States and international markets where we intend to sell our products, the government and health insurance companies together are responsible for hospital and surgeon reimbursement for virtually all surgical procedures. Governments and insurance companies generally reimburse hospitals and physicians for surgery when the procedures are considered non-experimental and non-cosmetic. In the United States, reimbursement for medical procedures is governed by the Health Care Financing Administration and, in the case of investigational devices, by the FDA. Reimbursement, however, is only available if an appropriate Current Procedural Terminology, or CPT, code exists for the procedure performed. If an appropriate CPT code does not exist, then an application requesting an appropriate code can be made to the American Medical Association.

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 involved, the insurance plan involved, 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. This fixed amount is paid regardless of the actual costs incurred by the hospital or physician in furnishing the care and is unrelated to the specific devices used in that procedure. Thus, any reimbursements that hospitals obtain for performing surgery with our products will generally have to cover any additional costs that hospitals incur in purchasing our products.

At present, the da Vinci Surgical System is categorized as an "experimental device" and thus does not qualify for Medicare reimbursement. In late 1999, the FDA denied our formal request for reclassification of the da Vinci Surgical System as an investigational, rather than an experimental, device. We presently believe that unless and until the FDA approves our PMA application for a particular indication, such as laparoscopic use, reimbursement through Medicare will be unavailable in the United States for our products.

Domestic institutions will typically bill the services performed with our products to various third-party payors, such as Medicare, Medicaid and other government programs and private insurance plans. We believe that the procedures we intend to target if and when we receive FDA approval are generally already reimbursable by government agencies and insurance companies. Accordingly, we believe 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 approved surgery using our products. If hospitals do not obtain sufficient reimbursement from third-party payors for procedures performed with our products, or if governmental and private payors' policies do not permit reimbursement for surgical procedures performed using our products, we may not be able to generate the revenues necessary to support our business. In such circumstances, we may have to apply to the American Medical Association for a unique CPT code covering computer-enhanced surgery. If an application for a unique code is required, reimbursement for any use of our products may be

unavailable until an appropriate code is granted. The application process, from filing until adoption of a new code, can take two or more years.

In countries outside the United States, reimbursement is obtained from various sources, including governmental authorities, private health insurance plans, and labor unions. In most foreign countries, private insurance systems may also offer payments for some therapies. Although not as prevalent as in the United States, health maintenance organizations are emerging in certain European countries. To effectively conduct our business, we may need to seek international reimbursement approvals, and we do not know if these required approvals will be obtained in a timely manner or at all.

Any regulatory or legislative developments in domestic or foreign markets that eliminate or reduce reimbursement rates for procedures performed with our products could harm our ability to sell our products or cause downward pressure on the prices of our products, either of which would affect our ability to generate the revenues necessary to support our business.

EMPLOYEES

As of December 31, 1999, we had 113 employees, 33 of whom were engaged directly in research and development, 39 in manufacturing and service and 41 in marketing, sales, and administrative activities. None of our employees is covered by a collective bargaining agreement, and we consider our relationship with our employees to be good.

FACILITIES

We lease approximately 50,000 square feet in Mountain View, California. The facility is leased through February 2002, and we have an option to extend the lease for an additional three-year term. We believe that this facility will be adequate to meet our needs through 2001. Approximately 12,000 square feet are subleased to a third party through July 2000.

LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations. As of the date of this prospectus, we are not engaged in any legal proceedings that we expect to harm our business.

MANAGEMENT

EXECUTIVE OFFICERS, SENIOR MANAGEMENT AND DIRECTORS

The following table presents information regarding our executive officers, senior management and directors as of March 17, 2000:

NAME	AGE	POSITION
EXECUTIVE OFFICERS		
Lonnie M. Smith	55	President, Chief Executive Officer and Director
Susan K. Barnes	46	Vice President, Finance, Chief Financial Officer and Assistant Secretary
Frederic H. Moll, M.D.	48	Vice President, Medical Director and Director
Robert G. Younge	48	Vice President and Chief Technology Officer
SENIOR MANAGEMENT		
Corinne Z. Augustine	42	Vice President, Manufacturing
Douglas M. Bruce	42	Vice President, Product Marketing
David Casal, Ph.D.	45	Vice President, Clinical, Regulatory and Quality Affairs
Gary S. Guthart, Ph.D.	34	Vice President, Engineering
David M. Shaw	33	Chief Patent Counsel
Thierry B. Thaure	37	Vice President, Sales and Marketing
Alan C. Mendelson	51	Secretary
DIRECTORS		
Scott S. Halsted(1)	40	Director
Russell C. Hirsch, M.D., Ph.D.(2)	37	Director
Richard J. Kramer(1)	57	Director
James A. Lawrence(1)	47	Director
Alan J. Levy, Ph.D.(2)	62	Director

- -------------------------
(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Lonnie M. Smith has been our President and Chief Executive Officer since May 1997 and has served as a member of our board of directors since December 1996. From 1977 until joining Intuitive Surgical, 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., from 1978 to 1982, and as a 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 been our Vice President, Finance, Chief Financial Officer and Assistant Secretary 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 BLUM Capital Partners, L.P., formerly 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 Intuitive Surgical and has served as Vice President, Medical Director and as a member of our board of directors since our inception. In 1989, Dr. Moll co-founded Origin Medsystems, Inc., a medical device company and served as Medical Director through 1995. Origin was acquired by Eli Lilly & Company in 1992 and is now a wholly-owned subsidiary of Tyco Health Care. 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 Intuitive Surgical and has served as our Vice President and Chief Technology Officer since November 1999. From our inception to November 1999, Mr. Younge served as our Vice President, Engineering. Mr. Younge co-founded Acuson Corporation, a medical device company, in 1979 and served as Vice President, Engineering and in various other capacities until co-founding Intuitive Surgical. 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 a B.S.E.E. and an M.S.E.E. from Stanford University.

Corinne Z. Augustine has been our Vice President, Manufacturing since October 1999. Prior to joining Intuitive Surgical, from 1997 to October 1999, Ms. Augustine served as a Vice President, Manufacturing with Acuson Corporation. From 1994 to 1997, Ms. Augustine was a Director of Manufacturing with Acuson and from 1991 to 1994, she held the position of a Manufacturing Project Manager at Acuson. Ms. Augustine received a B.S.I.E. from the University of Florida and an M.B.A. from Stanford University.

Douglas M. Bruce has been our Vice President, Product Marketing since December 1997 and joined us as Director, Product Management in May 1997. Prior to joining Intuitive Surgical, Mr. Bruce served as Vice President, Engineering with Acuson Corporation from January 1997 to May 1997. Mr. Bruce served as Acuson's Director of Engineering from August 1994 to December 1995 and held Engineering Manager positions with Acuson from October 1987 to August 1994. Mr. Bruce received a B.S. in Mechanical Engineering from the University of California, Berkeley, and an M.S. in Mechanical Engineering from Santa Clara University.

David Casal, Ph.D. has been our Vice President of Clinical, Regulatory, and Quality Affairs since September 1999. From 1996 until joining Intuitive Surgical, Mr. Casal was with Metra Biosystems, Inc., a medical technology company, serving as Vice President of Clinical, Regulatory, and Quality Affairs. From 1989 through 1996, Mr. Casal held many positions with Adeza Biomedical, Inc., a biotechnology company, with the last being Vice President of Clinical and Regulatory Affairs. Mr. Casal has also held positions with Hybritech, Inc. and Progenex, Inc., medical technology companies. Mr. Casal received his B.A in American History, M.S. in Physiology, and Ph.D. in Cardiovascular Epidemiology, from the University of Minnesota, and was a National Institute of Health Post-Doctoral Research Fellow in the School of Medicine at the University of California, San Diego.

Gary S. Guthart, Ph.D. has been our Vice President, Engineering since November 1999. He joined Intuitive Surgical in April 1996. From August 1992 to April 1996, as Senior Research Engineer, Mr. Guthart was part of the core team developing foundation technology for computer enhanced surgery at SRI International. Mr. Guthart received a B.S. in Engineering from the

University of California, Berkeley and an M.S. and Ph.D. in Engineering Science from the California Institute of Technology.

David M. Shaw has been our Chief Patent Counsel since April 1999. From March 1998 to April 1999, Mr. Shaw was Director of Intellectual Property at EndoVasix, Inc., a medical device company. From 1992 to 1994, he clerked on the United States Court of Appeals for the Federal Circuit for the Honorable R.C. Clevenger, III, and from 1994 to 1998 was an associate with the law firm of Fish & Richardson P.C. Mr. Shaw received a B.S. in Chemical Engineering from North Carolina State University and a J.D. from Duke University School of Law.

Thierry B. Thaure has been our Vice President, Sales and Marketing since May 1997. From January 1993 to April 1997, Mr. Thaure served as Director of International Sales and Marketing for Guidant Corporation's Minimally Invasive System Group. From July 1990 to December 1992, Mr. Thaure held various positions in Marketing and Business Development at Advanced Cardiovascular Systems, Inc., which at that time was a wholly-owned subsidiary of Eli Lilly Inc. He received a B.S. in Biomedical Engineering and a B.A. in Chemistry from Duke University, and an M.B.A. from the Kellogg Graduate School of Business at Northwestern University.

Alan C. Mendelson has been our Secretary since our inception and is a senior partner of Cooley Godward LLP. He currently heads the firm's companies and life sciences groups and is a member of its Management Committee. Mr. Mendelson served as Managing Partner of Cooley Godward's Palo Alto office from May 1990 to March 1995 and November 1996 to September 1997. He served as Secretary and Acting General Counsel of Amgen, Inc. from April 1990 to April 1991 and as Acting General Counsel of Cadence Design Systems, Inc. from November 1995 to June 1996. Mr. Mendelson serves as the secretary of a number of private and public companies and is a member of the board of directors of Axys Pharmaceuticals, Inc., Isis Pharmaceuticals, Inc. and US Search.com, Inc. Mr. Mendelson received his A.B. in Political Science from the University of California, Berkeley and a J.D. from Harvard Law School.

Scott S. Halsted has been a member of our board of directors since March 1997. Mr. Halsted joined Morgan Stanley in 1987, and has been a general partner at Morgan Stanley Dean Witter Venture Partners since 1997. Mr. Halsted currently serves as a director of several private healthcare companies. Mr. Halsted received A.B. and B.E. degrees in Biomechanical Engineering from Dartmouth College and an M.M. degree from Northwestern University.

Russell C. Hirsch, M.D., Ph.D. has been a member our board of directors 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 on the board of directors of Valentis, Inc., a biotechnology company. 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.

Richard J. Kramer has been a member of our board of directors since February 2000. From 1989 to 1999, he served as the President and Chief Executive Officer of Catholic Healthcare West, a multi-state health care provider. From 1982 to 1989, Mr. Kramer was Executive Vice President of Allina Health, an integrated health care system. Mr. Kramer received a B.S. in Rehabilitation Education from Pennsylvania State University, an M.S. in Rehabilitation Counseling from Syracuse University and an M.S. in Hospital & Health Care Administration from the University of Minnesota.

James A. Lawrence has been a member of our board of directors since March 2000. He has been Executive Vice President and Chief Financial Officer of General Mills, Inc. since 1998. Mr. Lawrence has also held positions as Executive Vice President and Chief Financial Officer for Northwest Airlines, and President and Chief Executive Office of Pepsi-Cola Asia, Middle East,

Africa. He has also chaired and co-founded LEK Partnership, a corporate strategy and merger/acquisition consulting firm headquartered in London, England. Mr. Lawrence currently serves as a director of TransTechnology Corporation and Avnet, Inc. Mr. Lawrence holds a B.A. in Economics from Yale University and an M.B.A. from Harvard Business School.

Alan J. Levy, Ph.D. has been a member of our board of directors since February 2000. He has been the President, Chief Executive Officer and member of the board of directors of Vertis Neuroscience, Inc., a biotechnology company, since 1999. From 1993 to 1998, Mr. Levy was the President, Chief Executive Officer and a member of the board of directors of Heartstream, Inc., a medical device company. From 1989 to 1993, Mr. Levy was the President, Chief Operating Officer and a member of the board of directors of Heart Technology, Inc., a medical device company. From 1966 to 1989, Mr. Levy held various positions at Ethicon, a subsidiary of Johnson & Johnson Company, and was a member of the board of directors of Ethicon from 1980 to 1989. Mr. Levy received a B.S. in Chemistry from City College of New York, and a Ph.D. in Organic Chemistry from Purdue University.

BOARD COMMITTEES

Audit committee. Our audit committee currently consists of Messrs. Halsted, Kramer and Lawrence. The audit committee reviews our internal accounting procedures and consults with and reviews the services provided by our independent accountants.

Compensation committee. Our compensation committee currently consists of Dr. Hirsch and Mr. Levy. The compensation committee administers our stock option plans, reviews and approves the compensation and benefits of all our officers and establishes and reviews general policies relating to compensation and benefits of our employees.

DIRECTOR COMPENSATION

Directors currently receive no cash compensation from us for their services as members of the board or for attendance at committee meetings. Directors may be reimbursed for expenses in connection with attendance at board of directors and committee meetings.

In consideration for attending our board and committee meetings, in February 2000 we granted each of Messrs. Kramer and Levy, and in March 2000 we granted Mr. Lawrence, options to purchase 20,000 shares of our common stock at $3.00 per share. These options vest in 48 equal monthly installments.

In March 2000, we adopted the 2000 Non-Employee Directors' Stock Option Plan to provide for the automatic grant of options to purchase shares of common stock to our non-employee directors who are not employees of Intuitive Surgical or any affiliate of Intuitive Surgical. Any non-employee director elected after the closing of this offering will receive an initial option to purchase 20,000 shares of common stock. Starting at the annual stockholder meeting in 2001, all non-employee directors will receive an annual option to purchase 5,000 shares of common stock. See "-- Employee Benefit Plans -- 2000 Non-Employee Directors' Stock Option Plan" for a more detailed explanation of the terms of these stock options.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. Investment entities affiliated with Dr. Hirsch have purchased shares of our preferred stock. See "Related Party Transactions" for a detailed explanation of these transactions.

BOARD COMPOSITION

We currently have seven directors. Upon the closing of this offering the terms of office of the board of directors will be divided into three classes. As a result, a portion of our board of directors will be elected each year. The division of the three classes, the initial directors and their respective election dates are as follows:

- the class I directors will be Messrs. Halsted and Levy and their term will expire at the annual meeting of stockholders to be held in 2001;

- the class II directors will be Drs. Hirsch and Moll and Mr. Lawrence and their term will expire at the annual meeting of stockholders to be held in 2002; and

- the class III directors will be Messrs. Kramer and Smith and their term will expire at the annual meeting of stockholders to be held in 2003.

At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. In addition, the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of Intuitive Surgical.

EXECUTIVE COMPENSATION

The following table sets forth summary information concerning the compensation paid to our chief executive officer and other executive officers for services during the year ended December 31, 1999.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG TERM COMPENSATION
	SALARY	BONUS	NUMBER OF SECURITIES UNDERLYING OPTIONS
Lonnie M. Smith..... President and Chief Executive Officer	$300,000	--	--
Susan K. Barnes..... Vice President, Finance, Chief Financial Officer and Assistant Secretary	$191,643	--	20,000
Frederic H. Moll, M.D. ..... Vice President and Medical Director	$196,643	--	--
Robert G. Younge..... Vice President and Chief Technology Officer	$194,965	--	--

OPTION GRANTS IN FISCAL YEAR 1999

The following table sets forth each grant of stock options during the fiscal year ended December 31, 1999, to each of the individuals listed on the previous table.

The exercise price of each option was equal to the fair value of our common stock as valued by the board of directors on the date of grant. The exercise price may be paid in cash, in shares of our common stock valued at fair value on the exercise date or through a cashless exercise procedure involving a same-day sale of the purchased shares.

The potential realizable value is calculated based on the ten-year term of the option at the time of grant. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The potential realizable values at 5% and 10% appreciation are calculated by

- multiplying the number of shares of common stock subject to a given option by the assumed initial public offering price of $ per share;
- assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table until the expiration of the options; and
- subtracting from that result the aggregate option exercise price.

The shares listed in the following table under "Number of Securities Underlying Options Granted" are subject to vesting. Upon completion of six months of service from the vesting start date, 12.5% of the option shares vest and the balance vest in a series of equal monthly installments over the next 42 months of service. The option has a ten-year term, subject to earlier termination if the optionee's service with us ceases. See "Employee Benefit Plans" for a description of the material terms of this option.

Percentages shown under "Percent of Total Options Granted to Employees in Fiscal Year" are based on an aggregate of 628,550 options granted to employees of Intuitive Surgical under our stock option plans during the fiscal year ended December 31, 1999.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1999	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Lonnie M. Smith.....	--	--	--	--	--	--
Susan K. Barnes.....	20,000	3.2%	$3.00	08/05/09		
Frederic H. Moll, M.D.....	--	--	--	--	--	--
Robert G. Younge.....	--	--	--	--	--	--

FISCAL YEAR-END OPTION VALUES

The following table sets forth the number and value of securities underlying unexercised options that are held by each of the individuals listed in the Summary Compensation Table as of December 31, 1999. No shares were acquired on the exercise of stock options by these individuals during the year ended December 31, 1999.

Amounts shown under the column "Value of Unexercised In-the-Money Options at December 31, 1999" are based on the assumed initial public offering price of $, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option, less the exercise price payable for these shares. Our stock option plans allow for the early exercise of options granted to employees. All options exercised early are subject to repurchase by us at the original exercise price, upon the optionee's cessation of service prior to the vesting of the shares.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Lonnie M. Smith.....	--	--	--	--
Susan K. Barnes.....	20,000	0		
Frederic H. Moll, M.D.	--	--	--	--
Robert G. Younge.....	300,000	0		

EMPLOYMENT ARRANGEMENTS

In February 1997, we entered into an agreement with Lonnie M. Smith, our President and Chief Executive Officer, 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. Cause as defined in the agreement includes conviction for any felony, participation in a fraud or act of dishonesty against us, willful breach of our policies, or a material breach by Mr. Smith of his employment agreement or of his proprietary information and inventions agreement.

EMPLOYEE BENEFIT PLANS

2000 Equity Incentive Plan

We adopted the equity incentive plan in March 2000, subject to stockholder approval. The incentive plan is an amendment and restatement of the equity incentive plan we adopted in 1996.

Share Reserve. We have reserved 10,000,000 shares for issuance under the incentive plan. For 10 years starting with the year 2001, on the day after each annual meeting of our stockholders, the number of shares in this reserve shared by the incentive plan will automatically increase by the greater of:

- 0.5% of the outstanding common stock on a fully-diluted basis, or

- the number of shares of common stock subject to awards granted under the incentive plan during the previous twelve months.

No more than 20 million shares may be used for incentive stock options under the incentive plan over the 10-year period. If stock awards granted under the incentive plan expire or otherwise terminate without being exercised, the shares not acquired pursuant to the stock awards again become available for issuance under the incentive plan.

Effect of an Acquisition or Merger. If we dissolve or liquidate, then outstanding stock awards will terminate immediately prior to the event. If we sell, lease or dispose of all, or substantially all, of our assets, or are acquired pursuant to a merger or consolidation, the surviving entity will either assume or substitute all outstanding awards under the incentive plan. If it declines to do so, then generally the vesting and exercisability of the stock awards will accelerate.

Options Issued. As of December 31, 1999, we had issued 2,509,278 shares upon the exercise of options under the incentive plan, 307,096 shares of which have been repurchased and 566,381 shares of which are subject to repurchase; options to purchase 1,466,725 shares were outstanding; and 203,997 shares, remained available for future grant. As of December 31, 1999, the board has granted 160,000 restricted stock awards under the incentive plan, no shares of which have been repurchased and 25,000 shares of which are subject to repurchase. The incentive plan will terminate in 2010 unless the board terminates it sooner.

2000 Non-Employee Directors' Stock Option Plan

We adopted the non-employee directors' stock option plan in March 2000, subject to stockholder approval.

Share Reserve. We have reserved 300,000 shares of our common stock for issuance pursuant to the non-employee directors' stock option plan. On January 1 of each year for 9 years, starting with the year 2001, the number of shares in the reserve will automatically increase by the greater of:

- 0.3% of the outstanding shares of common stock on a fully-diluted basis or

- the number of shares subject to options granted under the plan during the prior 12-month period.

Under the non-employee directors' stock option plan, each new non-employee director who is subsequently elected or appointed for the first time after this offering will automatically be granted an option to purchase 20,000 shares of common stock. This is the non-employee director's initial grant.

On each anniversary date of the offering, beginning in the year 2001, each non-employee director who has been a non-employee director for at least six months will be granted an option to purchase 5,000 shares of common stock. This is the non-employee director's annual grant.

Options granted under the non-employee directors' stock option plan are granted at 100% of the fair market value of the common stock on the date of grant. Options granted under the non-employee directors' stock option plan have a ten-year term and vest as follows: initial grants vest monthly at a rate of 1/36 of the shares each month for 36 months after the date of the grant; annual grants vest as to 1/12 of the shares each month for 12 months after the date of the grant. The non-employee directors' stock option plan will terminate if and when terminated by the board of directors.

Effect of an Acquisition or Merger. If we sell, lease or dispose of all, or substantially all of our assets, or are acquired pursuant to a merger or acquisition then all outstanding options under the non-employee directors' stock option plan shall be assumed by the surviving entity or the surviving entity shall substitute similar options for such outstanding options. If the surviving entity determines not to assume such outstanding options or substitute similar options, then, with respect to persons whose service with an affiliate has not terminated prior to the transaction, the vesting of the options shall accelerate and the options terminated if not exercised prior to the transaction.

Options Issued. The directors' plan will not be effective until the date of the initial public offering of our stock. Therefore, we have not issued any options under the directors' plan.

2000 Employee Stock Purchase Plan

We adopted the employee stock purchase plan in March 2000, subject to stockholder approval. The purchase plan has no set termination date. It will terminate when all of the shares reserved under it have been issued unless the board terminates it earlier.

Share Reserve. We have reserved 1,000,000 shares of our common stock pursuant to purchase rights to be granted to eligible employees under the purchase plan. For 10 years, beginning in 2001, on the day after each annual meeting of stockholders the number of shares in the reserve will automatically be increased by the greater of:

- 0.5% of our outstanding shares of common stock on a fully-diluted basis, or

- that number of shares issued under the plan during the prior 12-month period.

The automatic share reserve increase in the aggregate may not exceed 10,000,000 shares over the 10-year period.

Eligibility. The purchase plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. The purchase plan provides a means by which employees may purchase our common stock through payroll deductions. We implement this purchase plan by offerings of purchase rights to eligible employees. Generally, all employees of Intuitive Surgical and any United States affiliate may participate in the purchase plan, excluding part-time and seasonal employees. However, no employee may participate in the purchase plan if immediately after we grant the employee a purchase right, the employee has voting power over 5% or more of our outstanding capital stock. As of the date of this prospectus, no shares of common stock have been purchased under the purchase plan.

Offerings. Under the purchase plan, the board may specify offerings of up to 27 months. The first offering will begin on the effective date of this initial public offering. Unless the board otherwise determines, our common stock is purchased for accounts of participating employees at a price per share equal to the lower of:

- 85% of the fair market value of a share on the first day of the offering, or

- 85% of the fair market value of a share on the purchase date.

The board may provide that employees who become eligible to participate after the offering period begins nevertheless may enroll in the offering. These employees will purchase our stock at the lower of:

- 85% of the fair market value of a share on the day they began participating in the purchase plan, or

- 85% of the fair market value of a share on the purchase date.

Under the current offering, employees may authorize payroll deductions of up to 15% of their base compensation, not including sales commissions or bonuses, for the purchase of stock under the purchase plan and may end their participation in the offering at any time up to 10 days before a purchase date. Participation ends automatically on termination of employment with Intuitive Surgical or its affiliate.

Other Provisions. The board may grant eligible employees purchase rights under the purchase plan only if the purchase rights together with any other purchase rights granted under other employee stock purchase plans established by Intuitive Surgical or its affiliate, if any, do not permit the employee's rights to purchase our stock to accrue at a rate that exceeds $25,000 of the fair market value of our stock for each calendar year in which the purchase rights are outstanding. The board also may limit the number of shares that an employee may purchase on any purchase date.

Effect of an Acquisition or Merger. If we sell, lease or dispose of all, or substantially all, of our assets, or are acquired pursuant to a merger or acquisition then, the board may provide that the successor corporation will assume or substitute outstanding purchase rights. Alternatively, the board may shorten the offering and provide that shares will be purchased for participants immediately before the transaction.

401(k) Plan

We maintain a 401(k) Plan for eligible employees. An employee participant may contribute up to 15% of his or her total annual compensation to the 401(k) Plan, up to a legal annual limit. The annual limit for calendar year 2000 is $10,500. Each participant is fully vested in his or her deferred salary contributions. Participant contributions are held and invested by the 401(k) Plan's trustee. We may make discretionary contributions as a percentage of participant contributions, subject to established limits. To date, we have made no contributions to the 401(k) Plan on behalf of the participants. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code, so that contributions by employees or by Intuitive Surgical to the 401(k) Plan, and income earned on the 401(k) Plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by Intuitive Surgical, if any, will be deductible when made.

Limitation of Liability and Indemnification

Our certificate of incorporation and bylaws provide for the indemnification of our directors from personal liability to the fullest extent not prohibited by Delaware law. Delaware law permits us to eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in circumstances involving wrongful acts, including:

- for any breach of the director's duty of loyalty to Intuitive Surgical or our stockholders;

- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- for any acts under Section 174 of the Delaware General Corporation Law; or

- for any transaction from which the director derives an improper personal benefit.

Delaware law does not limit or eliminate our rights or any stockholder's rights to seek non-monetary relief including an injunction or rescission, in the event of a breach of a director's fiduciary duty. Delaware law does not alter a director's liability under federal securities laws. In addition, we intend to enter into separate indemnification agreements with our directors and officers that provide each of them indemnification protection in the event our certificate of incorporation and bylaws are subsequently amended. We believe that these provisions and agreements will assist us in attracting and retaining qualified individuals to serve as directors and officers.

RELATED PARTY TRANSACTIONS

The following executive officers, directors and holders of more than five percent of our securities purchased securities in the amounts and as of the dates shown below.

		SHARES OF CONVERTIBLE PREFERRED STOCK					
	COMMON STOCK	SERIES A	SERIES B	SERIES C	SERIES D	SERIES E	SERIES F
DIRECTORS AND EXECUTIVE OFFICERS							
Frederic H. Moll, M.D.	1,050,000	150,000	--	--	--	--	--
Lonnie M. Smith.....	700,000	--	--	--	--	--	--
Robert G. Younge.....	1,100,000	100,000	--	--	--	--	--
Russell C. Hirsch, M.D., Ph.D.	--	--	--	--	--	6,250	6,250
ENTITIES AFFILIATED WITH DIRECTORS							
Mayfield Fund(1).....	150,000	2,700,000	--	960,000	355,400	125,000	125,000
Morgan Stanley Dean Witter Venture Partners(2).....	--	--	--	1,500,000	--	125,000	125,000
OTHER 5% STOCKHOLDERS							
Sierra Ventures V, L.P.	--	2,300,000	--	600,000	125,000	125,000	--
Investor (Guernsey) Limited.....	--	--	--	--	--	1,250,000	1,250,000
PaTMarK Company, Inc.	--	--	--	1,000,000	37,500	1,250,000	--
Allan G. Lozier.....	--	--	--	1,200,000	116,000	312,500	312,500
Price per Share.....	$0.001 - $0.05	$1.00	$0.10	$5.00	$8.00	$8.00	$9.84
Date(s) of Purchase.....	11/95 - 1/97	12/95 - 1/96	1/96	1/97 - 3/97	11/97	7/98 - 5/99	3/00

- ------------------------

(1) Russell C. Hirsch, M.D., Ph.D., one of our directors, is a general partner of Mayfield Fund.
(2) Scott S. Halsted, one of our directors, is a general partner of Morgan Stanley Dean Witter Venture Partners.

We have entered into the following agreements with our executive officers, directors, and holders of more than five percent of our voting securities.

Investor Rights Agreement. Intuitive Surgical and the preferred stockholders described above have entered into an agreement pursuant to which these and other preferred stockholders will have registration rights with respect to their shares of common stock following this offering. Upon the completion of this offering, all shares of our outstanding preferred stock will be automatically converted into an equal number of shares of common stock. For further information on these registration rights, see "Description of Capital Stock -- Registration Rights of Stockholders."

Stock Options. We have granted Messrs. Kramer, Lawrence and Levy options to purchase common stock in connection with their services as our directors. See "Management -- Director Compensation" for a description of these stock option grants.

Executive Employment Agreement. We have entered into an employment agreement with Lonnie M. Smith, our President and Chief Executive Officer. See "Management -- Employment Arrangements" for a description of this agreement.

We believe that all of the transactions set forth above were made on terms no less favorable to Intuitive Surgical than could have been obtained from unaffiliated third parties. All future transactions, including loans, between Intuitive Surgical and our officers, directors, principal stockholders and their affiliates will be approved by a majority of the board of directors, including a majority of the independent and disinterested directors, and will continue to be on terms no less favorable to Intuitive Surgical than could be obtained from unaffiliated third parties.

Indemnification Agreements. We intend to enter into indemnification agreements with our directors and officers for the indemnification of and advancement of expenses to these persons to the full extent permitted by law. We also intend to execute such agreements with our future directors and officers.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 29, 2000, and as adjusted to reflect the sale of our common stock offered by this prospectus, by:

- each person, or group of affiliated persons, who is known by us to own beneficially 5% or more of our common stock;
- each of the individuals listed on the "Summary Compensation Table" above;
- each of our directors; and
- all current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of February 29, 2000 are deemed outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of each other person.

Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares shown as beneficially owned by them. Percentage of ownership is based on 25,816,223 shares of common stock outstanding on February 29, 2000 and shares of common stock outstanding after completion of this offering. This table assumes no exercise of the underwriters' over-allotment option. Unless otherwise indicated, the address of each of the individuals named below is: c/o Intuitive Surgical, Inc., 1340 W. Middlefield Road, Mountain View, CA 94043.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)	SHARES SUBJECT TO A RIGHT OF REPURCHASE WITHIN 60 DAYS OF FEBRUARY 29, 2000(2)	SHARES ISSUABLE PURSUANT TO OPTIONS EXERCISABLE WITHIN 60 DAYS OF FEBRUARY 29, 2000	PERCENT OF OUTSTANDING SHARES	
				BEFORE THE OFFERING	AFTER THE OFFERING
5% STOCKHOLDERS					
Entities affiliated with Mayfield Fund(3)	4,415,400	--	--	17.0%	
PatMarK Company, Inc.(4)	3,537,500	--	--	13.1	
Sierra Ventures V, L.P.(5)	3,275,000	--	--	12.6	
Investor (Guernsey) Limited(6)	2,500,000	--	--	9.2	
Allan G. Lozier(7)	1,941,000	--	--	7.4	
Entities affiliated with Morgan Stanley(8)	1,750,000	--	--	6.8	
DIRECTORS AND EXECUTIVE OFFICERS					
Russell C. Hirsch, M.D., Ph.D.(9)	4,427,900	--	--	17.1	
Scott S. Halsted(10)	1,750,000	--	--	6.8	
Frederic H. Moll, M.D.	1,500,000	199,375	--	5.8	
Robert G. Younge(11)	1,298,000	123,750	300,000	5.0	
Lonnie M. Smith(12)	1,000,000	314,584	--	3.9	
Susan K. Barnes	225,000	54,167	25,000	*	
Richard J. Kramer	--	--	20,000	*	*
James A. Lawrence(13)	--	--	20,000	*	*
Alan J. Levy, Ph.D.	--	--	20,000	*	*
All directors and executive officers as a group (9 persons)(14)	10,200,900	691,876	385,000	38.8%	

- ------------------------

* Less than 1%

(1) Includes shares of common stock subject to a right of repurchase within 60 days of February 29, 2000 and shares issuable pursuant to options exercisable within 60 days of February 29, 2000.

(2) The unvested portion of the shares of common stock is subject to a right of repurchase, at the original option exercise price, in the event the holder ceases to provide services to Intuitive Surgical. The option exercise prices range from $0.001 to $0.50.

(3) Represents 4,075,880 shares held by Mayfield VIII and 214,520 shares held by Mayfield Associates Fund II. Also includes 118,750 shares and 6,250 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 by Mayfield VIII and Mayfield Associates Fund II, respectively. Dr. Hirsch, a director of Intuitive Surgical, 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. Mayfield Fund is located at 2800 Sand Hill Road, Suite 250, Menlo Park, California 94025.

(4) Includes 1,250,000 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000. PaTMarK is located at 700 State Route, 46 East, Batesville, IN 47006.

(5) Also includes 125,000 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000. Sierra Ventures V, L.P. is located at 3000 Sand Hill Road, Building 4, Suite 210, Menlo Park, California 94025.

(6) Includes 1,250,000 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000. Investor (Guernsey) Limited is located at PO Box 626, National Westminster House, Le Tuchot St. Peter Port, Guernsey Channel Islands, GY 1 4PW.

(7) Includes 312,500 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000. Mr. Lozier's address is c/o Lozier Corporation, 6226 Pershing Drive, Omaha, Nebraska 67810.

(8) Represents 1,482,650 shares held by Morgan Stanley Venture Partners III, L.P. and 142,350 shares held by Morgan Stanley Venture Investors III, L.P. Also includes 114,050 shares and 10,950 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 by Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P., respectively. Mr. Halsted, a director of Intuitive Surgical, 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. Morgan Stanley Dean Witter Ventures Partners is located at 3000 Sand Hill Road, Building 4, Suite 210, Menlo Park, California 94025.

(9) Includes (a) 3,125 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 held by Dr. Hirsch, (b) 3,125 shares held by the Russell C. Hirsch Trust, (c) 3,125 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 by the Russell C. Hirsch Trust, (d) 4,075,880 shares held by Mayfield VIII, (e) 214,520 shares held by Mayfield Associates Fund II, and (f) 118,750 shares and 6,250 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 by Mayfield VIII and Mayfield Associates Fund II, respectively. Dr. Hirsch, a director of Intuitive Surgical, 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.

(10) Represents 1,482,650 shares held by Morgan Stanley Venture Partners III, L.P. and 142,350 shares held by Morgan Stanley Venture Investors III, L.P. Also includes 114,050 shares and

10,950 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000 by Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P., respectively. Mr. Halsted, a director of Intuitive Surgical, 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.

(11) 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. Mr. Younge disclaims beneficial ownership of the shares held for the benefit of Ellen Sotos McCoy and Eric Roy Younge.

(12) Includes 200,000 shares held by McKRAM Investors, L.P. Mr. Smith, a partner of McKRAM, disclaims beneficial ownership of shares held by such entity except to the extent of his proportionate partnership interest therein.

(13) Mr. Lawrence was appointed to the board of directors in March 2000.

(14) Includes 256,250 shares issuable upon exercise of outstanding warrants within 60 days of February 29, 2000.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock will consist of 200 million shares of common stock, $0.001 par value, and five million shares of preferred stock, $0.001 par value.

COMMON STOCK

As of December 31, 1999, there were 25,816,223 shares of common stock outstanding that were held of record by approximately 196 stockholders after giving effect to the conversion of our preferred stock into common stock at a one-to-one ratio. There will be shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options, after giving effect to the sale of the shares of common stock offered by this prospectus.

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. 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 ratably any dividends out of assets legally available therefor as our board of directors may from time to time determine. Upon liquidation, dissolution or winding up of Intuitive Surgical, holders of our common stock are entitled to share ratably in 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 or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable.

PREFERRED STOCK

Our certificate of incorporation provides that our board of directors will have the authority, without further action by the stockholders, to issue up to five million shares of preferred stock in one or more series. The board will be able to fix the rights, preferences, privileges and restrictions of the preferred stock, 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 this series. The issuance of preferred stock could adversely affect the voting power of holders of common stock, and the likelihood that holders of preferred stock will receive dividend payments and payments upon liquidation may have the effect of delaying, deferring or preventing a change in control of Intuitive Surgical, which could depress the market price of our common stock. We have no present plan to issue any shares of preferred stock.

WARRANTS

As of December 31, 1999, one warrant to purchase 11,000 shares of common stock was outstanding at an exercise price of $5.00 per share. This warrant expires on April 15, 2003.

As of December 31, 1999, 43 warrants to purchase up to 5,096,875 shares of Series F preferred stock at an exercise price of $9.50 per share were outstanding. The exercise price of the warrants increases incrementally by $0.1667 on the last day of each month up to a maximum of $10.00 per share. Shares of Series F preferred stock are convertible into shares of common stock at the rate of one share of common stock for each share of Series F preferred stock owned. In March 2000, warrants to purchase 3,588,400 shares of Series F preferred stock were exercised at a price per share of $9.84.

REGISTRATION RIGHTS OF STOCKHOLDERS

Upon completion of this offering, the holders of 22,758,609 shares of common stock, or their transferees, will be entitled to rights to register these shares under the Securities Act of 1933. If we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of these shares will be entitled to notice of the registration and will be entitled to include, at our expense, their shares of common stock. In addition, the holders of these shares may require us, at our expense and on not more than two occasions at any time beginning approximately six months from the date of the closing of this offering, to file a registration statement under the Securities Act with respect to their shares of common stock, and we will be required to use our best efforts to effect the registration. Further, the holders may require us at our expense to register their shares on Form S-3 when this form becomes available. These rights shall terminate on the earlier of five years after the effective date of this offering, or when a holder is able to sell all its shares pursuant to Rule 144 under the Securities Act in any 90-day period.

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW AND CHARTER PROVISIONS

We are subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

- prior to the 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;

- upon consummation of the transaction that resulted in the stockholder's 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 those shares owned by persons who are directors and also officers, and 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

- on or subsequent to the 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:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; or

- 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 the entity or person.

Our bylaws provide that candidates for director may be nominated only by the board of directors or by a stockholder who gives written notice to us no later than 90 days prior nor earlier than

120 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 the board. The board currently consists of seven members divided into three different classes. As a result, only one class of directors will be elected at each annual meeting of stockholders of Intuitive Surgical, with the other classes continuing for the remainder of their respective terms. Between stockholder meetings, the board may appoint new directors to fill vacancies or newly created directorships.

Our certificate of incorporation requires that upon completion of the offering, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by a consent in writing. Our certificate of incorporation also provides that the authorized number of directors may be changed only by resolution of the board of directors. Delaware law and these charter provisions may have the effect of deterring hostile takeovers or delaying changes in control or our management, which could depress the market price of our common stock.

SECTION 2115 OF THE CALIFORNIA CORPORATIONS CODE

We are currently subject to Section 2115 of the California Corporations Code. Section 2115 provides that, regardless of a company's legal domicile, provisions of California corporate law relating to shareholder rights, election and removal of directors and distributions to shareholders will apply to that company if the company meets the requirements of Section 2115. We will not be subject to Section 2115 if:

- we are qualified for trading as a national market security on The Nasdaq National Market, and we have at least 800 stockholders of record as of the record date of our most recent annual meeting, or

- during any income year less than 50% of our outstanding voting securities are held of record by persons having addresses in California.

Our certificate of incorporation includes a provision requiring cumulative voting for directors whenever Section 2115 of the California Corporations Code applies to us. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors.

TRANSFER AGENT

The transfer agent and registrar for our common stock is American Securities Transfer & Trust. Its phone number is (800) 962-4284.

NATIONAL MARKET LISTING

We have applied to list our common stock on the Nasdaq Stock Market's National Market under the symbol "ISRG."

SHARES ELIGIBLE FOR FUTURE SALE

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

Upon completion of this offering, we 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. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by affiliates. The remaining 25,816,223 shares of common stock held by existing stockholders are restricted securities. Restricted securities 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.

DAYS AFTER THE EFFECTIVE DATE	ELIGIBILITY OF RESTRICTED SHARES FOR SALE IN PUBLIC MARKET	COMMENT
On Effectiveness.....		Shares not locked-up and saleable under Rule 144(k)
180 days.....		Lock-up released; shares saleable under Rules 144, 144(k) and 701
At various times after 180 days.....		Shares saleable under Rules 144, 144(k) and 701

Additionally, of the shares issuable upon exercise of options to purchase our common stock outstanding as of 2000, approximately shares will be vested and eligible for sale 180 days after the date of this prospectus.

Lock-Up Agreements. All of our officers, directors, stockholders and option holders have agreed not to transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock, for a period of 180 days after the date the registration statement of which this prospectus is a part is declared effective. Transfers or dispositions can be made sooner with the prior written consent of Lehman Brothers Inc.

Rule 144. In general, under Rule 144 as currently in effect, beginning 90 days after the date the registration statement of which this prospectus is a part is declared effective, a person or persons whose shares are aggregated, who his beneficially owned restricted securities 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:

- 1% of the number of shares of our common stock then outstanding which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about Intuitive Surgical.

Rule 144(k). Under Rule 144(k), a person who is not deemed to have been one of our affiliates 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 these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. No shares will qualify as "144(k) shares" within 180 days after the date the registration statement, of which this prospectus is a part, is declared effective.

Rule 701. In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants or advisors, other than affiliates, who purchases or receives shares from us in connection with a compensatory stock purchase plan or option plan or other written agreement will be eligible to resell their shares beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject only to the manner of sale provisions of Rule 144, and by affiliates under Rule 144 without compliance with its holding period requirements.

Registration Rights. Upon completion of this offering, the holders of 22,758,609 shares of our common stock, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of their shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of this registration.

Stock Options. Immediately after this offering, we intend to file a registration statement under the Securities Act covering the shares of common stock reserved for issuance under our 2000 Equity Incentive Plan, 2000 Non-Employee Directors' Stock Option Plan, and 2000 Employee Stock Purchase Plan. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the 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 effective date of the registration statement of which this prospectus is a part.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, each of the underwriters named below, for whom Lehman Brothers Inc., Bear, Stearns & Co. Inc., FleetBoston Robertson Stephens Inc. and Warburg Dillon Read LLC are acting as representatives, has agreed to purchase from us the number of shares of common stock shown opposite its name below:

UNDERWRITERS	NUMBER OF SHARES
Lehman Brothers Inc.	
Bear, Stearns & Co. Inc.	
FleetBoston Robertson Stephens Inc.	
Warburg Dillon Read LLC	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement. It also provides that, if any of the shares of common stock are purchased by the underwriters under the underwriting agreement, then all of the shares of common stock that the underwriters have agreed to purchase under the underwriting agreement must be purchased. The conditions contained in the underwriting agreement include the requirement that:

- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver to the underwriters customary closing documents.

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price shown on the cover page of this prospectus. The representatives have also advised us that the underwriters propose to offer the shares of common stock to dealers, who may include the underwriters, at the public offering price less a selling concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a concession not in excess of $ per share to brokers and dealers. After completion of the offering, the underwriters may change the offering price and other selling terms.

We have granted the underwriters an option to purchase up to additional shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discount shown on the cover page of this prospectus. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. If this option is exercised, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to the underwriter's initial commitment as indicated in the table above and we will be obligated, under the over-allotment option, to sell the shares of common stock to the underwriters.

We have agreed that, without the prior consent of Lehman Brothers Inc., we will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities that may be converted into or exchanged for any shares of common stock for a period of 180 days from the date of this prospectus. All of our executive officers, directors and substantially all of our stockholders have agreed under lock-up agreements that, without the prior written consent of Lehman Brothers Inc., they will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities that may be converted into or exchanged for any shares of common stock for the period ending 180 days from the date of this prospectus. See "Shares Eligible for Future Sale."

Before this offering, there has been no public market for the shares of common stock. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of the common stock, the representatives will consider, among other things and in addition to prevailing market conditions:

- our historical performance and capital structure;

- estimates of our business potential and earning prospects;

- an overall assessment of our management; and

- the consideration of the above factors in relation to market valuations of companies in related businesses.

We have applied for quotation of our common stock on the Nasdaq National Market under the symbol "ISRG."

We have agreed to indemnify the underwriters against liabilities, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement. We have also agreed to contribute to payments that the underwriters may be required to make for these liabilities.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and selling group members to bid for and purchase shares of common stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of the common stock. These transactions may consist of bids or purchases for the purposes of pegging, fixing or maintaining the price of the common stock.

The underwriters may create a short position in the common stock in connection with the offering. This means that they may sell more shares than are shown on the cover page of this prospectus. If the underwriters create a short position, then the representatives may reduce that short position by purchasing common stock in the open market. The representatives also may elect to reduce any short position by exercising all or part of the over-allotment option. The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares of common stock offered by them.

The representatives also may impose a penalty bid on underwriters and selling group members. This means that, if the representatives purchase shares of common stock in the open market to reduce the underwriters' short position or to stabilize the price of the common stock, they may reclaim the amount of the selling concession from the underwriters and selling group members that sold those shares as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of these purchases. The imposition of a penalty bid might have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in an offering.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by Cooley Godward LLP, Palo Alto, California. As of the date of this prospectus, partners and associates of Cooley Godward LLP own an aggregate of approximately 43,000 shares of our common stock through an investment partnership. The underwriters have been represented by Gibson, Dunn & Crutcher LLP, Los Angeles.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements as of December 31, 1998 and 1999, and for each of the three years ended December 31, 1999, as set forth in their report. We have included our financial statements in this prospectus and elsewhere in this registration statement in reliance on Ernst & Young LLP's report, given based on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement, which term shall include any amendment to the registration statement, on Form S-1 under the Securities Act of 1933 with respect to the shares of common stock offered by our company. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the Registration Statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the Commission. For further information with respect to Intuitive Surgical and the common stock offered, reference is made to the registration statement, including the exhibits, and the financial statements and notes filed as a part of the registration statement. A copy of the registration statement, including the exhibits and the financial statements and notes filed as a part of it, 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 the Securities and Exchange Commission upon the payment of fees prescribed by it. The Securities and Exchange Commission maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with it.

INTUITIVE SURGICAL, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Intuitive Surgical, Inc.

We have audited the accompanying consolidated balance sheets of Intuitive Surgical, Inc. as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. 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 auditing standards generally accepted in the United States. 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 consolidated financial position of Intuitive Surgical, Inc. as of December 31, 1998 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Palo Alto, California
March 8, 2000

ERNST & YOUNG LLP

INTUITIVE SURGICAL, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31,		PRO FORMA STOCKHOLDERS' EQUITY AT DECEMBER 31, 1999
	1998	1999	(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,169	$ 4,106	
Short-term investments	13,051	22,154	
Accounts receivable	--	2,044	
Inventories	1,259	2,861	
Prepaid expenses	471	581	
Total current assets	24,950	31,746	
Property and equipment, net	3,217	2,709	
	$ 28,167	$ 34,455	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 2,256	$ 2,722	
Accrued compensation and employee benefits	562	1,325	
Warranty provision	--	812	
Accrued liabilities	671	1,116	
Deferred revenue	765	2,130	
Current portion of notes payable	879	1,618	
Total current liabilities	5,133	9,723	
Notes payable	2,438	2,521	
Commitments			
Stockholders' equity:			
Preferred stock, 30,000,000 shares authorized, $0.001 par value, issuable in series: 26,037,500 designated as convertible preferred stock, 16,656,000 and 19,134,375 shares issued and outstanding at December 31, 1998 and 1999, respectively (aggregate liquidation preference of $93,265 at December 31, 1999); 5,000,000 shares authorized, none issued and outstanding pro forma	17	19	$ --
Common stock, 45,000,000 shares authorized, $0.001 par value, 6,773,494 and 6,681,848 shares issued and outstanding at December 31, 1998 and 1999; 200,000,000 shares authorized, 25,816,223 issued and outstanding pro forma	7	7	26
Additional paid-in capital	78,386	98,508	98,508
Deferred compensation	(1,128)	(943)	(943)
Accumulated deficit	(56,732)	(75,147)	(75,147)
Accumulated other comprehensive income	46	(233)	(233)
Total stockholders' equity	20,596	22,211	$ 22,211
	$ 28,167	$ 34,455	

See accompanying notes.

INTUITIVE SURGICAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Sales	$ --	$ --	$ 10,192
Cost of sales	--	--	9,273
Gross margin	--	--	919
Operating costs and expenses:			
Research and development	20,282	23,208	11,130
Selling, general and administrative	4,434	7,565	9,338
Total operating costs and expenses	24,716	30,773	20,468
Loss from operations	(24,716)	(30,773)	(19,549)
Interest income	1,244	1,545	1,540
Interest expense	(130)	(215)	(406)
Net loss	$ (23,602)	$ (29,443)	$ (18,415)
Basic and diluted net loss per common share	$ (11.24)	$ (8.14)	$ (3.81)
Shares used in computing basic and diluted net loss per common share	2,099,605	3,618,867	4,837,465
Pro forma basic and diluted net loss per common share (unaudited)			$ (0.79)
Shares used in computing pro forma basic and diluted net loss per common share (unaudited)			23,330,892

See accompanying notes.

INTUITIVE SURGICAL, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	DEFERRED	ACCUMULATED
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	COMPENSATION	DEFICIT
Balances at December 31, 1996.....	5,912,500	$ 6	3,833,000	$4	$ 5,447	$ --	$ (3,687)
Issuance of Series C convertible preferred stock, net of issuance costs of $51.....	6,000,000	6	--	--	29,943	--	--
Issuance of Series D convertible preferred stock, net of issuance costs of $75.....	2,125,000	2	--	--	16,923	--	--
Issuance of common stock.....	--	--	2,874,853	3	864	--	--
Repurchase of common stock.....	--	--	(113,333)	--	(6)	--	--
Deferred compensation.....	--	--	--	--	3,259	(3,259)	--
Amortization of deferred compensation.....	--	--	--	--	--	1,428	--
Net loss.....	--	--	--	--	--	--	(23,602)
Balances at December 31, 1997.....	14,037,500	14	6,594,520	7	56,430	(1,831)	(27,289)
Issuance of Series E convertible preferred stock, net of issuance costs of $13.....	2,618,500	3	--	--	20,932	--	--
Issuance of common stock.....	--	--	255,060	--	189	--	--
Repurchase of common stock.....	--	--	(76,086)	--	(30)	--	--
Deferred compensation.....	--	--	--	--	865	(865)	--
Amortization of deferred compensation.....	--	--	--	--	--	1,568	--
Comprehensive loss:							
Other comprehensive income (loss) -- change in unrealized gain (loss) on available-for-sale securities...	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	(29,443)
Comprehensive loss.....	--	--	--	--	--	--	--
Balances at December 31, 1998.....	16,656,000	17	6,773,494	7	78,386	(1,128)	(56,732)
Issuance of Series E convertible preferred stock, net of issuance costs of $544.....	2,478,375	2	--	--	19,281	--	--
Issuance of common stock.....	--	--	79,365	--	265	--	--
Repurchase of common stock.....	--	--	(171,011)	--	(43)	--	--
Deferred compensation.....	--	--	--	--	619	(619)	--
Amortization of deferred compensation.....	--	--	--	--	--	804	--
Comprehensive loss:							
Other comprehensive income (loss) -- change in unrealized gain (loss) on available-for-sale securities...	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	(18,415)
Comprehensive loss.....	--	--	--	--	--	--	--
Balances at December 31, 1999.....	19,134,375	$19	6,681,848	$7	$98,508	$ (943)	$(75,147)

	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
Balances at December 31, 1996.....	$ --	$ 1,770
Issuance of Series C convertible preferred stock, net of issuance costs of $51.....	--	29,949
Issuance of Series D convertible preferred stock, net of issuance costs of $75.....	--	16,925
Issuance of common stock.....	--	867
Repurchase of common stock.....	--	(6)
Deferred compensation.....	--	--
Amortization of deferred compensation.....	--	1,428
Net loss.....	--	(23,602)
Balances at December 31, 1997.....	--	27,331
Issuance of Series E convertible preferred stock, net of issuance costs of $13.....	--	20,935
Issuance of common stock.....	--	189
Repurchase of common stock.....	--	(30)
Deferred compensation.....	--	--
Amortization of deferred compensation.....	--	1,568

Comprehensive loss:		
Other comprehensive income (loss) -- change in unrealized gain (loss) on available-for-sale securities...	46	46
Net loss.....	--	(29,443)
Comprehensive loss.....	--	(29,397)
Balances at December 31, 1998.....	46	20,596
Issuance of Series E convertible preferred stock, net of issuance costs of $544.....	--	19,283
Issuance of common stock.....	--	265
Repurchase of common stock.....	--	(43)
Deferred compensation.....	--	--
Amortization of deferred compensation.....	--	804
Comprehensive loss:		
Other comprehensive income (loss) -- change in unrealized gain (loss) on available-for-sale securities...	(279)	(279)
Net loss.....	--	(18,415)
Comprehensive loss.....	--	(18,694)
Balances at December 31, 1999.....	$(233)	$ 22,211

See accompanying notes.

INTUITIVE SURGICAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
OPERATING ACTIVITIES			
Net loss	$(23,602)	$(29,443)	$(18,415)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	706	1,268	1,439
Amortization of deferred compensation	1,428	1,568	804
Issuance of common stock for technology	--	--	150
Changes in operating assets and liabilities:			
Accounts receivable	--	--	(2,044)
Prepaid expenses	(126)	(275)	(110)
Inventories	--	(1,259)	(1,602)
Accounts payable	1,339	445	466
Accrued compensation and employee benefits	235	327	763
Warranty provision	--	--	812
Accrued liabilities	5,095	(4,471)	445
Deferred revenue	--	765	1,365
Net cash used in operating activities	(14,925)	(31,075)	(15,927)
INVESTING ACTIVITIES			
Capital expenditures	(2,785)	(1,681)	(931)
Purchase of investments	(26,254)	(45,811)	(38,292)
Proceeds from sales and maturities of investments	10,614	48,446	28,910
Net cash provided by (used in) investing activities	(18,425)	954	(10,313)
FINANCING ACTIVITIES			
Net proceeds from issuance of convertible preferred stock	46,874	20,935	19,283
Proceeds from issuance of common stock	861	189	115
Repurchase of common stock	--	(30)	(43)
Proceeds from notes payable	1,359	2,644	2,000
Repayment of notes payable	(204)	(482)	(1,178)
Net cash provided by financing activities	48,890	23,256	20,177
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,540	(6,865)	(6,063)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,494	17,034	10,169
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 17,034	$ 10,169	$ 4,106
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ 130	$ 190	$ 397

See accompanying notes.

INTUITIVE SURGICAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, manufacture and marketing of products designed to provide the flexibility of open surgery while operating through ports. To date, the Company has been engaged primarily in researching, developing, testing, commercializing and pursuing regulatory clearances for its products. In 1999, the Company began to manufacture, market and sell its products in Europe and the United States. 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.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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 carrying value of cash and cash equivalents approximates market value at December 31, 1998 and 1999.

Short-Term Investments

All short-term investments are classified as available-for-sale and therefore carried at fair value. The Company views its available-for-sale portfolio as available for use in its current operations. Accordingly, the Company has classified all investments as short-term, even though the stated maturity date may be one year or more beyond the current balance sheet date. Available-for-sale securities are stated at fair value based upon quoted market prices of the securities. Unrealized gains and losses on such securities, when material, are reported as a separate component of stockholders' equity. Realized gains and losses, net, on available-for-sale securities are included in interest 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.

Concentrations of Risk

Financial instruments which subject the Company to potential credit risk consist of its cash equivalents, short-term investments and accounts receivable. The Company invests with high credit quality financial institutions. The Company believes the financial risks associated with these financial instruments are minimal. For the year ended December 31, 1999, two customers each accounted for 16% of total sales. The Company extends reasonably short collection terms but does not require

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collateral. The Company provides reserves for potential credit losses but has not experienced significant losses to date.

The Company's da Vinci(TM) Surgical System and related instruments and accessories have accounted for all of the Company's sales for the year ended December 31, 1999. The Company currently purchases key parts and components used to manufacture its products from limited sources of supply.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market value.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, generally three to five years.

Warranty Provision

The Company's standard policy is to warrant all shipped systems against defects in design, materials and workmanship by replacing failed parts during the first year of ownership. The warranty provision is reduced by the cost of the replacement parts and labor over the warranty period. Estimated expenses for warranty obligations are accrued as revenue is recognized and are included in cost of sales.

Research and Development

Research and development costs, which include clinical and regulatory costs, are expensed to operations as incurred. In 1997, the Company expensed $6.0 million in conjunction with technology obtained from IBM. This arrangement with IBM specifically limits the Company's application of the technology to products used in surgery. Since none of the Company's products had received regulatory approval, and the Company had no alternate future use for the technology, this amount was expensed when incurred.

Use of Estimates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-Based Compensation

The Company has 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, "Accounting for Stock Issued to Employees" and related interpretations ("APB 25") 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. The Company accounts for stock awards granted to non-employees in accordance with SFAS No. 123 and related interpretations. (See Note 9)

Revenue Recognition

The Company recognizes system revenue upon installation for direct sales and upon shipment for sales to our distributors. If substantial contractual obligations exist after system installation, revenue is recognized after such obligations are fulfilled. The Company recognizes revenue for instruments and accessories upon shipment. Amounts billed in excess of revenue recognized are included as deferred revenue in the accompanying consolidated balance sheet.

Segment Disclosures

The company operates in one segment, the development and marketing of products designed to provide the flexibility of open surgery while operating through ports. For the year ended December 31, 1999, sales to Europe and the U.S. accounted for 75% and 25% of total sales, respectively. Sales in the U.S. included sales to the Company's Japanese Distributor's U.S. subsidiary, which represented 16% of total sales.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") which, as amended, is required to be adopted in years beginning after June 15, 2000. Because the Company does not use derivatives, management does not anticipate that the adoption of SFAS 133 will have a significant effect on the results of operations, financial position or cash flows of the Company.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes some areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company believes that its current revenue recognition principles comply with SAB 101.

Unaudited Pro Forma Stockholders' Equity

If the initial public offering contemplated by the Company is consummated, all of the preferred stock outstanding will automatically be converted into common stock. Unaudited pro forma stockholders' equity at December 31, 1999, as adjusted for the assumed conversion of preferred stock outstanding at December 31, 1999, is set forth on the balance sheet.

2. NET LOSS PER SHARE

Basic and diluted net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period less shares subject to repurchase. Pro forma basic and diluted net loss per share, as presented in the statements of operations, have been computed as described above and also give effect to the conversion of the convertible preferred stock (using the if-converted method) from the original date of issuance. To date, the Company has not had any issuances of shares for nominal consideration as that term is used in the Securities and Exchange Commission's Staff Accounting Bulletin No. 98, "Earnings Per Share."

The following table presents the calculation of basic and diluted net loss per share and pro forma basic and diluted net loss per share (in thousands, except share and per share amounts):

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Numerator used for basic and diluted net loss per common share	$ (23,602)	$ (29,443)	$ (18,415)
Denominator used for basic and diluted net loss per common share:			
Weighted-average shares outstanding	5,173,024	6,800,736	6,729,580
Weighted-average shares subject to repurchase	(3,073,419)	(3,181,869)	(1,892,115)
	2,099,605	3,618,867	4,837,465
Basic and diluted net loss per common share	$ (11.24)	$ (8.14)	$ (3.81)
Shares used in computing pro forma basic and diluted net loss per common share (unaudited):			
Shares used above			4,837,465
Pro forma adjustment to reflect weighted effect of the assumed conversion of preferred stock (unaudited)			18,493,427
			23,330,892
Pro forma basic and diluted net loss per common share (unaudited)			$ (0.79)
Potentially dilutive securities excluded from diluted net loss per share computation because they are anti-dilutive	18,561,334	20,263,030	26,940,981

3. AVAILABLE-FOR-SALE SECURITIES

The following summarizes available-for-sale securities included in cash and cash equivalents and short-term investments as of the respective dates (in thousands):

	DECEMBER 31, 1999		
	AMORTIZED COST	UNREALIZED HOLDING LOSSES	FAIR VALUE
Time deposits	$ 67	$ --	$ 67
U.S. corporate debt	14,687	(92)	14,595
Government debt	3,000	(141)	2,859
Other debt securities	4,700	--	4,700
	$22,454	$(233)	$22,221
Reported as:			
Cash equivalents	$ 67	$ --	$ 67
Short-term investments	22,387	(233)	22,154
	$22,454	$(233)	$22,221

	DECEMBER 31, 1998		
	AMORTIZED COST	UNREALIZED HOLDING GAINS	FAIR VALUE
Time deposits	$ 50	$--	$ 50
U.S. corporate debt	11,990	45	12,035
Government debt	6,600	1	6,601
Other debt securities	1,285	--	1,285
	$19,925	$46	$19,971
Reported as:			
Cash equivalents	$ 6,920	$--	$ 6,920
Short-term investments	13,005	46	13,051
	$19,925	$46	$19,971

As of December 31, 1999, the average duration of securities in the portfolio was less than one year.

Proceeds from the sale of available-for-sale securities were approximately $10.6 million, $48.4 million, and $28.9 million for the years ended December 31, 1997, 1998 and 1999. Realized gross gains and losses from the sale of these securities were not significant.

4. INVENTORIES

Inventories consist of the following (in thousands):

	DECEMBER 31,	
	1998	1999
Raw materials	$ 276	$1,147
Work-in-process	158	619
Finished goods	825	1,095
	$1,259	$2,861

5. PROPERTY AND EQUIPMENT

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

	DECEMBER 31,	
	1998	1999
Computer equipment	$ 1,697	$ 1,833
Laboratory/manufacturing equipment	1,134	1,426
Office furniture/equipment	704	816
Leasehold improvements	962	1,220
Software	867	1,000
	5,364	6,295
Less accumulated depreciation	(2,147)	(3,586)
	$ 3,217	$ 2,709

At December 31, 1999, the Company has granted to third parties interests in specific property and equipment as part of equipment financing arrangements. (See Note 8.)

6. EMPLOYEE BENEFIT PLAN

Effective May 1, 1996, the Company established a defined contribution retirement plan (the "Plan") with 401(k) plan features. All U.S. employees who are at least 21 years of age are eligible to participate. Contributions of up to 15% of compensation may be made by employees to the Plan through salary withholdings. Employer contributions are made solely at the Company's discretion. No employer contributions were made to the Plan for the years ended December 31, 1997, 1998 and 1999.

7. COMMITMENTS

The Company leases office space in Mountain View, California. This facility is leased through February 2002 and is accounted for as an operating lease. This lease includes an option to extend the lease for an additional three-year term. Rent expense was approximately $586,000, $825,000 and $882,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

7. COMMITMENTS (CONTINUED)

Future minimum rental commitments under the operating leases as of December 31, 1999 are as follows (in thousands):

2000	$ 855
2001	855
2002	65
	$1,775

Rental income from a sublease was approximately $226,000 and $244,000 for the years ended December 31, 1998 and 1999, respectively. There was no rental income in 1997. This sublease expires in July 2000.

The arrangement entered into with IBM in December 1997 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. The $1.0 million payments will be expensed ratably over the revenue period they pertain to, beginning in the period that it becomes evident that the revenue milestones will be met. Other than described, no further payments are required under this arrangement.

8. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	DECEMBER 31,	
	1998	1999
Note payable, due in monthly installments through April 1, 2001; interest rate at 13.8% at December 31, 1999	$ 897	$ 602
Note payable, due in monthly installments through August 1, 2001; interest rate at 12.1% at December 31, 1999	504	355
Note payable, due in monthly installments through June 1, 2002; interest rate at 9.0% at December 31, 1999	958	739
Note payable, due in monthly installments through June 1, 2002; interest rate at 9.0% at December 31, 1999	958	739
Note payable, due in monthly installments through July 1, 2002; interest rate at 9.9% at December 31, 1999	--	1,240
Note payable, due in monthly installments through November 1, 2002; interest rate at 10.2% at December 31, 1999	--	464
	3,317	4,139
Less current portion	(879)	(1,618)
	$2,438	$ 2,521

8. NOTES PAYABLE (CONTINUED)

Notes payable are collateralized by fixed assets specified under each agreement. Assets collateralized under these agreements total $4.0 million and $6.4 million at December 31, 1998 and 1999, respectively. Certain of the notes payable by the Company contain covenants pertaining to profitability levels and certain other financial ratios. As of December 31, 1999, the Company is in compliance with all covenants. Principal maturities of notes payable at December 31, 1999 are as follows (in thousands): 2000 -- $1,618; 2001 -- $1,666; and 2002 -- $855. In March 2000, the Company issued a note payable of $500,000 for additional equipment financing.

The fair value of notes payable is estimated based on current interest rates available to the Company for debt instruments with similar terms, degrees of risk and remaining maturities. The carrying values of these obligations approximate their respective fair values as of December 31, 1998 and 1999.

9. STOCKHOLDERS' EQUITY

At December 31, 1999, the Company was authorized to issue up to 30,000,000 shares of convertible preferred stock, issuable in series, with the rights and preferences of each designated series to be determined by the Company's Board of Directors. 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 75% of the then outstanding shares of convertible preferred stock.

Convertible Preferred Stock

Convertible preferred stock at December 31, 1999 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.....	2,125,000	2,125,000	0.001	16,924,873	17,000,000
Series E convertible.....	6,000,000	5,096,875	0.001	40,218,071	40,775,000
Series F convertible.....	6,000,000	--	0.001	--	--
	26,037,500	19,134,375		$92,522,980	$93,264,500

Each share of Series A, B, C, D and E 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.

The Series A, B, C, D and E 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 and if declared by the Board of

9. STOCKHOLDERS' EQUITY (CONTINUED)

Directors out of legally available funds. No dividends have been declared through December 31, 1999.

The Series A, B, C, D and E 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, D and E stockholders, the available assets or property shall be distributed ratably among the Series A, B, C, D and E stockholders.

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

Common Stock

The Company has reserved the following shares of common stock for the conversion of preferred stock, the exercise of warrants, and the issuance of options and rights granted under the Company's stock option plan as of December 31, 1999:

Convertible preferred stock	19,134,375
Warrants	5,107,875
Stock option plan	1,670,722
	25,912,972

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. As of December 31, 1997, 1998 and 1999, shares subject to repurchase were 3,523,425, 2,559,530 and 1,232,006, respectively.

Warrants

In April 1997, in connection with one of the notes payable discussed in Note 8, 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 fair value of the warrant was not material at the issuance date.

In conjunction with the issuance of the Series E convertible preferred stock, the Company issued to each purchaser a warrant to purchase shares of Series F convertible preferred stock at a price initially equal to $8.00 per preferred share. Warrants to purchase 5,096,875 shares of Series F convertible preferred stock were issued. The exercise price shall increase on every subsequent one-month anniversary of the issuance date by $0.1667 per month up to a maximum exercise price of $10.00 per preferred share ($9.50 as of December 31, 1999). These warrants are exercisable through March 2000.

9. STOCKHOLDERS' EQUITY (CONTINUED)

1996 Equity Incentive Plan

In January 1996, the Board of Directors adopted, and the stockholders approved, the 1996 Equity Incentive Plan (the "1996 Plan") under which employees, consultants and directors may be granted Incentive Stock Options ("ISOs") and Nonstatutory Stock Options ("NSOs") to purchase shares of the Company's common stock. The 1996 Plan permits ISOs to be granted at an exercise price not less than the fair value on the date of grant and NSOs at an exercise price not less than 85% of the fair value on the date of grant. Options granted under the 1996 Plan generally expire 10 years from the date of grant and become exercisable upon grant subject to repurchase rights in favor of the Company until vested. Options generally vest 12.5% upon completion of 6 months service and 1/48 per month thereafter; however, options may be granted with different vesting terms as determined by the Board of Directors. A total of 4,340,000 shares of common stock have been authorized for issuance pursuant to the 1996 Plan as of December 31, 1999.

Option activity under the 1996 Plan was as follows:

	OPTIONS OUTSTANDING	
	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Balance as of December 31, 1996	398,000	$0.05
Granted	2,485,950	$0.56
Exercised	(1,889,853)	$0.39
Canceled	(4,688)	$0.66
Balance as of December 31, 1997	989,409	$0.68
Granted	392,750	$2.33
Exercised	(245,060)	$0.65
Canceled	(100,599)	$1.71
Balance as of December 31, 1998	1,036,500	$1.21
Granted	641,050	$3.00
Exercised	(29,365)	$2.21
Canceled	(181,460)	$1.82
Balance as of December 31, 1999	1,466,725	$1.90

9. STOCKHOLDERS' EQUITY (CONTINUED)

The following table summarizes information concerning options outstanding and vested at December 31, 1999:

	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	5,000	6.30	$0.05	--	$0.05
$0.50	528,650	7.40	$0.50	307,685	$0.50
$1.50	184,475	7.90	$1.50	103,658	$1.50
$3.00	748,600	9.50	$3.00	80,730	$3.00
$0.05-$3.00	1,466,725	8.50	$1.90	492,073	$1.12

Under the 1996 Plan, the Company may also grant rights to purchase restricted stock. Exercise of these share purchase rights are made pursuant to restricted stock purchase agreements containing provisions established by the Board of Directors. These provisions give the Company the right to repurchase the shares at the original purchase price of the stock. The right expires at a rate determined by the Board of Directors, generally at a rate of 12.5% after 6 months and 1/48 per month thereafter. For the years ended December 31, 1997, 1998 and 1999, the Company issued 2,585,950, 402,750 and 691,050 shares under the 1996 Plan. For the years ended December 31, 1997, 1998 and 1999, the Company repurchased 113,333, 76,086 and 117,677 shares under the 1996 Plan.

As of December 31, 1999, 203,997 shares were available for future grant under the 1996 Plan.

For the years ended December 31, 1997, 1998 and 1999, the Company recorded deferred stock compensation of $3,259,000, $865,000 and $619,000, respectively, representing the difference between the exercise price and the fair value for accounting purposes of the Company's common stock on the date such options were granted. For the years ended December 31, 1997, 1998 and 1999, the Company recorded amortization of deferred stock compensation of $1,428,000, $1,568,000 and $804,000, respectively. As of December 31, 1999, the Company had $943,000 of remaining unamortized deferred compensation. Such amount is included as a reduction of stockholders' equity and is being amortized over the vesting period of the underlying options.

Stock-Based Compensation

Pro forma information regarding net loss is required by SFAS No. 123, as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123. Option valuation models require the input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The weighted-average fair value of these options was $1.41, $2.53 and $1.37 in 1997, 1998 and 1999, respectively. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model and a graded-vesting approach using

9. STOCKHOLDERS' EQUITY (CONTINUED)
the following weighted-average assumptions for 1997, 1998 and 1999, respectively: risk-free interest rate of 6.5%, 5.5% and 5.9%, a weighted-average expected option life of 2.16, 2.50 and 2.50 years; no volatility and no annual dividends. The Company's pro forma net loss was $23.7 million, $29.7 million and $18.7 million for the years ended December 31, 1997, 1998 and 1999, respectively. The Company's pro forma net loss per share was $11.29, $8.21 and $3.87 for the years ended December 31, 1997, 1998 and 1999, respectively. Future pro forma results of operations may be materially different from amounts reported as future years will include the effects of additional stock option grants.

10. INCOME TAXES

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

	DECEMBER 31,	
	1998	1999
Deferred tax assets:		
Net operating loss carryforwards	$13,500	$16,100
Research credits	1,600	2,000
Capitalized research and development	--	1,600
Expenses not currently deductible	8,000	9,400
Total	23,100	29,100
Valuation allowance	(23,100)	(29,100)
	$ --	$ --

Realization of deferred tax assets is dependent upon future earnings the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $9.8 million and $11.7 million during the years ended December 31, 1997 and 1998, respectively.

As of December 31, 1999, the Company had net operating loss carryforwards for federal income tax purposes of approximately $44.8 million, which expire in the years 2010 through 2019. The Company also had net operating loss carryforwards for state income tax purposes of approximately $13.8 million, which expire in the years 2003 through 2004. The Company also had federal and state research credit carryforwards of $2.0 million.

Utilization of the Company's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss before utilization.

11. SUBSEQUENT EVENTS (UNAUDITED)

Warrant Exercise

Subsequent to December 31, 1999, warrants to purchase 3,588,400 shares of Series F convertible preferred stock were exercised at a weighted-average exercise price of $9.84 per share for gross proceeds of $35.3 million.

Employee Stock Plans

In March 2000, subject to shareholders approval, the Board of Directors adopted the 2000 Equity Incentive Plan. This plan is an amendment and restatement of the 1996 Plan. In March 2000, the Company reserved an additional 5,660,000 shares under this plan. Also in March 2000, the Board of Directors adopted the 2000 Non-Employee Directors' Stock Option Plan and the 2000 Employee Stock Purchase Plan. The Company has reserved 300,000 and 1,000,000 shares for issuances under these plans.

Stock-Based Compensation

Subsequent to December 31, 1999, the Company has granted options to purchase 373,850 shares of common stock at a weighted-average exercise price of $3.00 per share. Relating to the grant of these options, the Company expects to record additional deferred stock compensation of approximately $2.4 million during the quarter ended March 31, 2000.

Initial Public Offering

In March 2000, 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 of the preferred stock outstanding will automatically convert into 19,134,375 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.

[INTUITIVE SURGICAL LOGO]

LOGO

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the common stock being registered hereby. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$ 30,360
Nasdaq National Market listing fee	95,000
NASD filing fee	12,000
Blue sky qualification fees and expenses	5,000
Printing and engraving expenses	150,000
Legal fees and expenses	500,000
Accounting fees and expenses	200,000
Transfer agent and registrar fees	15,000
Miscellaneous	17,640
Total	$1,025,000

We intend to pay all expenses of registration, issuance and distribution.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

As permitted by Delaware law, our amended and restated certificate of incorporation provides that no director of ours will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of duty of loyalty to us or to our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation further provides that we must indemnify our directors and executive officers and may indemnify our other officers and employees and agents to the fullest extent permitted by Delaware law. We believe that indemnification under our amended and restated certificate of incorporation covers negligence and gross negligence on the part of indemnified parties.

We will enter into indemnification agreements with each of our directors and officers. These agreements, among other things, require us to indemnify each director and officer for some expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding, including any action by or in the right of Intuitive Surgical, arising out of person's services as our director or officer, any subsidiary of ours or any other company or enterprise to which the person provides services at our request.

The underwriting agreement (Exhibit 1.1) will provide for indemnification by the underwriters of Intuitive Surgical, our directors, our officers who sign the registration statement, and our controlling persons for some liabilities, including liabilities arising under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since inception, we have sold and issued the following unregistered securities:

(1) From November 1995 through the date hereof, Intuitive Surgical has granted stock options to purchase 4,636,600 shares of the common stock to employees, consultants and directors pursuant to its 2000 Equity Incentive Plan. Of these options, 289,822 shares have been canceled without being exercised, 2,509,278 shares have been exercised, 307,096 shares of which have been repurchased, and 1,837,500 shares remain outstanding. From November 1995 through the date hereof, the Registrant has also granted stock awards to purchase 160,000 shares of common stock to consultants pursuant to the Incentive Plan. Of these stock awards, no shares have been canceled or repurchased and all 160,000 shares remain outstanding.

(2) In November 1995 and December 1995, Intuitive Surgical 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, Intuitive Surgical 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, Intuitive Surgical 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, Intuitive Surgical 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, Intuitive Surgical issued 3,000 shares of common stock for services rendered to one purchaser at $0.05 per share.

(7) In December 1996 and January 1997, Intuitive Surgical 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, Intuitive Surgical 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, Intuitive Surgical issued a warrant to purchase 11,000 shares of the common stock of Intuitive Surgical to Lease Management Services, Inc., for an exercise price of $5.00 per share, issuable upon exercise of the warrant.

(10) In November 1997, Intuitive Surgical 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, Intuitive Surgical issued 25,000 shares of common stock for services rendered in connection with the Series D preferred stock financing.

(12) In April 1998, Intuitive Surgical issued 10,000 shares of common stock to one purchaser at $3.00 per share, for a purchase price of $30,000.

(13) From July 1998 through May 1999, Intuitive Surgical issued 5,096,875 shares of Series E preferred stock to 43 purchasers at a purchase price of $8.00 per share for an aggregate purchase price of $40,775,000. Shares of Series E preferred stock are convertible into shares of common stock at the rate of one share of common stock for each share of Series E preferred stock owned.

(14) From March 1999 through May 1999, Intuitive Surgical issued warrants to purchase up to 5,096,875 shares of Series F preferred stock at an exercise price of $8.00 per share increasing incrementally by $0.1667 on each one-month anniversary from March 31, 1999 up to a maximum of $10.00 per share. Shares of Series F preferred stock are convertible into shares of common stock at the rate of one share of common stock for each share of Series F preferred stock owned.

(15) In March 2000, Intuitive Surgical issued 3,588,400 shares of Series F preferred stock to 39 purchasers upon exercise of warrants at an exercise price of $9.84 per share for an aggregate purchase price of $35,309,856.

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 Intuitive Surgical 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	Form of Amended and Restated Certificate of Incorporation of the Registrant to be effective upon the closing of the offering.
3.3	Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1 through 3.3.
4.2*	Specimen Stock Certificate.
5.1*	Opinion of Cooley Godward LLP.
10.1	Form of Indemnity Agreement.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.2	2000 Equity Incentive Plan.
10.3	2000 Non-Employee Directors' Stock Option Plan.
10.4	2000 Employee Stock Purchase Plan.
10.5	Amended and Restated Investor Rights Agreement dated March 31, 1999.
10.6	Equipment Financing Agreement (No. 10809), dated April 2, 1997, between the Registrant and Lease Management Services, Inc., and related addendums.
10.7	Security Agreement, dated May 20, 1999, between the Registrant and Heller Financial Leasing, Inc., and related amendments.
10.8	License Agreement, dated December 20, 1995, between the Registrant and SRI International.
10.9	License Agreement, dated December 29, 1997, between the Registrant and International Business Machines Corporation.
10.10	License Agreement, dated April 1, 1999, between the Registrant and Massachusetts Institute of Technology.
10.11	Lease, dated September 9, 1996, between the Registrant and Zappettini Investment Co.
10.12	Lease, dated February 5, 1997, between the Registrant and Zappettini Investment Co.
10.13	Employment Agreement, dated February 28, 1997, between the Registrant and Lonnie M. Smith.
23.1	Consent of Ernst & Young LLP, independent auditors.
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 -- Three Years ended December 31, 1999.

- ------------------------
* To be filed by amendment.

(b) Financial Statement Schedule

Schedules not listed have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act, the information omitted from the form of this prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a 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 this Registration Statement as of the time it was declared effective.

(2) That for purposes 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 the securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) 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 referenced in Item 15 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the

event that a claim for indemnification against these 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 a 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 of whether the indemnification by it is against public policy as expressed in the Securities Act of 1933, and will be governed by the final adjudication of this issue.

(4) To provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in the denomination and registered in the names required by the Underwriters to permit prompt delivery to each purchaser.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant has duly caused this amendment to the 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 March, 2000.

INTUITIVE SURGICAL, INC.

By: /s/ LONNIE M. SMITH
Lonnie M. Smith
President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Lonnie M. Smith and Susan K. Barnes, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

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)	March 22, 2000
/s/ SUSAN K. BARNES Susan K. Barnes	Vice President, Finance, Chief Financial Officer and Assistant Secretary (Principal Financial and Accounting Officer)	March 22, 2000
/s/ SCOTT S. HALSTED Scott S. Halsted	Director	March 22, 2000
/s/ RUSSELL C. HIRSCH, M.D., PH.D. Russell C. Hirsch, M.D., Ph.D.	Director	March 22, 2000

SIGNATURE	TITLE	DATE
/s/ RICHARD J. KRAMER Richard J. Kramer	Director	March 22, 2000
/s/ JAMES A. LAWRENCE James A. Lawrence	Director	March 22, 2000
/s/ ALAN J. LEVY, PH.D. Alan J. Levy, Ph.D.	Director	March 22, 2000
/s/ FREDERIC H. MOLL, M.D. Frederic H. Moll, M.D.	Director	March 22, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of the Registrant.
3.2	Form of Amended and Restated Certificate of Incorporation of the Registrant to be effective upon the closing of the offering.
3.3	Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1 through 3.3.
4.2*	Specimen Stock Certificate.
5.1*	Opinion of Cooley Godward LLP.
10.1	Form of Indemnity Agreement.
10.2	2000 Equity Incentive Plan.
10.3	2000 Non-Employee Directors' Stock Option Plan.
10.4	2000 Employee Stock Purchase Plan.
10.5	Amended and Restated Investor Rights Agreement dated March 31, 1999.
10.6	Equipment Financing Agreement (No. 10809), dated April 2, 1997, between the Registrant and Lease Management Services, Inc., and related addendums.
10.7	Security Agreement, dated May 20, 1999, between the Registrant and Heller Financial Leasing, Inc., and related amendments.
10.8	License Agreement, dated December 20, 1995, between the Registrant and SRI International.
10.9	License Agreement, dated December 29, 1997, between the Registrant and International Business Machines Corporation.
10.10	License Agreement, dated April 1, 1999, between the Registrant and Massachusetts Institute of Technology.
10.11	Lease, dated September 9, 1996, between the Registrant and Zappettini Investment Co.
10.12	Lease, dated February 5, 1997, between the Registrant and Zappettini Investment Co.
10.13	Employment Agreement, dated February 28, 1997, between the Registrant and Lonnie M. Smith.
23.1	Consent of Ernst & Young LLP, independent auditors.
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 -- Three Years ended December 31, 1999.

- ------------------------
* To be filed by amendment.

EXHIBIT 3.1

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 Seventy-Five Million (75,000,000) shares, Forty-Five Million (45,000,000) shares of which shall be Common Stock (the "Common Stock") and Thirty Million (30,000,000) 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 One Hundred Twenty-Five Thousand (2,125,000) of the authorized shares of Preferred Stock are hereby designated "Series D Preferred Stock" (the "Series D Preferred"). Six Million (6,000,000) of the authorized shares of Preferred Stock are hereby designated "Series E Preferred Stock" (the "Series E Preferred"). Six Million (6,000,000) of the authorized shares of Preferred Stock are hereby designated "Series F Preferred Stock" (the "Series F Preferred"). "Preferred Stock", when used herein, includes Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series E Preferred and Series F Preferred.

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). The

Original Issue Price of the Series E Preferred shall be eight dollars ($8.00). The Original Issue Price of the Series F Preferred shall be ten dollars ($10.00). 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, Series D Preferred, Series E Preferred or Series F 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," "Series D Conversion Rate," "Series E

Preferred Conversion Rate," or "Series F Preferred 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, Series D Preferred, Series E Preferred or Series F 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); (v) the Series E Preferred (the "Series E Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series E Preferred by the "Series E Conversion Price," calculated as provided in Section 4(c); and (vi) the Series F Preferred (the "Series F Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series F Preferred by the "Series F 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 conversion price for the Series E Preferred shall initially be the Original Issue Price of the Series E Preferred (the "Series E Conversion Price"). The conversion price for the Series F Preferred shall initially be the Original Issue Price of the Series F Preferred (the "Series F 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, the Series D Conversion Price, the Series E Conversion Price or Series F 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 seventy-five percent (75%) 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 Seven Hundred Seventy-Two Thousand Seven Hundred Fifty-Four (6,772,754) 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, Six Million (6,000,000) shares of Series C Preferred, Two Million One Hundred Twenty-Five Thousand (2,125,000) shares of Series D Preferred, and Two Million Six Hundred Eighteen Thousand Five Hundred (2,618,500) shares of Series E 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 30th day of March, 1999.

INTUITIVE SURGICAL, INC.

By /s/ LONNIE M. SMITH

LONNIE M. SMITH
Chief Executive Officer

By /s/ ALAN C. MENDELSON

ALAN C. MENDELSON
Secretary

EXHIBIT 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF INTUITIVE SURGICAL, INC.

INTUITIVE SURGICAL, INC., a corporation organized and existing under the laws of the state of Delaware (the "Corporation") hereby certifies that:

1. The name of the Corporation is Intuitive Surgical, Inc. The name under which this corporation was originally incorporated is Intuitive Surgical Devices, Inc.

2. The date of filing of the Corporation's original Certificate of Incorporation was November 9, 1995.

3. The Amended and Restated Certificate of Incorporation of the Corporation as provided in Exhibit A hereto was duly adopted in accordance with the provisions of Section 242 and Section 245 of the General Corporation Law of the State of Delaware by the Board of Directors of the Corporation.

4. Pursuant to Section 245 of the Delaware General Corporation Law, approval of the stockholders of the Corporation has been obtained.

5. The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated by reference.

IN WITNESS WHEREOF, the undersigned has signed this certificate this ___ day of _____, 2000, and hereby affirms and acknowledges under penalty of perjury that the filing of this Amended and Restated Certificate of Incorporation is the act and deed of Intuitive Surgical, Inc.

INTUITIVE SURGICAL, INC.

By

Lonnie M. Smith
President and Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF INTUITIVE SURGICAL, INC.
A DELAWARE CORPORATION

ARTICLE I.

The name of the corporation is INTUITIVE SURGICAL, INC.

ARTICLE II.

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

ARTICLE III.

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

ARTICLE IV.

A. CLASSES OF STOCK. 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 two hundred five million (205,000,000) shares, of which two hundred million (200,000,000) shares shall be Common Stock, par value $0.001 per share, and five million (5,000,000) shares shall be Preferred Stock, par value $0.001 per share.

B. RIGHTS, PREFERENCES AND RESTRICTIONS OF PREFERRED STOCK. 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 DGCL, to fix or alter from time to time the designation, powers, preferences and rights (voting or otherwise) granted upon, 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.

ARTICLE 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. MANAGEMENT OF BUSINESS. 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.

B. BOARD OF DIRECTORS.

1. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, 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 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"), 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, 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, 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. During such time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law ("CGCL"), this Section B.1. of this Article V shall become effective and be applicable only when the corporation is a "listed" corporation within the meaning of Section 301.5 of the CGCL.

2. In the event that the corporation is subject to Section 2115(b) of the CGCL AND is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL, Section B.1. of this Article V shall not apply and all directors shall be shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

3. 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 AND is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL. During this time, 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 stockholder's votes on the same principle 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 to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, 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.

C. REMOVAL OF DIRECTORS.

1. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; 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 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.

2. At any time or times that the corporation is not subject to Section 2115(b) of the CGCL and subject to any limitations imposed by law, Section C.1. above shall no longer apply and removal shall be as provided in Section 141(k) of the DGCL.

D. VACANCIES.

1. 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.

2. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

3. At any time or times that the corporation is subject to Section 2115(b) of the CGCL, if, after the filling of any vacancy by the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then:

(a) Any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(b) The Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL. The term of office of any director shall terminate upon that election of a successor.

E. BYLAW 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 of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

F. BALLOTS. The directors of the corporation need not be elected by written ballot unless the Bylaws so provide.

G. ACTION BY STOCKHOLDERS. 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; no action shall be taken by the stockholders by written consent.

H. ADVANCE NOTICE. 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.

I. SPECIAL MEETINGS OF STOCKHOLDERS. Special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or a majority of the members of the Board of Directors.

ARTICLE VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the CGCL) for breach of duty to the corporation and its shareholders through bylaw provisions or through agreements with the agents, or through shareholder resolutions, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the CGCL, subject, at any time or times the corporation is subject to Section 2115(b) to the limits on such excess indemnification set forth in Section 204 of the CGCL.

C. 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.

ARTICLE 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.

EXHIBIT 3.3

BYLAWS

OF

INTUITIVE SURGICAL, INC.

(A DELAWARE CORPORATION)

TABLE OF CONTENTS

TABLE OF CONTENTS
(CONTINUED)

TABLE OF CONTENTS
(CONTINUED)

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 Wilmington, County of New Castle.

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. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a

stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the Delaware General Corporation Law ("DGCL"), (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is

made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, 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. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) 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, (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), or (iv) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting; 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 as set forth in (i), (ii) or (iii) above, except as otherwise required below.

At any time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law ("CGCL"), stockholders holding five percent (5%) or more of the outstanding shares shall have the right to call a special meeting of stockholders only as set forth in Section 18(c) herein.

(b) If a special meeting is properly 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 one hundred (100) days after the receipt of the request, the person or persons properly 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.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in these Bylaws who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 6(c). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by Section 5(b) of these Bylaws shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of

business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

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 statute, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, 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 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. 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 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 DGCL, 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, and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take action were delivered to the corporation as provided in Section 228 (c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL 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 DGCL.

(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, 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 closing of the Initial Public Offering, 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, 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, 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. During such time or times that the corporation is subject to Section 2115(b) of the

CGCL, this Section 17(a) shall become effective and apply only when the corporation is a "listed" corporation within the meaning of Section 301.5 of the CGCL.

(b) In the event that the corporation is unable to have a classified Board of Directors under applicable law, Section 17(a) of these Bylaws shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

(c) 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 (i) is subject to Section 2115(b) of the CGCL and (ii) is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL. During this time, 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 stockholder's votes on the same principle 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 to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, 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.

SECTION 18. VACANCIES.

(a) 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 Section 18 in the case of the death, removal or resignation of any director.

(b) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application

of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

(c) At any time or times that the corporation is subject to Section 2115(b) of the CGCL, if, after the filling of any vacancy, the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(1) Any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(2) The Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL. The term of office of any director shall terminate upon that election of a successor.

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(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; 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 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 and subject to any limitations imposed by law, Section 20(a) above shall no longer apply and removal shall be as provided in Section 141(k) of the DGCL.

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. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for regular meetings of the Board of 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 the DGCL 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 any requirements of any outstanding series of preferred Stock and 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 (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any 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.

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 preferences 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 agree to indemnify the corporation 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 DGCL.

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, subject to applicable law, 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 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 and applicable law, 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 and applicable law.

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 EXECUTIVE OFFICERS. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "executive officers" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify 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 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 DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(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 DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) 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 executive 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 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 Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 43, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive 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.

(d) 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 Section 43 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. 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 DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive 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 DGCL or any other applicable 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.

(e) 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 applicable 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, or by any other applicable law.

(f) 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.

(g) INSURANCE. To the fullest extent permitted by the DGCL or any other applicable 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 Section 43.

(h) AMENDMENTS. Any repeal or modification of this Section 43 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.

(i) 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 Section 43 that shall not have been invalidated, or by any other applicable law. If this Section 43 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

(j) 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 Section 43 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 Section 43.

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 overnight delivery service, 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 or by overnight delivery service, 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 DGCL, 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 DGCL, 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 of the corporation entitled to vote. 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.

EXHIBIT 10.1

INDEMNITY AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 200__ 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 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 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 solely 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 is established by a final judgment as knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(c) on account of Agent's conduct that is established by a final judgment as constituting a breach of Agent's duty of loyalty to the Corporation or resulting 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, and so notified the Corporation, that there is an actual 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 W. 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:

Print Name:

Title:

AGENT

By:

Name:

Address:

EXHIBIT 10.2

INTUITIVE SURGICAL, INC.

2000 EQUITY INCENTIVE PLAN

ADOPTED MARCH __, 2000
APPROVED BY STOCKHOLDERS _____, 2000
TERMINATION DATE: _____, 2010

1. PURPOSES.

(a) AMENDMENT AND RESTATEMENT OF INITIAL PLAN. The Plan initially was established as the 1996 Equity Incentive Plan, effective as of January 31, 1996 (the "Initial Plan"). The Initial Plan, as amended, hereby is amended and restated in its entirety and renamed the 2000 Equity Incentive Plan, effective upon the completion of the Company's initial public offering. The terms of the Initial Plan (other than the aggregate number of shares issuable thereunder) shall remain in effect and apply to all Stock Awards granted pursuant to the Initial Plan. Section 11 of the Plan shall supersede Section 12 of the Initial Plan.

(b) ELIGIBLE STOCK AWARD RECIPIENTS. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(c) AVAILABLE STOCK AWARDS. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(d) GENERAL PURPOSE. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group 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) "CODE" means the Internal Revenue Code of 1986, as amended.

(d) "COMMITTEE" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(e) "COMMON STOCK" means the common stock of the Company.

(f) "COMPANY" means Intuitive Surgical, Inc., a Delaware corporation.

(g) "CONSULTANT" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory 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 either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director's fee by the Company for their services as Directors.

(h) "CONTINUOUS SERVICE" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(i) "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.

(j) "DIRECTOR" means a member of the Board of Directors of the Company.

(k) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "EMPLOYEE" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(n) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock determined as follows:

(i) 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.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) "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.

(p) "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 if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25100(o) of the California Corporate Securities Law of 1968.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a 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.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(s) "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.

(t) "OPTION" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONHOLDER" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of 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.

(x) "PARTICIPANT" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(y) "PLAN" means this Intuitive Surgical, Inc. 2000 Equity Incentive Plan.

(z) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(aa) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(bb) "STOCK AWARD" means any right granted under the Plan, including an Option, a stock bonus and a 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.

(dd) "TEN PERCENT STOCKHOLDER" means a person who 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.

3. ADMINISTRATION.

(a) ADMINISTRATION BY BOARD. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) POWERS OF BOARD. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) 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 or combination of types 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 Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) 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.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) DELEGATION TO COMMITTEE.

(i) GENERAL. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. 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 any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or 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.

(ii) COMMITTEE COMPOSITION WHEN COMMON STOCK IS PUBLICLY TRADED. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) 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 (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or) (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) EFFECT OF BOARD'S DECISION. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) SHARE RESERVE. Subject to the provisions of Section 11 relating to adjustments upon changes in Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate Ten Million (10,000,000) shares of Common Stock.

(b) EVERGREEN SHARE RESERVE INCREASE.

(i) Notwithstanding subsection 4(a) hereof, on the day after each annual meeting of stockholders of the Company (the "Calculation Date") for a period of ten (10) years, commencing with the annual meeting of stockholders in 2001, the aggregate number of shares of Common Stock that is available for issuance under the Plan shall automatically be increased by that number of shares equal to the greater of (1) five percent (5%) of the Diluted Shares Outstanding or (2) the number of shares of Common Stock subject to Stock Awards granted under the Plan during the prior 12-month period; provided, however, that the Board, from time to time, may provide for a lesser increase in the aggregate number of shares of Common Stock that is available for issuance under the Plan.

(ii) Subject to the provisions of Section 11 hereof relating to adjustments upon changes in securities, the increase in the maximum aggregate number of shares of Common Stock that is available for issuance pursuant to Incentive Stock Options granted under the Plan shall not exceed Twenty Million (20,000,000) shares of Common Stock.

(iii) "Diluted Shares Outstanding" shall mean, as of any date, (1) the number of outstanding shares of Common Stock of the Company on such Calculation Date, plus (2) the number of shares of Common Stock issuable upon such Calculation Date assuming the conversion of all outstanding Preferred Stock and convertible notes, plus (3) the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(c) REVERSION OF SHARES TO THE SHARE RESERVE. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan. If any shares are repurchased, such repurchased shares shall revert to and again become available for issuance under the Plan for all Stock Awards other than Incentive Stock Options.

(d) SOURCE OF SHARES. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) ELIGIBILITY FOR SPECIFIC STOCK AWARDS. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) TEN PERCENT STOCKHOLDERS. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) SECTION 162(m) LIMITATION. Subject to the provisions of Section 11 relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options covering more than Five Million (5,000,000) shares of Common Stock during any calendar year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, this subsection 5(c) shall not apply until (i) the earliest of: (1) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4); (2) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (3) the expiration of the Plan; or (4) 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.

(d) CONSULTANTS.

(i) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (e.g., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(ii) Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

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, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock 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. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Incentive Stock Option granted on or after the Listing Date shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) EXERCISE PRICE OF AN INCENTIVE STOCK OPTION. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive 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) EXERCISE PRICE OF A NONSTATUTORY STOCK OPTION. The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, 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.

(d) CONSIDERATION. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). 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.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(e) TRANSFERABILITY OF AN INCENTIVE STOCK OPTION. 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 Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder 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 Optionholder, shall thereafter be entitled to exercise the Option.

(f) TRANSFERABILITY OF A NONSTATUTORY STOCK OPTION. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory 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 Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder 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 Optionholder, shall thereafter be entitled to exercise the Option.

(g) VESTING GENERALLY. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder'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. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) EXTENSION OF TERMINATION DATE. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) DISABILITY OF OPTIONHOLDER. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), 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, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) DEATH OF OPTIONHOLDER. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder'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 Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement), or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) STOCK BONUS AWARDS. Each stock bonus 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 agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) CONSIDERATION. A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) VESTING. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) TERMINATION OF PARTICIPANT'S CONTINUOUS SERVICE. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the stock bonus agreement.

(iv) TRANSFERABILITY. Rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(b) RESTRICTED STOCK AWARDS. Each 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 the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each 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:

(i) PURCHASE PRICE. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. The purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) CONSIDERATION. The purchase price of Common Stock acquired pursuant to the 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 similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(iii) VESTING. Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) TERMINATION OF PARTICIPANT'S 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 Common Stock held by the Participant which have not vested as of the date of termination under the terms of the restricted stock purchase agreement.

(v) TRANSFERABILITY. Rights to acquire shares of Common Stock under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) SECURITIES LAW COMPLIANCE. 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 Common 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 Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) ACCELERATION OF EXERCISABILITY AND VESTING. 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 in accordance with the Plan, 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) STOCKHOLDER RIGHTS. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) NO EMPLOYMENT OR OTHER SERVICE RIGHTS. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) INCENTIVE STOCK OPTION $100,000 LIMITATION. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder 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) INVESTMENT ASSURANCES. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant'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 (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) 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, 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 Common Stock.

(f) WITHHOLDING OBLIGATIONS. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) CAPITALIZATION ADJUSTMENTS. If any change is made in the Common 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 securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities 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 securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) DISSOLUTION OR LIQUIDATION. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) ASSET SALE, MERGER, CONSOLIDATION OR REVERSE MERGER. In the event of (i) a sale, lease or other disposition 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 (iii) a reverse merger in which the Company is the surviving corporation but the shares of 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 (collectively, a "change in control"), then 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 stockholders in the change in control for those outstanding under the Plan). In the event any surviving corporation 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 Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to the change in control. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to the change in control.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) AMENDMENT OF PLAN. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) STOCKHOLDER APPROVAL. 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 thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) CONTEMPLATED AMENDMENTS. It is expressly contemplated that the Board may amend the Plan in any respect the Board 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 Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) NO IMPAIRMENT OF RIGHTS. Rights 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 Participant and (ii) the Participant consents in writing.

(e) AMENDMENT OF STOCK AWARDS. 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 Participant and (ii) the Participant consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) PLAN TERM. 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) NO IMPAIRMENT OF RIGHTS. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective upon adoption by the Board, but no Stock Award 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.

15. CHOICE OF LAW.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

INTUITIVE SURGICAL, INC.
STOCK OPTION GRANT NOTICE
(2000 EQUITY INCENTIVE PLAN)

Intuitive Surgical, Inc. (the "Company"), pursuant to its 2000 Equity Incentive Plan (the "Plan"), hereby grants to Optionholder 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 the Stock Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Shares Subject to Option: _____
Exercise Price (Per Share): _____
Total Exercise Price: _____
Expiration Date: _____

TYPE OF GRANT: [ ] Incentive Stock Option(1) [ ] Nonstatutory Stock Option

EXERCISE SCHEDULE: Early Exercise Permitted

VESTING SCHEDULE: 1/4th of the shares vest one year after the Vesting Commencement Date.
1/48th of the shares vest monthly thereafter over the next four years.

PAYMENT: By one or a combination of the following items (described in the Stock Option Agreement):

By cash or check
Pursuant to a Regulation T Program if the Shares are publicly traded
By delivery of already-owned shares if the Shares are publicly traded

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Optionholder 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 Optionholder 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 Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS:

INTUITIVE SURGICAL, INC.

By: _____
Signature

Title: _____

Date: _____

OPTIONHOLDER:

_____
Signature

Date: _____

ATTACHMENTS: Stock Option Agreement, 2000 Equity Incentive Plan and Notice of Exercise

- --------
1 If this is an incentive stock option, it (plus your other outstanding incentive stock options) cannot be first exercisable for more than $100,000 in any calendar year. Any excess over $100,000 is a nonstatutory stock option.

INTUITIVE SURGICAL, INC.
2000 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT
(INCENTIVE AND NONSTATUTORY STOCK OPTIONS)

Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Stock Option Agreement, Intuitive Surgical, Inc. (the "Company") has granted you an option under its 2000 Equity Incentive Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your 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.

(a) Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

(b) Notwithstanding the foregoing vesting schedule, if you are a full time Employee and if the Company consummates a Change of Control (as defined in subsection 1(c) below), and if within twenty-four (24) months after a Change of Control one of the following events occurs: (i) your employment is terminated without Cause (as defined in subsection 1(d) below); (ii) the principal place of the performance of your employment responsibilities (the "Employment Location") is changed to a location more than twenty-five (25) miles from your Employment Location immediately prior to the Change of Control; or (iii) there is a material reduction in your compensation or employment responsibilities without Cause, then the unvested portion of your option shall immediately become fully vested and exercisable.

(c) A "Change of Control," as used herein shall mean 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 prior to such consolidation, merger or reorganization shall own less than fifty percent (50%) of the voting stock of the continuing or surviving entity of such consolidation, merger or reorganization.

(d) As used herein, "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) willful and material breach of the Company's policies; (iv) intentional and material damage to the Company's property; (v) material breach of your Proprietary Information and Inventions Agreement; or (vi) death, severe physical or mental disability.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

3. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE"). If permitted in your Grant Notice (i.e., the "Exercise Schedule" indicates that "Early Exercise" of your option is permitted) and subject to the provisions of your 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 of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that 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) if your option is an incentive stock option, then, as provided in the Plan, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other incentive stock options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as nonstatutory stock options.

4. 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 cash or by check or in any other manner PERMITTED BY YOUR GRANT NOTICE, which may include one or more of the following:

(a) In the Company's sole discretion at the time your option is exercised and 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 that, 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.

(b) 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 either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that you did not acquire, directly or

indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock 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 your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. TERM. The term of your option commences on the Date of Grant and expires upon the EARLIEST of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your 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 your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an incentive stock option, note that, 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 your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, 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 continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment terminates.

8. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your 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, as a condition to any exercise of your option, the Company may require you to enter into 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 of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an incentive stock option, by exercising your option you agree that 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 your 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.

(d) By exercising your option you agree that the Company (or a representative of the underwriter(s)) 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) that are consistent with the foregoing or that 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 shares of Common Stock until the end of such period.

9. 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.

10. RIGHT OF FIRST REFUSAL. Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right. The Company's right of first refusal shall expire on the Listing Date.

11. RIGHT OF REPURCHASE. To the extent provided in the Company's bylaws as amended from time to time, the Company shall have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option.

12. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service 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, their respective shareholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

13. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law. If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise

your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein.

14. 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 mail 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.

15. 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.

EXHIBIT 10.3

INTUITIVE SURGICAL, INC.

2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

ADOPTED MARCH ___, 2000
APPROVED BY STOCKHOLDERS _____ ___, 2000

EFFECTIVE DATE: _____, 2000
TERMINATION DATE: NONE

1. PURPOSES.

(a) ELIGIBLE OPTION RECIPIENTS. The persons eligible to receive Options are the Non-Employee Directors of the Company.

(b) AVAILABLE OPTIONS. The purpose of the Plan is to provide a means by which Non-Employee Directors may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Nonstatutory Stock Options.

(c) GENERAL PURPOSE. The Company, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors 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) "ANNUAL GRANT" means an Option granted annually to all Non-Employee Directors who meet the specified criteria pursuant to subsection 6(b) of the Plan.

(c) "ANNUAL MEETING" means the annual meeting of the stockholders of the Company.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CODE" means the Internal Revenue Code of 1986, as amended.

(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 or advisory 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 either Directors of the Company who are not compensated by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.

(i) "CONTINUOUS SERVICE" means that the Optionholder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Optionholder's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionholder renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Optionholder renders such service, provided that there is no interruption or termination of the Optionholder's Continuous Service. For example, a change in status from a Non-Employee Director of the Company to a Consultant of an Affiliate or an Employee of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(j) "DIRECTOR" means a member of the Board of Directors of the Company.

(k) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "EMPLOYEE" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(n) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock determined as follows:

(i) 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.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) "INITIAL GRANT" means an Option granted to a Non-Employee Director who meets the specified criteria pursuant to subsection 6(a) of the Plan.

(p) "IPO DATE" means the effective date of the initial public offering of the Common Stock.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who is not an Employee.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "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.

(t) "OPTION" means a Nonstatutory Stock Option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONHOLDER" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "PLAN" means this Caliper Technologies Corp. 1999 Non-Employee Directors' Stock Option Plan.

(x) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(y) "SECURITIES ACT" means the Securities Act of 1933, as amended.

3. ADMINISTRATION.

(a) ADMINISTRATION BY BOARD. The Board shall administer the Plan. The Board may not delegate administration of the Plan to a committee.

(b) POWERS OF BOARD. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine the provisions of each Option to the extent not specified in the Plan.

(ii) To construe and interpret the Plan and Options 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 Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Option as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(c) EFFECT OF BOARD'S DECISION. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) SHARE RESERVE. Subject to the provisions of Section 11 relating to adjustments upon changes in the Common Stock, the Common Stock that may be issued pursuant to Options shall not exceed in the aggregate Three Hundred Thousand (300,000) shares of Common Stock.

(b) EVERGREEN SHARE RESERVE INCREASE.

(i) Notwithstanding subsection 4(a) hereof, on the day after each Annual Meeting (the "Calculation Date") for a period of ten (10) years, commencing with the Annual Meeting in 2000, the aggregate number of shares of Common Stock that is available for issuance under the Plan shall automatically be increased by that number of shares equal to the greater of (1) three-tenths of one percent (0.3%) of the Diluted Shares Outstanding or (2) the number of shares of Common Stock subject to Options granted during the prior 12-month period; provided, however, that the Board, from time to time, may provide for a lesser increase in the aggregate number of shares of Common Stock that is available for issuance under the Plan

(ii) "Diluted Shares Outstanding" shall mean, as of any date, (1) the number of outstanding shares of Common Stock of the Company on such Calculation Date, plus (2) the number of shares of Common Stock issuable upon such Calculation Date assuming the conversion of all outstanding Preferred Stock and convertible notes, plus (3) the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(c) REVERSION OF SHARES TO THE SHARE RESERVE. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Option shall revert to and again become available for issuance under the Plan.

(d) SOURCE OF SHARES. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

The Options as set forth in section 6 automatically shall be granted under the Plan to all Non-Employee Directors.

6. NON-DISCRETIONARY GRANTS.

(a) INITIAL GRANTS. Without any further action of the Board, each person who is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director, be granted an Initial Grant to purchase Twenty Thousand (20,000) shares of Common Stock on the terms and conditions set forth herein.

(b) ANNUAL GRANTS. Without any further action of the Board, on the day following each Annual Meeting, commencing with the Annual Meeting in 2001, each person who is then a Non-Employee Director, and has been a Non-Employee Director for at least six (6) months, automatically shall be granted an Annual Grant to purchase Five Thousand (5,000) shares of Common Stock on the terms and conditions set forth herein.

7. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. 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) EXERCISE PRICE. The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an 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 may be paid, to the extent permitted by applicable statutes and regulations, in any combination of (i) cash or check, (ii) delivery to the Company of other Common Stock or (iii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, 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. The purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been

held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(d) TRANSFERABILITY. An Option is transferable by will or by the laws of descent and distribution. An Option also is transferable if, at the time of transfer, a Form S-8 registration statement under the Securities Act is available for the exercise of the Option and the subsequent resale of the underlying securities.1 In addition, Optionholder 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 Optionholder, shall thereafter be entitled to exercise the Option.

(e) VESTING. Options shall vest as follows:

(i) Initial Grants shall provide for vesting of 1/36th of the shares subject to the Option each month for three (3) years after the date of the grant.

(ii) Annual Grants shall provide for vesting of 1/12th of the shares subject to the Option each month for one (1) year after the date of the grant.

(f) EXERCISE. Options shall be exercisable in full immediately upon grant.

(g) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(h) EXTENSION OF TERMINATION DATE. If the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder'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, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 7(a) or (ii) the

- ----------

(1) See the General Instructions to the Form S-8 Registration Statement, Rule A.1.(5). Currently a Form S-8 is available for the exercise of the Option and the subsequent resale of the underlying securities by the Optionholder's family member who has acquired the Option from the Optionholder through a gift or a domestic relations order. For purposes of Form S-8, "family member" currently includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Optionholder's household (other than a tenant or employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Optionholder) control the management of assets, and any other entity in which these persons (or the Optionholder) own more than fifty percent (50%) of the voting interests. Form S-8 currently is not available for the exercise of an Option transferred for value. The following transactions currently are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by family members (or the Optionholder) in exchange for an interest in that entity.

expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(i) DISABILITY OF OPTIONHOLDER. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(j) DEATH OF OPTIONHOLDER. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the three-month period after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder'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 Optionholder's death, but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

8. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) SECURITIES LAW COMPLIANCE. 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 Options and to issue and sell shares of Common Stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option 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 unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) STOCKHOLDER RIGHTS. No Optionholder 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 Optionholder has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) NO SERVICE RIGHTS. Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionholder any right to continue to serve the Company as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) INVESTMENT ASSURANCES. The Company may require an Optionholder, as a condition of exercising or acquiring stock under any Option, (i) to give written assurances satisfactory to the Company as to the Optionholder'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 Option; and (ii) to give written assurances satisfactory to the Company stating that the Optionholder is acquiring the stock subject to the Option for the Optionholder'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 (iii) the issuance of the shares upon the exercise or acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act or (iv) 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, 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.

(d) WITHHOLDING OBLIGATIONS. The Optionholder may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionholder as a result of the exercise or acquisition of stock under the Option, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) CAPITALIZATION ADJUSTMENTS. If any change is made in the stock subject to the Plan, or subject to any Option, 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 securities subject both to the Plan pursuant to subsection 4(a) and to the nondiscretionary Options specified in Section 5, and the outstanding Options will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) DISSOLUTION OR LIQUIDATION. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to such event.

(c) ASSET SALE, MERGER, CONSOLIDATION OR REVERSE MERGER.

(i) In the event of (i) a sale, lease or other disposition 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 (iii) a reverse merger in which the Company is the surviving corporation but the shares of 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 (collectively, a "change in control"), then any surviving corporation or acquiring corporation shall assume any Options outstanding under the Plan or shall substitute similar Options (including an option to acquire the same consideration paid to the stockholders in the change in control transaction for those outstanding under the Plan).

(ii) In the event any surviving corporation or acquiring corporation refuses to assume such Options or to substitute similar Options for those outstanding under the Plan, then the vesting of such Options and the vesting of any shares of Common Stock acquired pursuant to such Options shall be accelerated in full, and the Options shall terminate if not exercised at or prior to the change in control.

(iii) In the event any surviving corporation or acquiring corporation assumes such Options or substitutes similar Options for those outstanding under the Plan but the Optionholder is not elected or appointed to the board of directors of the surviving corporation or acquiring corporation at the first meeting of such board of directors after the change in control, then the vesting of such Options and the vesting of any shares of Common Stock acquired pursuant to such Options shall be accelerated by eighteen (18) months on the day after the first meeting of the board of directors of the surviving corporation or acquiring corporation.

(iv) In the event any surviving corporation or acquiring corporation assumes such Options or substitutes similar Options for those outstanding under the Plan and the Optionholder is elected or appointed to the board of directors of the surviving corporation or acquiring corporation at the first meeting of such board of directors after the change in control, then the vesting of such Options and the vesting of any shares of Common Stock acquired pursuant to such Options shall not be accelerated.

12. AMENDMENT OF THE PLAN AND OPTIONS.

(a) AMENDMENT OF PLAN. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 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 to satisfy the requirements of Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) STOCKHOLDER APPROVAL. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval.

(c) NO IMPAIRMENT OF RIGHTS. Rights under any Option 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 Optionholder and (ii) the Optionholder consents in writing.

(d) AMENDMENT OF OPTIONS. The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) PLAN TERM. The Board may suspend or terminate the Plan at any time. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) NO IMPAIRMENT OF RIGHTS. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the Optionholder.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the IPO Date, but no Option shall be exercised 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.

15. 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.
2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

STOCK OPTION AGREEMENT
(NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Stock Option Agreement, Intuitive Surgical, Inc. (the "Company") has granted you an option under its 2000 Non-Employee Directors' Stock Option Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your 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 your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

3. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE"). As permitted in your Grant Notice (i.e., the "Exercise Schedule" indicates that "Early Exercise" of your option is permitted) and subject to the provisions of your 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 of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that 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; and

(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.

4. 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 cash or by check or by one or more of the following:

(a) 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 that, 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.

(b) 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 either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that you did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock 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 your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. TERM. The term of your option commences on the Date of Grant and expires upon the EARLIEST of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your 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 your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates; or

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

8. EXERCISE.

(a) You may exercise your option 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, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of the exercise of your option.

9. TRANSFERABILITY. Your option is not transferable, except (i) by will or by the laws of descent and distribution, or (ii) as permitted under the Form S-8 registration statement regulations in effect at the time of the transfer.(1) Your option is exercisable during your life only by you or a transferee satisfying the above-stated conditions. The right of a transferee to exercise the transferred portion of your option after termination of your Continuous Service shall terminate in accordance with your right to exercise your option as specified in your option. In the event that your Continuous Service terminates due to your death, your transferee will be treated as a person who acquired the right to exercise your option by bequest or inheritance. In addition to the foregoing, the Company may require, as a condition of the transfer of your option to a trust or by gift, that your transferee enter into an option transfer agreement provided by, or acceptable to, the Company. The terms of your option shall be binding upon your transferees, executors, administrators, heirs, successors, and assigns. 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.

- --------

(1) See the General Instructions to the Form S-8 Registration Statement, Rule A.1.(5). Currently a Form S-8 is available for the exercise of your option and the subsequent resale of the underlying securities by your family member who has acquired your option from you through a gift or a domestic relations order. For purposes of Form S-8, "family member" currently includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or you) control the management of assets, and any other entity in which these persons (or you) own more than fifty percent (50%) of the voting interests. Form S-8 currently is not available for the exercise of an option transferred for value. The following transactions currently are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by family members (or you) in exchange for an interest in that entity.

10. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service 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, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. 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 mail 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.

12. 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.

EXHIBIT 10.4

INTUITIVE SURGICAL, INC.
2000 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY BOARD OF DIRECTORS MARCH __, 2000
APPROVED BY STOCKHOLDERS _____, 2000
TERMINATION DATE: NONE

1. PURPOSE.

(a) The purpose of the Plan is to provide a means by which Employees of the Company and certain designated Affiliates may be given an opportunity to purchase Shares of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of such 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 and its Affiliates.

(c) The Company intends that the Rights to purchase Shares 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. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation, 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) "CODE" means the United States Internal Revenue Code of 1986, as amended.

(d) "COMMITTEE" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(e) "COMPANY" means Intuitive Surgical, Inc., a Delaware corporation.

(f) "DIRECTOR" means a member of the Board.

(g) "ELIGIBLE EMPLOYEE" means an Employee who meets the requirements set forth in the Offering for eligibility to participate in the Offering.

(h) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or an Affiliate of the Company. Neither service as a Director nor payment of a director's fee shall be sufficient to constitute "employment" by the Company or the Affiliate.

(i) "EMPLOYEE STOCK PURCHASE PLAN" means a plan that grants rights intended to be options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

(j) "EXCHANGE ACT" means the United States Securities Exchange Act of 1934, as amended.

(k) "FAIR MARKET VALUE" means the value of a security, as determined in good faith by the Board. If the security is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, then, except as otherwise provided in the Offering, the Fair Market Value of the security shall be the closing sales price (rounded up where necessary to the nearest whole cent) for such security (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 relevant security of the Company) on the trading day prior to the relevant determination date, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(l) "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.

(m) "OFFERING" means the grant of Rights to purchase Shares under the Plan to Eligible Employees.

(n) "OFFERING DATE" means a date selected by the Board for an Offering to commence.

(o) "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.

(p) "PARTICIPANT" means an Eligible Employee who holds an outstanding Right granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Right granted under the Plan.

(q) "PLAN" means this 2000 Employee Stock Purchase Plan.

(r) "PURCHASE DATE" means one or more dates established by the Board during an Offering on which Rights granted under the Plan shall be exercised and purchases of Shares carried out in accordance with such Offering.

(s) "RIGHT" means an option to purchase Shares granted pursuant to the Plan.

(t) "RULE 16B-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3 as in effect with respect to the Company at the time discretion is being exercised regarding the Plan.

(u) "SECURITIES ACT" means the United States Securities Act of 1933, as amended.

(v) "SHARE" means a share of the common stock of the Company.

3. ADMINISTRATION.

(a) The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(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 Shares 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, 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 Section 14.

(v) Generally, to exercise such powers and to perform such acts as it 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.

(c) The Board may delegate administration of the Plan to a Committee of the Board composed of two (2) or more members, all of the members of which Committee may be, in the discretion of the Board, 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 (2) or more Outside Directors any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to 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.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 13 relating to adjustments upon changes in securities, the Shares that may be sold pursuant to Rights granted under the Plan shall not exceed in the aggregate One Million (1,000,000) Shares. If any Right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such Right shall again become available for the Plan.

(b) The aggregate number of Shares that may be sold pursuant to Rights granted under the Plan as specified in Section 4(a) hereof automatically shall be increased as follows:

(i) On the day after each annual meeting of stockholders of the Company (the "Calculation Date") for a period of ten (10) years, commencing with the annual meeting of stockholders in 2001, the aggregate number of shares of Common Stock that is available for issuance under the Plan shall automatically be increased by that number of shares equal to the greater of (1) five-tenths of one percent (0.5%) of the Diluted Shares Outstanding or (2) the number of shares of Common Stock sold pursuant to Rights during the prior 12-month period; provided, however, that the Board, from time to time, may provide for a lesser increase in the aggregate number of shares of Common Stock that is available for issuance under the Plan

(ii) Subject to the provisions of Section 13 hereof relating to adjustments upon changes in securities, the increase in the maximum aggregate number of shares of Common Stock that is available for issuance pursuant to Rights granted under the Plan shall not exceed Ten Million (10,000,000) Shares.

(iii) "Diluted Shares Outstanding" shall mean, as of any date, (1) the number of outstanding shares of Common Stock of the Company on such Calculation Date, plus (2) the number of shares of Common Stock issuable upon such Calculation Date assuming the conversion of all outstanding Preferred Stock and convertible notes, plus (3) the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(c) The Shares subject to the Plan may be unissued Shares or Shares that have been bought on the open market at prevailing market prices or otherwise.

5. GRANT OF RIGHTS; OFFERING.

(a) The Board may from time to time grant or provide for the grant of Rights to purchase Shares of the Company under the Plan to Eligible Employees in an Offering on an Offering Date or Dates selected by the Board. Each Offering shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate, which shall comply with the requirements of Section 423(b)(5) of the Code that all Employees granted Rights to purchase Shares 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 Sections 6 through 9, inclusive.

(b) If a Participant has more than one Right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (i) each agreement or notice delivered by that Participant will be deemed to apply to all of his or her Rights under the Plan, and (ii) an earlier-granted Right (or a Right with a lower exercise price, if two Rights have identical grant dates) will be exercised to the fullest possible extent before a later-granted Right (or a Right with a higher exercise price if two Rights have identical grant dates) will be exercised.

6. ELIGIBILITY.

(a) Rights may be granted only to Employees of the Company or, as the Board may designated as provided in subsection 3(b), to Employees of an Affiliate. Except as provided in subsection 6(b), an Employee 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 the Affiliate, as the case may be, for such continuous period preceding such grant as the Board may require, but in no event shall the required period of continuous employment be equal to or greater than two (2) years.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which 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 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 subsection 6(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 all Employee Stock Purchase Plans of the Company and any Affiliates, as specified by Section 423(b)(8) of the Code, do not permit such Eligible Employee's rights to purchase Shares of the Company or any Affiliate to accrue at a rate which exceeds twenty five thousand dollars ($25,000) of the fair market value of such Shares (determined at the time such Rights are granted) for each calendar year in which such Rights are outstanding at any time.

(e) The Board may provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

(f) The Board may provide in an Offering that Employees whose customary employment is twenty (20) hours or less per week shall not be eligible to participate.

(g) The Board may provide in an Offering that Employees whose customary employment is for not more than five (5) months in any calendar year shall not be eligible to participate.

7. 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 purchasable either:

(i) with a percentage designated by the Board not exceeding fifteen percent (15%) of such Employee's Earnings (as defined by the Board in each Offering) during the period which begins on the Offering Date (or such later date as the Board 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; or

(ii) with a maximum dollar amount designated by the Board that, as the Board determines for a particular Offering, (1) shall be withheld, in whole or in part, from such Employee's Earnings (as defined by the Board in each Offering) during the period which begins

on the Offering Date (or such later date as the Board 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 and/or (2) shall be contributed, in whole or in part, by such Employee during such period.

(b) The Board shall establish one or more Purchase Dates during an Offering on which Rights granted under the Plan shall be exercised and purchases of Shares carried out in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify a maximum amount of Shares that may be purchased by any Participant as well as a maximum aggregate amount of Shares that may be purchased by all Participants pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board may specify a maximum aggregate amount of Shares which may be purchased by all Participants 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 amount, the Board 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.

(d) The purchase price of Shares 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 Shares on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the fair market value of the Shares on the Purchase Date.

8. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An Eligible Employee may become a Participant in the Plan pursuant to an Offering by delivering a participation 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 of such Employee's Earnings during the Offering (as defined in each Offering). The payroll deductions made for each Participant shall be credited to a bookkeeping account for such Participant under the Plan and either may be deposited with the general funds of the Company or may be deposited in a separate account in the name of, and for the benefit of, such Participant with a financial institution designated by the Company. To the extent provided in the Offering, a Participant may reduce (including to zero) or increase such payroll deductions. To the extent provided in the Offering, a Participant may begin such payroll deductions after the beginning of 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 already had the maximum permitted 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 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 Shares for the Participant) under the Offering, without interest unless otherwise specified in the Offering, and such Participant's interest in 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 participation 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 any participating Employee's employment with the Company or a designated Affiliate for any reason (subject to any post-employment participation period required by law) or other lack of eligibility. 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 Shares for the terminated Employee) under the Offering, without interest unless otherwise specified in the Offering. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

(d) Rights granted under the Plan shall not be transferable by a Participant otherwise than by will or the laws of descent and distribution, or by a beneficiary designation as provided in Section 15 and, otherwise during his or her lifetime, shall be exercisable only by the person to whom such Rights are granted.

9. EXERCISE.

(a) On each Purchase Date specified therefor 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 Shares up to the maximum amount of Shares permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional Shares shall be issued upon the exercise of Rights granted under the Plan unless specifically provided for in the Offering.

(b) Unless otherwise specifically provided in the Offering, the amount, if any, of accumulated payroll deductions remaining in any Participant's account after the purchase of Shares that is equal to the amount required to purchase one or more whole Shares on the final Purchase Date of the Offering shall be distributed in full to the Participant at the end of the Offering, without interest. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a

separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

(c) 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 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 Shares) shall be distributed to the Participants, without interest unless otherwise specified in the Offering. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

10. COVENANTS OF THE COMPANY.

(a) During the terms of the Rights granted under the Plan, the Company shall ensure that the amount of Shares required to satisfy such Rights are available.

(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 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 Shares under the Plan, the Company shall be relieved from any liability for failure to issue and sell Shares upon exercise of such Rights unless and until such authority is obtained.

11. USE OF PROCEEDS FROM SHARES.

Proceeds from the sale of Shares pursuant to Rights granted under the Plan shall constitute general funds of the Company.

12. 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, Shares subject to Rights granted under the Plan unless and until the Participant's Shares acquired upon exercise of Rights under the Plan are recorded in the books of the Company.

13. ADJUSTMENTS UPON CHANGES IN SECURITIES.

(a) If any change is made in the Shares subject to the Plan, or subject to any Right, 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 outstanding Rights will be appropriately adjusted in the class(es), number of Shares and purchase limits of such outstanding Rights. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction that does not involve the receipt of consideration by the Company.)

(b) In the event of: (i) a dissolution, liquidation, or 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 (iii) a reverse merger in which the Company is the surviving corporation but the Shares outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then: (1) any surviving or acquiring corporation shall assume Rights outstanding under the Plan or shall substitute similar rights (including a right to acquire the same consideration paid to Stockholders in the transaction described in this subsection 13(b)) for those outstanding under the Plan, or (2) in the event any surviving or acquiring corporation refuses to assume such Rights or to substitute similar rights for those outstanding under the Plan, then, as determined by the Board in its sole discretion such Rights may continue in full force and effect or the Participants' accumulated payroll deductions (exclusive of any accumulated interest which cannot be applied toward the purchase of Shares under the terms of the Offering) may be used to purchase Shares immediately prior to the transaction described above under the ongoing Offering and the Participants' Rights under the ongoing Offering thereafter terminated.

14. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 13 relating to adjustments upon changes in securities and except as to minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for Participants or the Company or any Affiliate, 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 423 of the Code, Rule 16b-3 under the Exchange Act and

any Nasdaq or other securities exchange listing requirements. Currently under the Code, stockholder approval within twelve (12) months before or after the adoption of the amendment is required where the amendment will:

(i) Increase the amount of Shares reserved for Rights under the Plan;

(ii) Modify the provisions as to eligibility for participation in the Plan to the extent such modification 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; or

(iii) Modify the Plan in any other way if such modification 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.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide 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.

15. DESIGNATION OF BENEFICIARY.

(a) A Participant may file a written designation of a beneficiary who is to receive any Shares and/or 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) The Participant may change such designation of beneficiary at any time by written notice. 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.

16. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board in its discretion may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate at the time that all of the Shares subject to the Plan's reserve, as increased and/or adjusted from time to time, have been issued under the terms of the Plan. 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.

17. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Rights granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board, which date may be prior to the effective date set by the Board.

EXHIBIT 10.5

INTUITIVE SURGICAL, INC.

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

MARCH 31, 1999

TABLE OF CONTENTS

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (the "Agreement") is entered into as of the 31st day of March, 1999, 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 and Common 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 E Preferred Stock and warrants to purchase Series F Preferred Stock pursuant to that certain Series E Preferred Stock Purchase Agreement (the "Purchase Agreement") and Warrant Purchase Agreement (the "Warrant Agreement"), respectively;

WHEREAS, as a condition of entering into the Purchase Agreement and the Warrant Agreement, the purchaser of Series E Preferred Stock under the Purchase Agreement and recipient of the warrant to purchase Series F Preferred Stock under the Warrant 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, Series C Preferred Stock Series D Preferred Stock and Series E 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; the 29th day of January, 1997; the 14th day of November, 1997, and the 31st day of July, 1998, 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, Series C Preferred Stock, Series D Preferred Stock and Series E 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 E Preferred Stock pursuant to the Series E 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, Series C Preferred Stock, Series D Preferred Stock and Series E 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; (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, and (iii) shares of Common Stock issued to Massachusetts Institute of Technology ("M.I.T.") pursuant to that certain License Agreement by and between M.I.T and the Company. 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, Series D Preferred Stock, Series E Preferred Stock and Series F 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), (iii) two hundred thousand (200,000) shares of Series D Preferred Stock (as adjusted for stock splits and combinations), (iv) two hundred thousand (200,000) shares of Series E Preferred Stock, or (v) two hundred thousand (200,000) shares of Series F 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 or to affiliates for reporting purposes only; (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:

/s/ FREDERIC H. MOLL

FREDERIC H. MOLL

/s/ ROBERT G. YOUNGE

ROBERT G. YOUNGE

/s/ JOHN G. FREUND

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

Russell C. Hirsch, Managing Member

MAYFIELD ASSOCIATES FUND II
a California Limited Partnership

By: /s/ A. GRANT HEIDRICH

A. Grant Heidrich, III, General Partner

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:

F. Thomas 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

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 S. HALSTED

Scott S. Halsted
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 S. HALSTED

Scott S. Halsted
General Partner

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

PATMARK COMPANY, INC.

By: /s/ JAMES D. VAN DE VELDE

James D. Van De Velde
President

HUNTERSVILLE ROAD INVESTORS L.P.

By: /s/ W. AUGUST HILLENBRAND

Its:

WESTWOOD ASSOCIATES, L.P.

By: /s/ LAWRENCE T. KENNEDY

Lawrence T. Kennedy
Chairman, Treasurer

W. AUGUST HILLENBRAND

/s/ W. AUGUST HILLENBRAND

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

PRICE BROTHERS INVESTMENT PARTNERSHIP
By: Price Brothers Investment Corp.,
its General Partner

By: /s/ JOHN PRICE

John Price
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

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

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

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

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. LEVENSOHN

Pascal N. Levensohn
Managing Member

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

TRIAXIS TRUST AG

By: /s/ H.P. JOHN

Its: Chairman

BANK JULIUS BAER & CO. LTD.

By:

Its:

CBG COMPAGNIE BANCAIRE GENEVE

By:

Michele Streuli — Vice President
Thierry Mory — Mandator

LGT BANK IN LIECHTENSTEIN AG

By:

Its:

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

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.

MARC T. SCHOLVINCK

/s/ MARC T. SCHOLVINCK

R. CRAIG LIND

/s/ R. CRAIG LIND

TIMOTHY H. UBBEN

/s/ TIMOTHY H. UBBEN

INSURANCE COMPANY SUPPORTED
ORGANIZATIONS PENSION PLAN TRUST

By: Mellon Bank, N.A., solely in its capacity as Trustee for the Insurance Company Supported Organizations Pension Plan Trust (as directed by The Benefits Connection Group, Inc.), and not in its individual capacity.

By: /s/ CAROLE BRUNO

Carole Bruno, Authorized Signatory

BK CAPITAL PARTNERS, IV, L.P.

By: Richard C. Blum & Associates, L.P.
Its General Partner

By: /s/ MARC T. SCHOLVINCK

Marc T. Scholvinck, 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

Marc T. Scholvinck, Managing Director

THOMAS L. KEMPNER TRUST AND WILLIAM PERLMUTH TRUSTEES U/W CARL M. LOEB FBO THOMAS L. KEMPNER

By: /s/ THOMAS L. KEMPNER

Its: Trustee

SUSAN J. SCHMIDT

/s/ SUSAN J. SCHMIDT

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

OR TRUST

By: /s/ GEORGE A. PAVLOV

George A. Pavlov
Authorized Signatory

RUSSELL C. HIRSCH

/s/ RUSSELL C. HIRSCH

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

DBI I, L.P.

By: /s/ DOUG BOSCH

Print Name: Doug Bosch

Title: CEO, Doug Bosch Interests,
General Partner

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

MORTON MEYERSON

/s/ TERRY PENDLETON

Attorney in fact

/s/ JANICE HUDSON

Attorney in fact

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

DAVID N. MEYERSON EDS TRUST U/A
R. GORDON APPLEMAN TRUSTEE DTD
6/01/70

By: /s/ R. GORDON APPLEMAN TRUSTEE

Print Name: R. Gordon Appleman

Title: Trustee

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

THE MARTI A. MEYERSON EDS TRUST
U/A R. GORDON APPLEMAN TRUSTEE
DTD 6/01/70

By: /s/ R. GORDON APPLEMAN TRUSTEE

Print Name: R. Gordon Appleman

Title: Trustee

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

MARUBENI AMERICA CORPORATION

By: /s/ T. NAKABAYASHI

Print Name: T. Nakabayashi

Title: Group Executive & SVP,
Power Systems,
Telecommunications & Electronics
Group

MARUBENI CORPORATION

By: /s/ M. OKAMURA

Print Name: M. Okamura

Title: General Manager of Electronics
Dept.

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

INVESTOR (GUERNSEY) LIMITED

By: /s/ OUJE HELMBERG

Print Name: Ouje Helmberg

Title: Director

By: /s/ DAVID C. JEFFRIES

Print Name: David C. Jeffries

Title: Director

FORETHOUGHT LIFE INSURANCE COMPANY

By: /s/ GUY M. COOPER

Print Name: Guy M. Cooper

Title: Chief Investment Officer

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

IS INVESTMENTS, LLC

By: /s/ FRED GUMBINNER

Print Name: Fred Gumbinner

Title: Manager

LESLIE J. GOLDMAN

/s/ LESLIE J. GOLDMAN

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

FRANEY, PARR & MUHA, INC.

By: /s/ JOHN R. MUHA

John R. Muha
President

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

FRANKLIN R. SILBEY

/s/ FRANKLIN R. SILBEY

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

RUSSELL C. HIRSCH TRUST

By: /s/ RUSSELL C. HIRSCH, TRUSTEE

Russell C. Hirsch, Trustee

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

UNGER FAMILY TRUST

By: /s/ WILLIAM D. UNGER

William D. Unger, Trustee

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

DALAL REVOCABLE TRUST U/D/T DTD 7/31/90,
YOGEN K. & MARGARET J. DALAL, TTEES

By: /s/ YOGEN K. DALAL

Yogen K. Dalal

By: /s/ MARGARET J. DALAL

Margaret J. Dalal

NINA M. DALAL 1993 TRUST U/T/A 7/21/93,
RAJEN K. DALAL, TRUSTEE

By: /s/ RAJEN K. DALAL, TRUSTEE

Rajen K. Dalal, Trustee

ALEX R. DALAL 1993 TRUST U/T/A 7/21/93,
RAJEN K. DALAL, TRUSTEE

By: /s/ RAJEN K. DALAL, TRUSTEE

Rajen K. Dalal, Trustee

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By: /s/ LORI PRESSMAN

Print Name: Lori Pressman

Title: Assistant Director
Technology Licensing Officer

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

SCHEDULE OF INVESTORS

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
Mayfield VIII 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025 Attn: Russell C. Hirsch	2,565,000	--	912,000	337,630	118,750	118,750
Mayfield Associates Fund II 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025 Attn: A. Grant Heidrich, III	135,000	--	48,000	17,770	6,250	6,250
Sierra Ventures V, L.P. 3000 Sand Hill Road Building 4, Suite 210 Attn: Petri T. Vainio	2,300,000	--	600,000	125,000	125,000	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	--	--	--	--	--
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	--	6,500	6,500

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
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: F. Thomas Watkins	--	470,000	290,000	--	--	--
Allan G. Lozier c/o Lozier Corporation 6226 Pershing Drive Omaha, NE 678110	--	--	1,200,000	116,000	312,500	312,500
RWI Group, L.P. 720 University Avenue, Suite 103 Palo Alto, CA 94301 Attn: Donald A. Lucas	--	--	100,000	--	--	--
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	--	--	--

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
Morgan Stanley Venture Partners III, L.P. 3000 Sand Hill Road Building 4, Suite 250 Menlo Park, CA 94025 Attn: Scott S. Halsted	--	--	1,368,600	--	114,050	114,050
Morgan Stanley Venture Investors III, L.P. 3000 Sand Hill Road Building 4, Suite 250 Menlo Park, CA 94025 Attn: Scott S. Halsted	--	--	131,400	--	10,950	10,950
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	1,250,000	1,250,000
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	125,000	125,000
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	--	125,000	125,000
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	--	--	--

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
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	125,000	125,000
Triaxis Trust AG Buerglistrasse 6 8027 Zuerich Attn: Hans-Peter John	--	--	--	184,500	--	--
Bank Julius Baer & Co. Ltd. Bahmhoifstmasse 36 8010 Zuerich Switzerland Attn: Simon Newson	--	--	--	165,500	--	--
CBG Compagnie Bancaire Geneve Avenue de Rumine 20 Case postale 220 CH-1005 LAUSANNE Switzerland Attn: Thierry Mory	--	--	--	125,000	--	--
LGT Bank in Liechtenstein AG P.O. Box 85 FL-9490 Vaduz Liechtenstein	--	--	--	25,000	--	--
Insurance Company Supported Organizations Pension Plan Trust c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	75,000	25,000	25,000

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
BK Capital Partners IV, L.P. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133 Attn: Marc T. Scholvinck	--	--	--	187,500	56,250	56,250
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 Attn: Marc T. Scholvinck	--	--	--	90,500	22,100	22,100
Richard C. Blum c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	18,750	4,975	4,975
N. Colin Lind c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	8,750	2,225	2,225
Jeffrey W. Ubben c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	2,500	650	650
Timothy H. Ubben c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	18,750	4,975	4,975
Murray A. Indick c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	1,250	325	325

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
George F. Hamel, Jr. c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	625	150	150
Marc T. Scholvinck c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	2,500	650	650
R. Craig Lind c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	1,250	325	325
Thomas L. Kempner Trust and William Permuth Trustee u/w Carl M. Loeb FBO Thomas L. Kempner c/o Richard C. Blum & Associates, L.P. 909 Montgomery Street, Suite 400 San Francisco, CA 94133	--	--	--	28,250	6,875	6,875
Susan J. Schmidt 3111 Jackson Street, #3 San Francisco, CA 94115	--	--	--	1,875	500	500
W August Hillenbrand c/o Hillenbrand Industries, Inc. 700 State Route, 46 East Batesville, IN 47006	--	--	--	--	125,000	125,000
Russell C. Hirsch c/o Mayfield Fund, Suite 250 2800 Sand Hill Road Menlo Park, CA 94025	--	--	--	--	3,125	3,125
OR Trust c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	--	--	--	--	52,875	52,875
DBI I, L.P. c/o Kim Combs 3760 Olympia Houston, TX 77019	--	--	--	--	125,000	125,000

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
Morton Meyerson c/o Morgan Stanley 1221 Avenue of the Americas, 4th Floor New York, NY 10020 Attn: Alan D. Glatt	--	--	--	--	125,000	125,000
David N. Meyerson EDS Trust U/A R. Gordon Appleman Trustee DTD 6/01/70 c/o Morgan Stanley 1221 Avenue of the Americas, 4th Floor New York, NY 10020 Attn: Alan D. Glatt	--	--	--	--	62,500	62,500
The Marti A. Meyerson EDS Trust U/A R. Gordon Appleman Trustee DTD 6/01/70 c/o Morgan Stanley 1221 Avenue of the Americas, 4th Floor New York, NY 10020 Attn: Alan D. Glatt	--	--	--	--	62,500	62,500
Marubeni America Corporation 450 Lexington Avenue, 36th Floor New York, NY 10017 Attn: H. Fukuda or his successor	--	--	--	--	312,500	312,500
Marubeni Corporation 4-2, Ohtemachi 1-Chome, Chiyoda-Ku Tokyo 100-8800 Japan Attn: M. Okamura, Electronic Dept.	--	--	--	--	312,500	312,500
Investor (Guernsey) Limited PO Box 626 National Westminster House Le Tuchot St Peter Port Guernsey Channel Islands GY 1 4PW	--	--	--	--	1,250,000	1,250,000
Forethought Life Insurance Company Forethought Center Batesville, IN 47006 Attn: Guy Mac Cooper	--	--	--	--	125,000	125,000
IS Investments, LLC c/o Columbia Energy Group 13880 Dulles Corner Lane Herndon, VA 20171-4600 Attn: Frederic R. Gumbinner	--	--	--	--	37,500	37,500

Name and Address	Series A Preferred	Series B Preferred	Series C Preferred	Series D Preferred	Series E Preferred	Series F Warrants
Leslie J. Goldman c/o Skadden, Arps, Slate, Meagher & Flom LLP 1440 New York Avenue, N.W Washington, D.C. 20005-2111	--	--	--	--	12,500	12,500
Franey, Parr & Muha, Inc. Dulles Gateway Center I 13921 Park Center Road, Suite 160 Herndon, VA 20171	--	--	--	--	6,250	6,250
Franklin R. Silbey 9430 Sunnyfield Court Potomac, MD 20854	--	--	--	--	6,250	6,250
Russell C. Hirsch Trust c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	--	--	--	--	3,125	3,125
Unger Family Trust c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025 Attn: William D. Unger	--	--	--	--	12,500	12,500
Dalal Revocable Trust U/D/T DTD 7/31/90, Yogen K. & Margaret J. Dalal, TTEE c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	--	--	--	--	12,500	12,500
Nina M. Dalal 1993 Trust U/T/A 7/21/93, Rajen K. Dalal, TTEE c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	--	--	--	--	3,125	3,125
Alex R. Dalal 1993 Trust U/T/A 7/21/93, Rajen K. Dalal, TTEE c/o Mayfield Fund 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	--	--	--	--	3,125	3,125
TOTAL	5,442,500	470,000	6,000,000	2,125,000	5,096,875	5,096,875

Massachusetts Institute of Technology 35,834 SHARES OF COMMON STOCK
Five Cambridge Center
Kendall Square
Room NE25-230
Cambridge, MA 02142-1493
Attn: Lori Pressman

AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT

EXHIBIT 10.6

[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

LEASE MANAGEMENT SERVICES, INC.

SCHEDULE 02 TO
EQUIPMENT FINANCING AGREEMENT NUMBER 10809
BETWEEN
INTUITIVE SURGICAL, INC., AS DEBTOR
AND
LEASE MANAGEMENT SERVICES, INC., AS SECURED PARTY

ATTACHED TO AND MADE A PART OF EQUIPMENT FINANCING AGREEMENT NUMBER 10809, BY AND BETWEEN SECURED PARTY AND DEBTOR ("AGREEMENT") WHICH IS INCORPORATED HEREIN BY THIS REFERENCE. SECURED PARTY AND DEBTOR HEREBY ACKNOWLEDGE THAT THE ITEMS OF EQUIPMENT DESCRIBED IN THIS SCHEDULE ARE COVERED BY THE AGREEMENT AND THAT THE FOLLOWING IS A DESCRIPTION OF SAID ITEMS, THE ADVANCE AMOUNT ON ACCOUNT THEREOF, THE INSTALLMENT PAYMENTS APPLICABLE THERETO, THE EQUIPMENT LOCATION THEREOF, AND, IF SPECIFIED, CERTAIN FURTHER RELATED INFORMATION.

1. EQUIPMENT DESCRIPTION: See attached Exhibit "A"

2. PROCEEDS AMOUNT: $643,873.48

3. INSTALLMENT PAYMENTS: Except as otherwise provided in the agreement or in this Schedule, the undersigned Debtor promises to repay the Advance Amount, with interest as follows:

$16,857.00 per month due on the first day of each month for Forty-Two (42) consecutive months, beginning on February 1, 1998, followed by a payment of $96,581.00 on August 1, 2001.

4. EQUIPMENT LOCATION: 1340 W. Middlefield Road
Mountain View, CA 94043

5. OTHER PROVISIONS: N/A

Dated: 2/6/98

DEBTOR:	SECURED PARTY:
INTUITIVE SURGICAL, INC.	LEASE MANAGEMENT SERVICES, INC.
By: /s/ LONNIE M. SMITH	By: /s/ BARBARA B. KAISER
	Barbara B. Kaiser
Title: CFO	Title: EVP/General Manager

EXHIBIT 10.7

- ---

HELLER FINANCIAL

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is entered into as of the 20 day of May, 1999, by and between INTUITIVE SURGICAL, INC., a Delaware corporation ("Debtor"), whose business address is 1340 W. Middlefield Rd., Mountain View, CA 94043 and HELLER FINANCIAL LEASING, INC., a Delaware corporation ("Secured Party"), whose address is Commercial Equipment Finance Division, 500 West Monroe Street, Chicago, Illinois 60661.

WITNESSETH:

1. Secure Payment. To secure payment of indebtedness in the principal sum of up to One Million Five Hundred Thousand and 00/100 Dollars ($1,500,000.00) as evidenced by a note or notes executed and delivered by Debtor to Secured Party (the "Notes") and any obligations arising under this Agreement, and also to secure any other indebtedness or liability of Debtor to Secured Party, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and no matter how acquired by Secured Party, including all future advances or loans which may be made at the option of Secured Party (all the foregoing hereinafter called the "Indebtedness"), Debtor hereby grants and conveys to Secured Party a first priority continuing lien and security interest in the personal property described on any schedule(s) now or hereafter attached to or made a part hereof by reference hereto (the "Schedules"), all products and proceeds (including insurance proceeds) thereof, if any, and all substitutions, replacements, attachments, additions, and accessions thereto (all of the foregoing hereinafter called the "Collateral.") The Schedules may be supplemented from time to time to evidence the Collateral subject to this Agreement.

Debtor shall request in writing each advance of principal under the Notes, which request shall be satisfactory to Secured Party in form and substance. Each advance shall be on and subject to the terms and conditions set forth in this Agreement and shall otherwise be at Secured Party's sole discretion. Amounts advanced and repaid may not be reborrowed.

2. Representations, Warranties and Covenants. Except as otherwise provided, each representation and warranty made by Debtor in this

Agreement shall be true, correct and complete as of the date of this Agreement and as of the date of each advance of funds under a Note. Debtor hereby represents, warrants and covenants as follows:

(a) Perform Obligations. Debtor shall pay as and when due all Indebtedness secured by this Agreement and perform all of the obligations contained in this Agreement according to its terms. Debtor shall use the loan proceeds for business uses and not for personal, family, household, or agricultural uses.

(b) Perfection. This Agreement and all necessary Uniform Commercial Code filings together create a valid, perfected and first priority continuing lien and security interest in the Collateral, securing the payment and performance of the Indebtedness, and all filings and other actions necessary or desirable to create, perfect and protect such security interest have been or will be duly taken.

(c) Collateral Free and Clear. Except as may be set forth on a Schedule, the Collateral is and shall remain free and clear of all liens, claims, charges, encumbrances and other security interests of any kind (other than the security interest granted hereby). Debtor shall defend the title to the Collateral against all persons and against all claims and demands whatsoever.

(d) Possession and Operating Order of the Collateral. Debtor shall retain possession of the Collateral at all times and shall not sell, exchange, assign, loan, deliver, lease, mortgage, or otherwise dispose of the Collateral or any part thereof without the prior written consent of Secured Party. Debtor shall at all times keep the Collateral at the location[s] specified on the Schedules (except for removals thereof in the usual course of business for temporary periods). At Debtor's sole cost and expense, Debtor shall keep the Collateral in good repair and condition and shall not misuse, abuse, waste or otherwise allow it to deteriorate, except for normal wear and tear. Secured Party may verify any Collateral in any reasonable manner which Secured Party may consider appropriate, and Debtor shall furnish all reasonable assistance and information and perform any acts which Secured Party may reasonably request in connection therewith.

(e) Insurance. Debtor shall insure the Collateral against loss by fire (including extended coverage), theft and other hazards, for its full insurable value including replacement costs, with a deductible not to exceed Fifty Thousand and 00/100 Dollars ($50,000.00) per occurrence and without co-insurance. In addition, Debtor shall obtain liability insurance covering liability for bodily injury, including death and property damage, in an

amount of at least Five Million and 00/100 Dollars ($5,000,000.00) per occurrence or such greater amount as may comply with general industry standards, or in such other amounts as Secured Party may otherwise require. All policies of insurance required hereunder shall be in such form, amounts, and with such companies as Secured Party may approve; shall provide for at least thirty (30) days prior written notice to Secured Party prior to any modification or cancellation thereof; shall name Secured Party as loss payee or additional insured, as applicable, and shall be payable to Debtor and Secured Party as their interests may appear; shall waive any claim for premium against Secured Party; and shall provide that no breach of warranty or representation or act or omission of Debtor shall terminate, limit or affect the insurers' liability to Secured Party. Certificates of insurance or policies evidencing the insurance required hereunder along with satisfactory proof of the payment of the premiums therefor shall be delivered to Secured Party. Debtor shall give immediate written notice to Secured Party and to insurers of loss or damage to the Collateral and shall promptly file proofs of loss with insurers. Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact, coupled with an interest, for the purpose of obtaining, adjusting and canceling any such insurance and endorsing settlement drafts. Debtor hereby assigns to Secured Party, as additional security for the Indebtedness, all sums which may become payable under such insurance.

In the event Debtor fails to provide Secured Party with evidence of the insurance coverage required by this Agreement, Secured Party may purchase insurance at Debtor's expense to protect Secured Party's interests in the Collateral. This insurance may, but need not, protect Debtor's interests. The coverage purchased by Secured Party may not pay any claim made by Debtor or any claim that is made against Debtor in connection with the Collateral. Debtor may later cancel any insurance purchased by Secured Party, but only after providing Secured Party with evidence that Debtor has obtained insurance as required by this Agreement. If Secured Party purchases insurance for the Collateral, Debtor will be responsible for the costs of that insurance, including interest and other charges imposed by Secured Party in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Indebtedness. The costs of the insurance may be more than the cost of insurance Debtor is able to obtain on its own.

(f) If Collateral Attaches to Real Estate. If the Collateral or any part thereof has been attached to or is to be attached to real estate, an accurate description of the real estate and the name and address of the record owner is set forth on the Schedules. Debtor shall, on demand of Secured Party, furnish Secured Party with a disclaimer or waiver of any interest in any such

Collateral satisfactory to Secured Party and signed by all persons having an interest in the real estate. Notwithstanding the foregoing, the Collateral shall remain personal property and shall not be affixed to realty without the prior written consent of Secured Party.

(g) Financial Statements. Debtor shall furnish to Secured Party, as soon as practicable, and in any event within thirty (30) days after the end of each fiscal month Debtor's unaudited financial statements including in each instance, balance sheets, income statements, and statements of cash flow, on a consolidated and consolidating basis, as appropriate, and separate profit and loss statements as of and for the quarterly period then ended and for the respective person's fiscal year to date, prepared in accordance with generally accepted accounting principles, consistently applied ("GAAP"). Debtor shall also furnish to Secured Party, as soon as practicable, and in any event within one hundred twenty (120) days after the end of each fiscal year, Debtor's annual audited financial statements, including balance sheets, income statements and statements of cash flow for the fiscal year then ended, on a consolidated and consolidating basis, as appropriate, which have been prepared by its independent accountants in accordance with GAAP. Such audited financial statements shall be accompanied by the independent accountant's opinion, which opinion shall be in form generally recognized as "unqualified".

(h) Authorization. Debtor is now, and will at all times remain, duly licensed, qualified to do business and in good standing in every jurisdiction where failure to be so licensed or qualified and in good standing would have a material adverse effect on its business, properties or assets. The execution and delivery of this Agreement, the Notes and any other documents and instruments executed contemporaneously with or delivered pursuant to this Agreement and the Notes, all as amended from time to time (collectively the "Loan Documents"), have been duly authorized by Debtor and constitute the legal, valid, and binding obligations of Debtor, enforceable against Debtor in accordance with their respective terms. Debtor shall preserve and maintain its existence and shall not wind up its affairs or otherwise dissolve. Debtor shall not, without thirty (30) days prior written notice to Secured Party, (1) change its name or so change its structure such that any financing statement or other record notice becomes misleading or (2) change its principal place of business or chief executive or accounting offices from the address stated herein.

(i) Litigation. Except as disclosed by Debtor on a Schedule, there are no judgments outstanding against or affecting Debtor, its officers, directors or affiliates or any part of the Collateral and there are no actions, charges, claims, demands, suits, proceedings, or investigations pending or threatened

against Debtor or otherwise affecting any part of the Collateral ("Litigation"). Debtor shall furnish to Secured Party all information regarding any material Litigation as Secured Party shall reasonably request and in any event shall promptly notify Secured Party in writing of any Litigation against it which if decided against it would materially and adversely affect the finances or operations of Debtor. For the purposes of this subsection 2(i), Five Hundred Thousand and 00/100 Dollars ($500,000.00) shall be deemed material.

(j) No Conflicts. Debtor is not in violation of any material term or provision of its by-laws, or of any material agreement or instrument, decree, order, or any statute, rule, or governmental regulation applicable to it. The execution, delivery, and performance of the Loan Documents do not and will not violate, constitute a default under, or otherwise conflict with any such term or provision or result in the creation of any security interest, lien, charge, or encumbrance upon any of the properties or assets of Debtor, except for the security interest created hereunder.

(k) Compliance with Laws. Debtor shall use and maintain the Collateral in accordance with all applicable laws, regulations, ordinances, and codes and shall otherwise comply in all material respects with all applicable laws, rules, and regulations and duly observe all valid requirements of all governmental authorities, and all statutes, rules and regulations relating to its business as now in effect and which may be imposed in the future.

(l) Taxes. Debtor has timely filed all tax returns (federal, state, local, and foreign) required to be filed by it and has paid or established reserves for all taxes, assessments, fees, and other governmental charges in respect of its properties, assets, income and franchises. Debtor shall promptly file, pay and discharge all taxes, assessments, license fees (related to the Collateral) and other governmental charges prior to the date on which penalties are attached thereto, establish adequate reserves for the payments of such taxes, assessments, and other governmental charges and make all required withholding and other tax deposits, and, upon request, provide Secured Party with receipts or other proof that any or all of such taxes, assessments, license fees or governmental charges have been paid in a timely fashion; provided, however, that nothing contained herein shall require the payment of any tax, assessment, or other governmental charge so long as its validity is being diligently contested in good faith and by appropriate proceedings diligently conducted and Debtor has established cash reserves therefor in accordance with GAAP. Should any stamp, excise, or other tax, including mortgage, conveyance, deed, intangible, or recording taxes become payable in connection with or respect of any of the Loan Documents, Debtor shall pay the same (including interest and penalties, if any) and shall hold Secured Party harmless with respect thereto.

(m) Environmental Laws/Compliance. Except as disclosed by Debtor on a Schedule, Debtor (1) has not received any claim, summons, complaint, order, or other notice that it is not in compliance with, or that any public authority is investigating its compliance with, any federal, state, and local laws, rules, regulations, orders, and decrees relating to pollution, hazardous substances, waste, disposal or the protection of human health or safety, plant life or animal life, natural resources or the environment, all as amended from time to time (collectively, "Environmental Laws"), (2) has no knowledge of any material violation of any Environmental Laws on or about its assets or property, and (3) is not under any current clean up or other remediation program or order. Debtor has obtained all environmental, health and safety permits necessary for the operation of Debtor's business. Debtor is and shall remain in compliance, in all respects, with the terms and conditions of all permits and with all applicable Environmental Laws. Debtor shall provide Secured Party, promptly following receipt, copies of any correspondence, notice, complaint, order, or other document that it receives asserting or alleging a circumstance or condition which requires or may require a cleanup, removal, remedial action or other response by or on the part of Debtor under any Environmental Laws, or which seeks damages or civil, criminal or punitive penalties from Debtor for an alleged violation of any Environmental Laws. Debtor will promptly notify Secured Party of any release, spill or material change in the nature or extent of any hazardous substances or contaminants used, transported or stored by Debtor or any subsidiary of Debtor, and allow no material change in the use thereof or of Debtor's operations that would increase in any material amount the risk of violation of any Environmental Laws without the express prior written approval of Secured Party.

(n) Regulations. No proceeds of the loans or any other financial accommodation hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, as that term is defined in Regulations G, T, U, X of the Board of Governors of the Federal Reserve System.

(o) Books and Records. Debtor shall maintain, at all times, true and complete books and records in accordance with GAAP and consistent with those applied in the preparation of Debtor's financial statements. At all reasonable times, upon reasonable notice, and during normal business hours, Debtor shall permit Secured Party or its agents to audit, examine and make extracts from or copies of any of its books, ledgers, reports, correspondence, and other records relating to the Collateral.

(p) Setoff. Without limiting any other right of Secured Party, whenever Secured Party has the right to declare any Indebtedness to be immediately due and payable (whether or not it has so declared), Secured Party is hereby authorized at any time and from time to time to the fullest extent permitted by law, but shall not be obligated to, set off and apply against any and all Indebtedness, any and all monies then or thereafter owed to Debtor by Secured Party, whether or not the obligation to pay such monies owed by Secured Party is then due. An election by Secured Party to exercise its right of setoff shall be effective immediately upon such election even though any charge therefor is made or entered on Secured Party's records subsequent thereto.

(q) Standard of Care; Notice of Claims. Debtor acknowledges and agrees that Secured Party shall not be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than as a sole and direct result of Secured Party's gross negligence or willful misconduct. Debtor shall give Secured Party written notice of any action or inaction by Secured Party or any agent or attorney of Secured Party that may give rise to a claim against Secured Party or any agent or attorney of Secured Party or that may be a defense to payment of the Indebtedness or performance hereunder for any reason, including commission of a tort (subject, in any event, to the first sentence of this paragraph) or violation of any contractual duty or duty implied by law. Debtor agrees that unless such notice is fully given as promptly as possible (and in any event within thirty (30) days) after Debtor has knowledge, or with the exercise of reasonable diligence should have had knowledge, of any such action or inaction, Debtor shall not assert, and Debtor shall be deemed to have waived, any claim or defense arising therefrom.

(r) Indemnity. Debtor shall indemnify, defend and hold Secured Party, its parent, affiliates, officers, directors, agents, employees, consultants, persons engaged by Secured Party to evaluate or monitor the Collateral, auditors and attorneys harmless from and against any loss, cost, expense (including reasonable attorneys' fees and costs and any consultants' or other experts' fees and expenses), damage, penalty, fine, claim, lien, suit, judgment or liability of every kind and nature arising directly or indirectly out of (i) any Loan Document, (ii) the ownership, possession, lease, operation, use, condition, sale, return, or other disposition of the Collateral, except to the extent the loss, expense, damage or liability arises solely and directly from Secured Party's gross negligence or willful misconduct, (iii) any Environmental Laws, and (iv) the enforcement by Secured Party of its rights or remedies hereunder. Any payments required to be made hereunder shall be due and payable on demand.

(s) Payments Set Aside. If any payment is made to Secured Party or Secured Party enforces its security interest or exercises its right of set off, and such payment or part, or any proceeds of such enforcement or set off are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Indebtedness or part thereof originally intended to be satisfied, and all liens, security interests, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set off had not occurred.

(t) Expenses and Attorneys' Fees. Debtor shall be liable for all charges, costs, expenses and attorneys' fees incurred by Secured Party (including allocated costs of internal counsel): (i) in perfecting, defending, protecting or terminating its security interest in the Collateral, or any part thereof; (ii) in the negotiation, execution, delivery, administration, amendment or enforcement of the Loan Documents or the collection of any amounts due under any Note or other Loan Document; (iii) in any lawsuit or other legal proceeding in any way connected with any of the Loan Documents, including any contract or tort or other actions, any arbitration or other alternative dispute resolution proceeding, all appeals and judgment enforcement actions and any bankruptcy proceeding (including any relief from stay and/or adequate protection motions, cash collateral disputes, assumption/rejection motions and disputes or objections to any proposed disclosure statement or reorganization plan).

(u) Complete Information. No representation or warranty made by Debtor in any Loan Document and no other document or statement now or hereafter furnished to Secured Party by or on behalf of Debtor contains or will contain any misstatement of a material fact or omit to state any material fact which would make the statements contained therein misleading. Except as expressly set forth in the Schedules, there is no fact known to Debtor that has or could have a materially adverse affect on the business, operation, condition (financial or otherwise), performance, properties or prospects of Debtor or Debtor's ability to timely pay all of the Indebtedness and perform all of its other obligations contained in or secured by this Agreement.

(v) Collateral Documentation. Debtor shall deliver to Secured Party prior to any advance, satisfactory documentation regarding the Collateral to be financed, including such invoices, canceled checks evidencing payments, or other documentation as may be reasonably requested by Secured Party. Additionally, Debtor shall satisfy Secured Party that Debtor's business and

financial information is as has been represented and there has been no material change in Debtor's business, financial condition, or operations.

(w) Year 2000 Compliance. Debtor has made an assessment of the microchip and computer-based systems and the software used in its business and based upon such assessment believes that it will be "Year 2000 Compliant" by January 1, 2000. For purposes of this paragraph, "Year 2000 Compliant" means that all software, embedded microchips and other processing capabilities utilized by, and material to the business operations or financial condition of, Debtor are able to interpret, store, transmit, receive and manipulate data on and involving all calendar dates correctly and without causing any abnormal ending scenarios in relation to dates in and after the Year 2000. From time to time, at the request of Secured Party, Debtor shall provide to Secured Party such updated information as is requested regarding the status of its efforts to become Year 2000 Compliant.

3. Prepayment. Upon forty-five (45) days prior written notice to Secured Party, Debtor may prepay in whole, but not in part, the then entire unpaid principal balance of any Note, together with all accrued and unpaid interest thereon to the date of such prepayment, provided that in addition to such prepayment, Debtor shall pay (i) any and all other sums then due under any of the Loan Documents, and (ii) a prepayment fee as liquidated damages and not as a penalty, in a sum equal to one percent (1%) of the principal balance prepaid for each full or partial twelve (12) month period by which the date of the prepayment precedes the scheduled date of the final installment of principal under the Note. The prepayment fee described in clause (ii) above shall also be due upon the acceleration of the maturity date of any Note following the occurrence of any Event of Default.

4. Events of Default. If any one of the following events (each of which is herein called an "Event of Default") shall occur: (a) Debtor fails to pay any part of the Indebtedness within ten (10) calendar days of its due date, or (b) any warranty or representation of Debtor in any Loan Document is materially untrue, misleading or inaccurate, or (c) Debtor breaches or defaults in the performance of any other agreement or covenant under any Loan Document, or (d) Debtor breaches or defaults in the payment or performance of any debt or other obligation owed by it to Secured Party or any affiliate of Secured Party, and Secured Party has (without being obligated to do so) declared such event, an Event of Default hereunder, or (e) Debtor breaches or defaults in the payment or performance of any debt or other obligation, whether now or hereafter existing, with an outstanding principal balance in excess of One Million and 00/100 Dollars ($1,000,000.00), and the same is subsequently accelerated, or (f) there shall be a change in the beneficial ownership and control, directly or indirectly, of the majority of the

outstanding voting securities or other interests entitled (without regard to the occurrence of any contingency) to elect or appoint members of the board of directors or other managing body of Debtor (a "change of control"), or there is any merger, consolidation, dissolution, liquidation, winding up or sale or other transfer of all or substantially all of the assets of Debtor pursuant to which there is a change of control or cessation of Debtor or the business of Debtor, or (g) any money judgment is entered or filed against Debtor in excess of One Million and 00/100 Dollars ($1,000,000.00), or (h) Debtor shall file a voluntary petition in bankruptcy, shall apply for or permit the appointment by consent or acquiescence of a receiver, conservator, administrator, custodian or trustee for itself or all or a substantial part of its property, shall make an assignment for the benefit of creditors or shall be unable, fail or admit in writing its inability to pay its debts generally as such debts become due, or (i) there shall have been filed against Debtor an involuntary petition in bankruptcy or Debtor shall suffer or permit the involuntary appointment of a receiver, conservator, administrator, custodian or trustee for all or a substantial part of its property or the issuance of a warrant of attachment, diligence, execution or similar process against all or any substantial part of its property; unless, in each case, such petition, appointment or process is fully bonded against, vacated or dismissed within forty-five (45) days from its effective date, but no later than ten (10) days prior to any proposed disposition of any assets pursuant to any such proceeding, or (j) if there is a material adverse change in the business or financial condition or prospects of Debtor or (k) if any of the events or circumstances described on the attached Exhibit A, which is hereby incorporated herein, shall occur or exist, then, and in any such event, Secured Party shall have the right to exercise any one or more of the remedies hereinafter provided.

5. Remedies. Upon the occurrence of an Event of Default, in addition to all rights and remedies of a secured party under the Uniform Commercial Code, Secured Party may, at its option, at any time (a) declare the Indebtedness to be immediately due and payable; (b) without demand or legal process, enter the premises where the Collateral may be found and take possession of and remove the Collateral, all without charge to or liability on the part of Secured Party; or (c) require Debtor to assemble the Collateral, render it unusable, and crate, pack, ship, and deliver the Collateral to Secured Party in such manner and at such place as Secured Party may require, all at Debtor's sole cost and expense. DEBTOR HEREBY EXPRESSLY WAIVES ITS RIGHTS, IF ANY, TO (1) PRIOR NOTICE OF REPOSSESSION AND (2) A JUDICIAL OR ADMINISTRATIVE HEARING PRIOR TO SUCH REPOSSESSION. Secured Party may, at its option, ship, store and repair the Collateral so removed and sell any or all of the Collateral at a public or private sale or sales. Unless the Collateral is perishable or threatens to decline speedily in

value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made, it being understood and agreed that Secured Party may be a buyer at any such sale and Debtor may not, either directly or indirectly, be a buyer at any such sale. The requirements, if any, for reasonable notice will be met if such notice is mailed postage prepaid to Debtor at its address shown above, at least five (5) days before the time of sale or disposition. After any such sale or disposition, Debtor shall be liable for any deficiency of the Indebtedness remaining unpaid, with interest thereon at the rate set forth in the related Notes.

6. Cumulative Remedies/Marshaling. All remedies of Secured Party hereunder are cumulative, are in addition to any other remedies provided for by law or in equity, or under any other provision of any of the Loan Documents, or under the provisions of any other document, instrument or other writing executed by Debtor or any third party in favor of Secured Party, all of which may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed an election of such remedy or to preclude the exercise of any other remedy. No failure on the part of Secured Party to exercise, and no delay in exercising any right or remedy, shall operate as a waiver thereof or in any way modify or be deemed to modify the terms of this Agreement or any other Loan Document or the Indebtedness, nor shall any single or partial exercise by Secured Party of any right or remedy preclude any other or further exercise of the same or any other right or remedy. Secured Party shall not be under any obligation to marshal any assets in favor of Debtor or any other person or against or in payment of any or all of the Indebtedness.

7. Assignment. Secured Party may transfer or assign all or any part of the Indebtedness and the Loan Documents without releasing Debtor or the Collateral, and upon such transfer or assignment the assignee or holder shall be entitled to all the rights, powers, privileges and remedies of Secured Party to the extent assigned or transferred. The obligations of Debtor shall not be subject, as against any such assignee or transferee, to any defense, set-off, or counter-claim available to Debtor against Secured Party and any such defense, set-off, or counter-claim may be asserted only against Secured Party.

8. Time is of the Essence. Time and manner of performance by Debtor of its duties and obligations under the Loan Documents is of the essence. If Debtor shall fail to comply with any provision of any of the Loan Documents, Secured Party shall have the right, but shall not be obligated, to take action to address such non-compliance, in whole or in part, and all moneys spent and expenses and obligations incurred or assumed by Secured Party shall be

paid by Debtor upon demand and shall be added to the Indebtedness. Any such action by Secured Party shall not constitute a waiver of Debtor's default.

9. ENFORCEMENT. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. AT SECURED PARTY'S ELECTION AND WITHOUT LIMITING SECURED PARTY'S RIGHT TO COMMENCE AN ACTION IN ANY OTHER JURISDICTION, DEBTOR HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURT (FEDERAL, STATE OR LOCAL) HAVING SITUS WITHIN THE STATE OF ILLINOIS, EXPRESSLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO SERVICE BY CERTIFIED MAIL, POSTAGE PREPAID, DIRECTED TO THE LAST KNOWN ADDRESS OF DEBTOR, WHICH SERVICE SHALL BE DEEMED COMPLETED WITHIN TEN (10) DAYS AFTER THE DATE OF MAILING THEREOF.

10. Further Assurance; Notice. Debtor shall, at its expense, execute and deliver such documents and do such further acts as Secured Party may from time to time reasonably require to assure and confirm the rights created or intended to be created hereunder, to carry out the intention or facilitate the performance of the terms of the Loan Documents or to assure the validity, perfection, priority or enforceability of any security interest created hereunder. Debtor agrees to execute any instrument or instruments necessary or expedient for filing, recording, perfecting, notifying, foreclosing, and/or liquidating of Secured Party's interest in the Collateral upon request of, and as determined by, Secured Party, and Debtor hereby specifically authorizes Secured Party to prepare and file Uniform Commercial Code financing statements and other documents and to execute same for and on behalf of Debtor as Debtor's attorney-in-fact, irrevocably and coupled with an interest, for such purposes. All notices, required or otherwise given by either party shall be in writing and shall be delivered by hand, by registered or certified first class United States mail, return receipt requested, or by overnight courier to the other party at its address stated herein or at such other address as the other party may from time to time designate by written notice. All notices shall be deemed given when received, when delivery is refused or when returned for failure to be called for. Each provision of this Agreement shall remain in full force and effect until all of the Indebtedness is fully, finally and indefeasibly satisfied and, notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Debtor and Secured Party set forth in Sections 2(p), 2(r), 2(s), 2(t), 9 and 12 shall survive the full, final and indefeasible satisfaction of the Indebtedness.

11. Joint and Several Obligation. If this Agreement is executed by more than one person as Debtor, each such Debtor hereby acknowledges it is jointly and severally liable for and unconditionally guarantees the prompt

and full payment and performance of all obligations of each other Debtor hereunder and under the other Loan Documents.

12. WAIVER OF JURY TRIAL. DEBTOR AND SECURED PARTY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING IN CONNECTION WITH ANY OF THE LOAN DOCUMENTS. DEBTOR AND SECURED PARTY ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THE LOAN DOCUMENTS, AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. DEBTOR AND SECURED PARTY FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

13. Complete Agreement. The Loan Documents embody the entire agreement among the parties hereto superseding all prior commitments, agreements, representations, and understandings, whether written or oral relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. The Loan Documents may not be altered, modified or terminated in any manner except by a writing duly signed by the parties thereto. Debtor and Secured Party intend the Loan Documents to be valid and binding and no provisions hereof and thereof which may be deemed unenforceable shall in any way invalidate any other provisions of the Loan Documents, all of which shall remain in full force and effect. The Loan Documents shall be binding upon the respective successors, legal representatives, and assign, s of the parties. The Schedules are incorporated herein by this reference and made a part hereof.

IN WITNESS WHEREOF, Secured Party and Debtor have each signed this Agreement as of the day and year first above written.

HELLER FINANCIAL LEASING, INC., a Delaware corporation	INTUITIVE SURGICAL, INC. a Delaware corporation
By: /s/ Clifford A. Lehman	By: /s/ Susan Barnes
Name: Clifford A. Lehman	Name: Susan Barnes
Title: Senior Vice President	Title: CFO & Assistant Secretary

SCHEDULE

DESCRIPTION OF COLLATERAL

Description of Collateral (Full description including make, model and serial number):

SEE SCHEDULE A ATTACHED HERETO AND MADE A PART HEREOF

Place where Collateral is to be kept:

INTUITIVE SURGICAL, INC.
1340 WEST MIDDLEFIELD ROAD
MOUNTAIN VIEW, CA 94043

Other liens, encumbrances or security interests to which Collateral is or may be subject, if any:

NONE.

Other Collateral

NONE.

Other:

If Collateral is attached or to be attached to real estate, set forth:

Address of Real Estate (Including County, block number, lot number, etc.):

N/A

Record Owner of Real Estate (Name and Address):

N/A

If the real estate at which the Collateral is to be kept is leased:

Name and Address of Lessor of Real Estate:

N/A

SB
- -------------
Initials

EXHIBIT A

TO

SECURITY AGREEMENT

(ADDITIONAL EVENTS OF DEFAULT)

The following shall constitute Events of Default under the Security Agreement between Secured Party and Debtor, and upon its occurrence, Secured Party shall have the right to exercise any one or more of the remedies provided in the Security Agreement:

1. At any time (i) Debtor's net income before interest expense, income taxes, depreciation, amortization and extraordinary gains, as determined in accordance with GAAP ("EBITDA") as at the end of the most recent fiscal quarter of Debtor, is less than $2,500,000, and (ii) Debtor's cash and cash equivalents on hand, net of funded debt, is less than $10,000,000, and (iii) within thirty (30) days thereof, Debtor fails to provide Secured Party a cash security deposit (on terms satisfactory to Secured Party in its reasonable discretion) or stand-by letter of credit in form and substance and issued by a financial institution acceptable to Secured Party, in its reasonable discretion. (Secured Party agrees to review (in its sole discretion) any request from Debtor to release any pledged amounts or letter of credit provided by Debtor if Debtor's EBITDA exceeds $2,500,000 in any two consecutive fiscal quarters or Debtor's cash and cash equivalents on hand, net of funded debt, is more than $10,000,000.)

2. At any time Debtor's right to use any intellectual property licensed or otherwise provided to Debtor by International Business Machines, Inc. or Stanford Research Institute, or any successor thereto, shall be amended on material adverse terms or cease, whether by termination, expiration or cancellation or otherwise.

SB

SCHEDULE A
PAGE 1 OF 1

Schedule annexed to and made a part of a certain Security Agreement dated the 20th day of May, 1999, or related documentation by and between the undersigned.

Description of Collateral (Quantity; New/Used; Model; General Description; and if applicable, Engine and/or Serial Number), together with all products and proceeds (including insurance proceeds) thereof, any, and if all increases, substitutions, replacements, attachments, additions, and accessions thereto:

EQUIPMENT LOCATION: 1340 Middlefield Road, Mountain View, CA 94043

Qty.	General Description	Serial Number
5	Intuitive Surgical Development Surgical Systems	D1-10298, D2-10391, D3-10393, D4-10453, D5-10457

HELLER FINANCIAL LEASING, INC.,
Secured Party

By: /s/ Clifford A. Lehman

Name: Clifford A. Lehman

Title: Senior Vice President

INTUITIVE SURGICAL, INC.
Debtor

By: /s/ Susan Barnes

Name: Susan Barnes

Title: CFO and Assistant Secretary

Loan No: 1910193

FIRST AMENDMENT
TO
SECURITY AGREEMENT

1. Parties and Date. This First Amendment to Security Agreement (the "Amendment") is entered into effective as of September 23, 1999, by and between INTUITIVE SURGICAL, INC., a Delaware corporation ("Debtor"), and HELLER FINANCIAL LEASING, INC., a Delaware corporation ("Secured Party").

2. Facts. Debtor and Secured Party have entered into a certain Security Agreement dated May 20, 1999 (the "Security Agreement"). Debtor has requested and Secured Party has agreed that the Security Agreement be amended on the terms and conditions set forth in this Amendment. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Security Agreement. Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

3. Amendment to Security Agreement. Debtor and Secured Party hereby agree that the Security Agreement shall be and hereby is amended, as follows:

(i) The amount of One Million Five Hundred Thousand and 00/100 Dollars ($1,500,000.00) set forth in the second line of the first paragraph of Section 1 of the Security Agreement is hereby deleted and in place thereof is inserted the amount of Two Million Five Hundred Thousand and 00/100 ($2,500,000.00);

(ii) Addition of Collateral. Debtor hereby grants to Secured Party a valid and continuing first priority security interest in the equipment described on the attached Schedule A-2, which is hereby incorporated herein by this reference (the "New Collateral"), and Debtor and Secured Party agree that the New Collateral shall be covered by the Agreement as if the New Collateral were described on Schedule A to the Security Agreement dated May 20, 1999. Debtor shall, at its expense, do, execute and deliver such further acts and documents as Secured Party may from time to time reasonably require to assure and confirm the rights created or intended to be created hereunder and under the Agreement to carry out the intention or facilitate the performance of the terms of this Amendment, the Agreement and the Loan Documents (as defined in the Agreement) or to assure the validity, perfection, priority or enforceability of any title created thereunder. Debtor agrees to execute any instrument or instruments necessary or expedient for filing, recording, perfecting, notifying, foreclosing, and/or liquidating of Secured Party's title the equipment (including the New Collateral) upon request of, and as determined by Secured Party.

6. Acknowledgments, Ratifications and Reaffirmations by Debtor. Debtor hereby acknowledges, ratifies and reaffirms that (i) as of the date hereof no Event of Default has occurred or exists, (ii) Debtor has no defense, offset or counterclaim to any of Debtor's obligations under the Loan Documents, and (iii) the Notes, Security Agreement (as amended by this Amendment) and other Loan Documents are in full force and effect and are fully enforceable against Debtor in accordance with their respective terms.

7. Effectiveness of Loan Documents. Except as expressly amended by this Amendment, the Security Agreement, as well as the Notes and all of the other Loan Documents shall remain in full force and effect.

8. Entire Agreement. The parties acknowledge and agree that there are no other agreements or representations, either oral or written, express or implied, in connection with the Loans, that are not embodied in this Amendment, the Notes, the Security Agreement and the other Loan Documents, which, together represent a complete integration of all prior and contemporaneous agreements and understandings of Debtor and Secured Party in any way related to the Loans. The Security Agreement (as amended by this Amendment) may not be altered, modified or terminated in any manner except by a writing duly executed by Debtor and Secured Party. If any provision of the Security Agreement (as amended by this Amendment) is held to be invalid or unenforceable, the remaining provisions shall remain in effect without impairment.

IN WITNESS WHEREOF, Debtor and Secured Party have each executed this Agreement to be effective as of the day and year first above written.

"DEBTOR"	"SECURED PARTY"
INTUITIVE SURGICAL, INC., a Delaware corporation	HELLER FINANCIAL LEASING, INC., a Delaware corporation
By: /s/ Susan Barnes	By: /s/ Clifford A. Lehman
Name:	Name: Clifford A. Lehman
Title:	Title: Senior Vice President

SCHEDULE A-2
PAGE 1 OF 9

Schedule annexed to and made a part of a certain First Amendment to Security Agreement, dated the _____ day of September, 1999, to that certain Security Agreement No. 1910193, dated the 20th day of May, 1999, or related documentation by and between the undersigned.

Description of Collateral:

VENDOR	INVOICE #	ASSET DESCRIPTION
		LAB EQUIPMENT:
Newark Electronics		AMP Handtool Kit
X-Ray Connection	505	Lifepak 6S w/internal paddles
VWR Scientific	23105581, 23105590, 25524720	Utrasonic Pipette Cleaner
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	17038	Xantrex Power Supply
Test Equity	16140	Xantrex Power Supply
Test Equity	16140	Xantrex Power Supply
Test Equity	25889	Xantrex Power Supply
International Light	56582	Radiometer-4798
Alpha Marketing Services	00983951	Bookler Laproscopic Holder
Alpha Marketing Services	983918	Bookler Laproscopic Holder
Genzyme Surgical Products	98055106	Retractor, 80mm ang
Genzyme Surgical Products	98060953	Retractor, 80mm ang
Heartport	IN5519	Forceps, 25 Degree
Heartport	IN5519	Forceps, Str, Dbl Act
McMaster-Carr	5881613	Precision Drill Press, Belt Drive
Momentum Data Systems, Inc.	912216	ADSP-2181x EZ-ICE
Premier Vet Supply	289015	Vaporizer VIP 3000
Tektronix	MP417105, MP416556	Current Probe and Calibrator
Premier Vet Supply	288619	Anesthesia Machine
Digital and Analog Concepts	042299	7506660 Sentry 50
Momentum Data Systems, Inc.	912269	In Circuit Emulator
VWR Scientific Products	46015440	Over, Hafo, Medium
Mountz, Inc.	INV123064	M10-Ultra Torq Analyzer 110V

VENDOR	INVOICE #	ASSET DESCRIPTION
Mountz, Inc.	INV127062	S-320Z Torque Analyzer U.S. vers.
Ceibo	98013162	Circuit Emulator Development Sys.
		MANUF. EQUIPMENT:
Steven Engineering	193826-00	Panduit Pneum Crimper
Servicor	34353	Cleanroom Upgrades
Gardner Associates	227138	MPC Control Digital Dispenser
Danco Machine	I-44937	Inverse Clevis Align Swager Assy
Danco Machine	I-45014	Dist, Inv Fixture
Computer Modules, Inc.	21183	Cable Matrox
Test Equity	23670	Xantrex Power Supply
Servicor	34390	Cleanroom Upgrades
Intermec	1320059	Decoded Wired Wedge
Intermec	1320059	Decoded Wired Wedge
Intermec	1320059	Decoded Wired Wedge
Intermec	1320059	Decoded Wired Wedge
ArrK Product Development	6704702-DA	Part #311092/311884
Bracker Corporation	53310	Custom Riveting Fixture
Quadravox	8889	Power Supply #QV402P
Ronnigen R&D	060544	Engineering Change Samples
Van Drielen Machine	81015.1	Body, 7075 aluminum
Bracker Corporation	52735	Bracker Radial Riveter
Thermal Technologies	0010131-IN	Machining Fixture
Nexlogic Technologies	4478	6 Layers Fabrication-720225-01
Danco Machine	I-45218	Base Plate, Cube, Carrier
Almar Manufacturing & Eng	013443	Base Plate, Bearing Press, SUJ
Westcor c/o Taarcom	128478	Power Supply-PM1-02-514
Nextlogic Technologies	4513	6 Layer Fabrication #720255/NRE
Acme Scale Co.	0987957-IN	Torque Gauge w/Sensor
Ronnigen R&D	061838	Engineering Change
Steven Engineering	283064-00	Panduit Cimpring Tool
Steven Engineering	193826-00	Panduit Pneum Crimper
Precision Interconnect	438061	Eng change for new crimp contacts
National Instruments	517157	DAQPAD for USB Cable
Danco Machine	I-44238	Dance Part 720195
Danco Machine	I-44238	720157 Assy

SCHEDULE A-2
PAGE 3 OF 9

VENDOR	INVOICE #	ASSET DESCRIPTION
White Mountain DSP	3264	MTN-ICE JTAG EMU & POD
White Mountain DSP	3264	MTN-ICE JTAG EMU & POD
Ronningen R&D	060039	Eng. Change for Chassis
Foam Molders & Specialties	00095600	Single Cav Mold M1298-502
Acme Scale Co.	0989844-IN	Motorized Test Stand
Danco Machine	1-43305	Dance Part #720132-720134
Dependable Plastics	DEP09-02	Cover Tooling
Dependable Plastics	21077	Cover Tooling
Bay Area Shelving, Inc.	49264	Rivetier Shelf
Axiom Medical, Inc.	0523911-IN	Mold Part #330179 & 330183
Ronningen R&D	62153	Eng Change part #340000-07
Data I/O	207024	Optima S120/S207L
Bracker Corporation	52379/prepayment	Bracker Radial Riveter
General Foundry	08778	Cover Base/Top Link ECM
Thermal Technology	0010089-IN	Production Mold
Thermal Technology, Inc.	0010146, 0010112	Production Mold for part #330000
Dependable Plastics	DEP09-01	Cover Tooling
General Foundry	08697	Footpad, console
Thermal Technology, Inc.	0010170/0010126	Tooling for part #330122-05
Thermal Technology, Inc.	0010169-IN	Production Mold for part #330001
Thermal Technology	0010088-IN	Production Mold
Dependable Plastics	21108	Cover Tooling
Thermal Technology	0010078-IN	Production Mold
Thermal Technology, Inc.	0010147-IN	Production Mold for part #330133
Precision Tool Distributors	204775	Ram Sprint 200, Z-Axis scale
General Foundry	08779	Link Vertical/Base ECM
Freetech Plastics	31293	Cover HRSV Mold
		COMP. EQUIPMENT
Total Corporate Svcs	051535	17" Color Monitor
Total Corporate Svcs	051535	17" Color Monitor
Total Corporate Svcs	46466	17" Color Monitor
Total Corporate Svcs	46466	17" Color Monitor
Total Corporate Svcs	46466	17" Color Monitor
Total Corporate Svcs	48373	17" Color Monitor
Total Corporate Svcs	48373	17" Color Monitor

VENDOR	INVOICE #	ASSET DESCRIPTION
Total Corporate Svcs	48373	17" Color Monitor
Total Corporate Svcs	48373	17" Color Monitor
Total Corporate Svcs	48370	17" Color Monitor
Total Corporate Svcs	48370	17" Color Monitor
Total Corporate Svcs	48370	17" Color Monitor
Total Corporate Svcs	48370	17" Color Monitor
Total Corporate Svcs	48370	17" Color Monitor
Octave Systems Inc.		Yamaha CDR400T
Total Corporate Svcs	050797	Laserjet 6PXI 8 PPM
Fry's Electronics		HP C3980A Laserjet 6P Printer with Cable
Office Max		HP Laserjet 6P Printer with Cable
Total Corporate Svcs	051535	19" Color Monitor
Total Corporate Svcs	051535	19" Color Monitor
Total Corporate Svcs	049056	19" Color Monitor
Total Corporate Svcs	050797	19" Color Monitor
The Mac Zone - France		Sony Monitor
Global Network Resources	981145	19" Color Monitor
Total Corporate Svcs	45566	19" Color Monitor
Total Corporate Svcs	46420	19" Color Monitor
Total Corporate Svcs	46420	19" Color Monitor
Total Corporate Svcs	46421	19" Color Monitor
Total Corporate Svcs	46422	19" Color Monitor
Total Corporate Svcs	46422	19" Color Monitor
Total Corporate Svcs	46466	19" Color Monitor
Total Corporate Svcs	46776, 46820	Okidata printer w/tractor
Global Network Resources	980430	Sony 20"Color Monitor
Total Corporate Svcs	049208	Laserjet 4000N w/Enet
Total Corporate Svcs	47351	Anchorage Pentium MMX
Total Corporate Svcs	46110	20" Color Monitor
Total Corporate Svcs	46569	20" Color Monitor
Total Corporate Svcs	44370	19" Color Monitor
Total Corporate Svcs	44370	19" Color Monitor
Total Corporate Svcs	44370	19" Color Monitor
Total Corporate Svcs	44370	19" Color Monitor
Total Corporate Svcs	49399	ML395 24-pin Printer
Int'l Computing Sys	3354	Viewsonic GA10 21" Monitor

SCHEDULE A-2
PAGE 5 OF 9

VENDOR	INVOICE #	ASSET DESCRIPTION
Total Corporate Svcs	47188	Laserjet 4000N w/ENET
Total Corporate Svcs	47188	Laserjet 4000N w/ENET
Total Corporate Svcs	47188	Laserjet 4000N w/ENET
Total Corporate Services		Total Corporate Services Computer Workstation - J. Stern
Dell Catalog Sales		Dell DIS, MSCN, CLR, 20, D, D 2026T-HS, US
Global Source Line		Viewsonic PT813 Monitor
Global Source Line		Viewsonic PT813 Monitor
Global Source Line		Viewsonic PT813 Monitor
Total Corporate Svcs	48373	21" Color Monitor
Total Corporate Svcs	48373	21" Color Monitor
International Computing System		Pentium 166MHz Computer System
Total Corporate Svcs	46059	21" Color Monitor
Total Corporate Svcs	46466	20" Color Monitor
Total Corporate Svcs	45878	20" Color Monitor
Total Corporate Svcs	45878	20" Color Monitor
Total Corporate Svcs	46466	20" Color Monitor
Total Corporate Svcs	44370	21" Color Monitor
Total Corporate Svcs	43653	Color Monitor 20"
Total Corporate Svcs	37312	Color Monitor 20"
Total Corporate Svcs	33010	Color Monitor 20"
Total Corporate Svcs	33010	Color Monitor 20"
Total Corporate Svcs	33010	Color Monitor 20"
Total Corporate Svcs	48258	Atlanta Pentium II AL440LX
Total Corporate Svcs	48258	Atlanta Pentium II AL440LX
Total Corporate Svcs	48258	Atlanta Pentium II AL440LX
Total Corporate Svcs	48258	Atlanta Pentium II AL440LX
Total Corporate Svcs	34699	Color Monitor 20"
Total Corporate Svcs	34699	Color Monitor 20"
Total Corporate Svcs	34699	Color Monitor 20"
Total Corporate Svcs	48257	Atlanta Pentium II AL440LX
I-O Solutions	18575	105SE w/rewind
Int'l Computing Sys	3378	Pent 166 Computer, 15" Monitor
Total Corporate Svcs	051531	Atlanta Pentium II AL440LX
Total Corporate Svcs	051531	Atlanta Pentium II AL440LX
Total Corporate Svcs	051531	Atlanta Pentium II AL440LX
Total Corporate Svcs	051531	Atlanta Pentium II AL440LX

VENDOR	INVOICE #	ASSET DESCRIPTION
Total Corporate Svcs	051543	Atlanta Pentium II AL440LX
Total Corporate Svcs	060668	PII 230 SE440BX2 (no monitor)
ComputerWare (Svetcov)		Power Mac G3/266
International Computing System		International Computing System Workstation
Total Corporate Svcs	060088	PII 230 SE440BX2 (no monitor)
Total Corporate Svcs	45992	Atlanta Pentium II AL440LX
Total Corporate Svcs	47014	Atlanta Pentium II AL440LX
Total Corporate Svcs	45992	Atlanta Pentium II AL440LX
Total Corporate Svcs	45992	Atlanta Pentium II AL440LX
Total Corporate Svcs	45992	Atlanta Pentium II AL440LX
Total Corporate Svcs	46270	Atlanta Pentium II AL440LX
Total Corporate Svcs	46270	Atlanta Pentium II AL440LX
Total Corporate Svcs	47014	Atlanta Pentium II AL440LX
Total Corporate Svcs	47014	Atlanta Pentium II AL440LX
Total Corporate Svcs	47014	Atlanta Pentium II AL440LX
Total Corporate Svcs	47014	Atlanta Pentium II AL440LX
Int'l Computing Sys	3366	Pent 166 Computer, 17" Monitor
Dell Catalog Sales		Dell Dimension XPS 200MHz Workstation
Dell Catalog Sales		Dell Dimension XPS 200MHz Workstation
Total Corporate Svcs	051475	Seattle Pentium II SE440BX
Total Corporate Svcs	46288	Atlanta Pentium II AL440LX
Total Corporate Svcs	45993	Atlanta Pentium II AL440LX
Total Corporate Svcs	46288	Atlanta Pentium II AL440LX
Total Corporate Svcs	46288	Atlanta Pentium II AL440LX
CDW Computer Centers	AI51604	Toshiba Tecra 8000 6GB 64MB
Total Corporate Svcs	45387	Atlanta Pentium II AL440FX
CDW Computer Centers	AN71484	Toshiba Tecra 8000 6GB 64MB
CDW Computer Centers	AO87440	Toshiba Tecra 8000 6GB 64MB
CDW Computer Centers	AK66160	Toshiba Tecra 8000 6GB 64MB
Office Depot	7540482	UPS, Backup, Pro 650, lot of 10
Fry's Electronics, Svetcov	Svetcov	Video Tape Header/Cleaner
CDW Computer Centers	AC78638	Toshiba Tecra 8000 6GB 64MB
CDW Computer Centers	AF14171, AF40345, AI15157	Toshiba Tecra 8000 6GB 64MB
Dell Catalog Sales		Dell Dimension XPS H266MHz Computer System
Total Corporate Svcs	059932	Tecra8000 PII266

SCHEDULE A-2
PAGE 7 OF 9

VENDOR	INVOICE #	ASSET DESCRIPTION
Total Corporate Svcs	059353	Nightshade Dual PII N440BX
Total Corporate Svcs	061553	Laserjet 8100 DN
The Mac Zone - France	FA/CA005624	Toshiba Tecra 550CDT P266
Total Corporate Svcs	38301	Toshiba 660CD 20" Monitor
Total Corporate Svcs	051766	550CDT P266MMX System
CDW Computer Centers	9524248	Toshiba 32MB 4000
Powercom	9709	USA & FRANCE Intraport 2
CDW Computer Centers	AC50414	Toshiba Tecra 8000 6GB 64MB
NetPower	6617	Symetra Work Station
CDW Computer Centers	AC30013/AC37457/AC78574	Toshiba 8000 6GB 64MB
Dell	251037610	Dell Dimension 433MHZ 8MB
Netpower	6060	Symetra Workstation
Total Corporate Svcs	6403	Symetra Workstation
Netpower	6060	Symetra Workstation
Netpower	6060	Symetra Workstation
Network Appliance	20051	Dual-Channel SCSI adapter
Dell	232233817	Dell Power Edge 4300
Total Corporate Services	31204	Toshiba Computer System (2 of 3) 660CDT
		OFFICE FURNITURE:
Smart Interiors, Inc.		Anderson Double Pedestal Desk, 30" x 60"
Smart Interiors, Inc.		Anderson Double Pedestal Desk - T. Thaure
Smart Interiors, Inc.		Anderson Double Pedestal Desk, 30" x 60"
Clark Sales & Manufacturing	5729	Eck Adams Task Chair, lot of 4
Levenger	P21249540101	Barrister, medium oak w/lock
Office Depot		Safco Five Drawer Flat File - lot of 2 @ $664.61 each
Smart Interiors	81790	Marketing Area Workspace
CB Technical Sources	2478	Shelves, lot of 2
Office Depot		United Troubador Chair in AM51 Blue - lot of 10 @ $162.00 each
Clark Sales & Manufacturing	5636	Mid Height Chair w/Castors, lot of 6
Office Depot		FireKing 4-Drawer Lateral Fire Resistant File

SCHEDULE A-2
PAGE 8 OF 9

VENDOR	INVOICE #	ASSET DESCRIPTION
Smart Interiors, Inc.		U-Shaped Desk Configuration - S. Barnes
Smart Interiors, Inc.		U-Shaped Desk Configuration - L. Smith
Office Depot	214179	Troubabour Chair, lot of 15
Office Depot		United Altura Chairs in AM25 Wine Color - lot of 8 @ $315.00 each
Clark Sales & Manufacturing	5642	Eck Adams Task Chair, lot of 10
Clark Sales & Manufacturing	5704	Four leg bench w/ESD, lot of 4
Smart Interiors	81074	Acoustical Panels for Eng Bullpen
Clark Sales & Manufacturing	5629	Four leg bench w/ESD, lot of 10
Smart Interiors	80816	Cubicles, lot of 2
Office Depot		United Altura Chair in AM51 Blue - lot of 22 @ $315.00 each
Inside Source	16511	Bullpen area for 8 people
		OFFICE EQUIPMENT:
Office Depot		3M Overhead Projector
Fry's Electronics (Svetcov)		Epson Photo PC Color Digital Camera
Selectric Signs	S1176803.003	Message Sign Board
Anderson's TV & Stereo	2784	40" Television
Office Depot		Quartet Ovonics Electronic Copy Board
A2Z Business Sys	04370A	Xerox 735 Faxcentre w/Aux tray
Castelle	144235	FP 3500 ETH 4L NT NDS
Minnesota Western	408207A	S-VGA Multimedia Projector
Exhibit Group/Giltspur	A1194	Marketing booth equipment
Exhibit group	A1970, A1971	Trade Show Nat'l
Wiltel	Prepay	Telephone Equipment
		TEST EQUIPMENT:
Tektronic Inc.	MP335584	34 Channel Mass Term. Probe
Tektronic Inc.	MP335584	34 Channel Mass Term. Probe
Associated Research	0000434-IN	AC Hypot 0 to 5000V, S/N:1778
Optimum Design Associates	99-247	VSD2 Extender Board
Digital and Analog Concepts	042298	Sentry 50 Tester
Sunin Precision Inc.	12276, 12279	Part #311401-409
New Wave PDG	42735	32-bit PCI Support

SCHEDULE A-2
PAGE 2 OF 9

VENDOR	INVOICE #	ASSET DESCRIPTION
Western Servo Design	131356	Offset Tester

VENDOR	INVOICE #	ASSET DESCRIPTION
AMP Packaging	103855	Text Fixture
Dynamic Details	96129	Part VSD2 Extender
QRS Medical Mktg	99482	QA-90 Electrical Safety Analyzer
Robert E. MacKay	72998	ARM TesterPCB Design
QRS Medical Marketing	99369	QA-90 Electrical Safety Analyzer
Snader	0135378	Snell TPG-21 Test Pattern Generator

together with all additions, attachments, accessories and accessions thereto, replacements or substitutions therefor and all products and proceeds thereof, if any, including insurance proceeds and any and all accounts, chattel paper, contract rights and general intangibles arising from the sale, lease or other disposition thereof or thereto.

EQUIPMENT LOCATION: 1340 Middlefield Road, Mountain View, CA 94043

HELLER FINANCIAL LEASING, INC.,
Secured Party

By: /s/ Clifford A. Lehman

Name: Clifford A. Lehman

Title: Senior Vice President

INTUITIVE SURGICAL, INC.
Debtor

By: /s/ Susan Barnes

Name: Susan Barnes

Title: CFO and Assistant Secretary

Loan No: 1910193-0001

HELLER FINANCIAL

PROMISSORY NOTE

$1,500,000.00 May 20, 1999

FOR VALUE RECEIVED, INTUITIVE SURGICAL, INC., a Delaware corporation ("Maker"), promises to pay to the order of HELLER FINANCIAL LEASING, INC., a Delaware corporation (together with any holder of this Note, "Payee"), at its office located at 500 West Monroe Street, Chicago, Illinois 60661, or at such other place as Payee may from time to time designate, the principal sum of One Million Five Hundred Thousand and 00/100 Dollars ($1,500,000.00), together with interest thereon at a fixed rate equal to Nine and 47/100 percent (9.47%) per annum. Principal and interest shall be payable in thirty-six (36) consecutive monthly installments commencing July 1, 1999, and continuing on the same day of each consecutive calendar month thereafter until this Note is fully paid, each such installment in the amount of Forty-eight Thousand Twenty-eight and 39/100 Dollars ($48,028.39); provided, however, that in any and all events the final installment payment hereunder shall be in the amount of the entire then outstanding principal balance hereunder, plus all accrued and unpaid interest, charges and other amounts owing hereunder or under the Security Agreement (defined below). All payments shall be applied first to interest and then to principal. Interest shall be computed on the basis of a 360 day year comprised of 30-day months. Maker shall make an interest only initial payment on June 1, 1999 of accrued interest from the loan disbursement date through May 31, 1999.

Notwithstanding the foregoing, if at any time implementation of any provision hereof shall cause the interest contracted for or charged herein or collectable hereunder to exceed the applicable lawful maximum rate, then the interest shall be limited to such applicable lawful maximum.

This Note is secured by the collateral described in the Security Agreement dated May 20, 1999, between Maker and Payee (the "Security Agreement;" and together with all related documents and instruments, the "Loan Documents") to which reference is made for a statement of the nature and extent of protection and security afforded, certain rights of Payee and certain rights and obligations of Maker, including Maker's rights, if any, to prepay the principal balance hereof; provided, however, that in addition to any other sum payable hereunder, under the Security Agreement or any of the other Loan Documents, in the event of a prepayment of the principal balance hereunder, whether voluntary, following acceleration or otherwise, Maker shall pay to Payee together with such prepayment a Breakage Fee (defined below), which Breakage Fee, together with the amounts payable under Section 3(ii) of the Security Agreement, if any, represents liquidated damages to Payee for the loss of its bargain and not a penalty. As used herein, the term "Breakage Fee" shall mean the amount, if any, by which (A) the present value, in the aggregate, of the then remaining installments of principal and interest due hereunder, absent the prepayment, using a discount rate equal to (i) the yield to maturity as of the date two (2) days prior to the date of the prepayment on United States Treasury securities with a final maturity approximately equal to the remaining term hereof, absent the prepayment, as published in The Wall Street Journal, plus (ii) three percent (3.00%), exceeds (B) the then outstanding principal balance hereunder, absent the prepayment.

Time is of the essence hereof. If payment of any installment or any other sum due under this Note or the Loan Documents is not paid when due, Maker agrees to pay a late charge equal to the lesser of (i) five cents (5 cents) per dollar on, and in addition to, the amount of each such payment, or (ii) the maximum amount Payee is permitted to charge by law. In the event of the occurrence of an Event of Default (as defined in the Security Agreement), then the entire unpaid principal balance hereof with accrued and unpaid interest thereon, together with all other sums payable under this Note or the Loan Documents, shall, at the option of Payee and without notice or demand, become

immediately due and payable, such accelerated balance bearing interest until paid at the rate of three percent (3%) per annum above the fixed rate set forth in the first paragraph of this Note.

Maker and all endorsers, guarantors or any others who may at any time become liable for the payment hereof hereby consent to any and all extensions of time, renewals, waivers and modifications of, and substitutions or release of security or of any party primarily or secondarily liable on, or with respect to, this Note or any of the Loan Documents or any of the terms and provisions thereof that may be made, granted or consented to by Payee, and agree that suit may be brought and maintained against any one or more of them, at the election of Payee, without joinder of the others as parties thereto, and that Payee shall not be required to first foreclose, proceed against, or exhaust any security herefor, in order to enforce payment of this Note by any one or more of them. Maker and all endorsers, guarantors or any others who may at any time become liable for the payment hereof hereby severally waive presentment, demand for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, and all other notices in connection with this Note, filing of suit and diligence in collecting this Note or enforcing any of the security herefor, and, without limiting any provision of any of the Loan Documents, agree to pay, if permitted by law, all expenses incurred in collection, including reasonable attorneys' fees, and hereby waive all benefits of valuation, appraisement and exemption laws.

If there be more than one Maker, all the obligations, promises, agreements and covenants of Maker under this Note are joint and several.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF ILLINOIS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. AT PAYEE'S ELECTION AND WITHOUT LIMITING PAYEE'S RIGHT TO COMMENCE AN ACTION IN ANY OTHER JURISDICTION, MAKER HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURT (FEDERAL, STATE OR LOCAL) HAVING SITUS WITHIN THE STATE OF ILLINOIS, EXPRESSLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO SERVICE BY CERTIFIED MAIL, POSTAGE PREPAID, DIRECTED TO THE LAST KNOWN ADDRESS OF MAKER, WHICH SERVICE SHALL BE DEEMED COMPLETED WITHIN TEN (10) DAYS AFTER THE DATE OF MAILING THEREOF.

MAKER HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE. THIS WAIVER IS INFORMED AND FREELY MADE. MAKER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT PAYEE HAS ALREADY RELIED ON THE WAIVER IN MAKING THE LOAN EVIDENCED BY THIS NOTE, AND THAT PAYEE WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. MAKER FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

Witness/Attest:

/s/

INTUITIVE SURGICAL, INC.

By: /s/ Susan Barnes

Name: Susan Barnes

Title: CFO and Assistant Secretary

Loan No.: 1910193-0002

HELLER FINANCIAL

PROMISSORY NOTE

$500,000.00 September 23, 1999

FOR VALUE RECEIVED, INTUITIVE SURGICAL, INC., a Delaware corporation ("Maker"), promises to pay to the order of HELLER FINANCIAL LEASING, INC., a Delaware corporation (together with any holder of this Note, "Payee"), at its office located at 500 West Monroe Street, Chicago, Illinois 60661, or at such other place as Payee may from time to time designate, the principal sum of Five Hundred Thousand and 00/100 Dollars ($500,000.00), together with interest thereon at a fixed rate equal to Nine and 78/100 percent (9.78%) per annum. Principal and interest shall be payable in thirty-six (36) consecutive monthly installments commencing November 1, 1999, and continuing on the same day of each consecutive calendar month thereafter until this Note is fully paid, each such installment in the amount of Sixteen Thousand Eighty-two and 00/100 Dollars ($16,082.00); provided, however, that in any and all events the final installment payment hereunder shall be in the amount of the entire then outstanding principal balance hereunder, plus all accrued and unpaid interest, charges and other amounts owing hereunder or under the Security Agreement (defined below). All payments shall be applied first to interest and then to principal. Interest shall be computed on the basis of a 360 day year comprised of 30-day months. Maker shall make an interest only initial payment on October 1, 1999 of accrued interest from the loan disbursement date through September 30, 1999.

Notwithstanding the foregoing, if at any time implementation of any provision hereof shall cause the interest contracted for or charged herein or collectable hereunder to exceed the applicable lawful maximum rate, then the interest shall be limited to such applicable lawful maximum.

This Note is secured by the collateral described in the Security Agreement dated May 20, 1999, between Maker and Payee (the "Security Agreement;" and together with all related documents and instruments, the "Loan Documents") to which reference is made for a statement of the nature and extent of protection and security afforded, certain rights of Payee and certain rights and obligations of Maker, including Maker's rights, if any, to prepay the principal balance hereof; provided, however, that in addition to any other sum payable hereunder, under the Security Agreement or any of the other Loan Documents, in the event of a prepayment of the principal balance hereunder, whether voluntary, following acceleration or otherwise, Maker shall pay to Payee together with such prepayment a Breakage Fee (defined below), which Breakage Fee, together with the amounts payable under Section 3(ii) of the Security Agreement, if any, represents liquidated damages to Payee for the loss of its bargain and not a penalty. As used herein, the term "Breakage Fee" shall mean the amount, if any, by which (A) the present value, in the aggregate, of the then remaining installments of principal and interest due hereunder, absent the prepayment, using a discount rate equal to (i) the yield to maturity as of the date two (2) days prior to the date of the prepayment on United States Treasury securities with a final maturity approximately equal to the remaining term hereof, absent the prepayment, as published in The Wall Street Journal, plus (ii) three percent (3.00%), exceeds (B) the then outstanding principal balance hereunder, absent the prepayment.

Time is of the essence hereof. If payment of any installment or any other sum due under this Note or the Loan Documents is not paid when due, Maker agrees to pay a late charge equal to the lesser of (i) five cents (5 cents) per dollar on, and in addition to, the amount of each such payment, or (ii) the maximum amount Payee is permitted to charge by law. In the event of the occurrence of an Event of Default (as defined in the Security Agreement), then the entire unpaid principal balance hereof with accrued and unpaid interest thereon, together with all other sums payable under this Note or the Loan Documents, shall, at the option of Payee and without notice or demand, become

immediately due and payable, such accelerated balance bearing interest until paid at the rate of three percent (3%) per annum above the fixed rate set forth in the first paragraph of this Note.

Maker and all endorsers, guarantors or any others who may at any time become liable for the payment hereof hereby consent to any and all extensions of time, renewals, waivers and modifications of, and substitutions or release of security or of any party primarily or secondarily liable on, or with respect to, this Note or any of the Loan Documents or any of the terms and provisions thereof that may be made, granted or consented to by Payee, and agree that suit may be brought and maintained against any one or more of them, at the election of Payee, without joinder of the others as parties thereto, and that Payee shall not be required to first foreclose, proceed against, or exhaust any security herefor, in order to enforce payment of this Note by any one or more of them. Maker and all endorsers, guarantors or any others who may at any time become liable for the payment hereof hereby severally waive presentment, demand for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, and all other notices in connection with this Note, filing of suit and diligence in collecting this Note or enforcing any of the security herefor, and, without limiting any provision of any of the Loan Documents, agree to pay, if permitted by law, all expenses incurred in collection, including reasonable attorneys' fees, and hereby waive all benefits of valuation, appraisement and exemption laws.

If there be more than one Maker, all the obligations, promises, agreements and covenants of Maker under this Note are joint and several.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF ILLINOIS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. AT PAYEE'S ELECTION AND WITHOUT LIMITING PAYEE'S RIGHT TO COMMENCE AN ACTION IN ANY OTHER JURISDICTION, MAKER HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURT (FEDERAL, STATE OR LOCAL) HAVING SITUS WITHIN THE STATE OF ILLINOIS, EXPRESSLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO SERVICE BY CERTIFIED MAIL, POSTAGE PREPAID, DIRECTED TO THE LAST KNOWN ADDRESS OF MAKER, WHICH SERVICE SHALL BE DEEMED COMPLETED WITHIN TEN (10) DAYS AFTER THE DATE OF MAILING THEREOF.

MAKER HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE. THIS WAIVER IS INFORMED AND FREELY MADE. MAKER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT PAYEE HAS ALREADY RELIED ON THE WAIVER IN MAKING THE LOAN EVIDENCED BY THIS NOTE, AND THAT PAYEE WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. MAKER FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

Witness/Attest:

/s/
- ----------

INTUITIVE SURGICAL, INC.

By: /s/ Susan Barnes

Name: Susan Barnes

Title: CFO and Assistant Secretary

Loan No: 1910193

SECOND AMENDMENT
TO
SECURITY AGREEMENT

1. Parties and Date. This First Amendment to Security Agreement (the "Amendment") is entered into effective as of March 2, 2000, by and between INTUITIVE SURGICAL INC., a Delaware corporation ("Debtor"), and HELLER FINANCIAL LEASING, INC., a Delaware corporation ("Secured Party").

2. Facts. Debtor and Secured Party have entered into a certain Security Agreement dated May 20, 1999 (the "Security Agreement"). Debtor has requested and Secured Party has agreed that the Security Agreement be amended on the terms and conditions set forth in this Amendment. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Security Agreement. Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

3. Amendment to Security Agreement. Debtor and Secured Party hereby agree that the Security Agreement shall be and hereby is amended, as follows:

(i) Item 1(ii) of Exhibit A to the Security Agreement shall be restated to read: "(ii) Debtor's cash and cash equivalents plus short-term investments on hand, net of funded debt, is less than $10,000,000, and";

(ii) The final sentence Item 1 of Exhibit A to the Security Agreement shall be restated to read: "(Secured Party agrees to review (in its sole discretion) any request from Debtor to release any pledged amounts or letter of credit provided by Debtor if Debtor's EBITDA exceeds $2,500,000 in any two consecutive fiscal quarters or Debtor's cash and cash equivalents plus short-term investments on hand, net of funded debt, is more than $10,000,000.)"

4. Acknowledgments, Ratifications and Reaffirmations by Debtor. Debtor hereby acknowledges, ratifies and reaffirms that (i) as of the date hereof no Event of Default has occurred or exists, (ii) Debtor has no defense, offset or counterclaim to any of Debtor's obligations under the Loan Documents, and (iii) the Notes, Security Agreement (as amended by this Amendment) and other Loan Documents are in full force and effect and are fully enforceable against Debtor in accordance with their respective terms.

5. Effectiveness of Loan Documents. Except as expressly amended by this Amendment, the Security Agreement, as well as the Notes and all of the other Loan Documents shall remain in full force and effect.

6. Entire Agreement. The parties acknowledge and agree that there are no other agreements or representations, either oral or written, express or implied, in connection with the Loans, that are not embodied in this Amendment, the Notes, the Security Agreement and the other Loan Documents, which, together represent a complete integration of all prior and contemporaneous agreements and understandings of Debtor and Secured Party in any way related to the Loans. The Security Agreement (as amended by this Amendment) may not be altered, modified or terminated in any manner except by a writing duly executed by Debtor and Secured Party. If any provision of the Security Agreement (as amended by this Amendment) is held to be invalid or unenforceable, the remaining provisions shall remain in effect without impairment.

IN WITNESS WHEREOF, Debtor and Secured Party have each executed this Agreement to be effective as of the day and year first above written.

"DEBTOR"	"SECURED PARTY"
INTUITIVE SURGICAL, INC., a Delaware corporation	HELLER FINANCIAL LEASING, INC., a Delaware corporation
By: /s/ SUSAN BARNES	By: /s/ Richard Petrucci
Name: Susan Barnes	Name: Richard Petrucci
Title: CFO	Title: AVP

EXHIBIT 10.8

LICENSE AGREEMENT

THIS LICENSE AGREEMENT dated as of December 20, 1995 (the "Agreement"), is entered into between SRI INTERNATIONAL, a California nonprofit public benefit corporation ("SRI"), having a place of business located at 333 Ravenswood Avenue, Menlo Park, California 94025-3493, and INTUITIVE SURGICAL DEVICES, INC., a Delaware corporation ("ISD"), having a place of business located at Five Palo Alto Square, 3000 El Camino Real, Palo Alto, California 94306-2155.

W I T N E S S E T H :

WHEREAS, SRI owns or has rights in certain patent rights and know-how regarding Telepresence Surgical Technology (defined below), as described in the SRI disclosures listed in Exhibit A hereto.

WHEREAS, SRI and John G. Freund, M.D. ("Dr. Freund"), entered into an Option Agreement dated September 12, 1995 (the "Option Agreement"), pursuant to which SRI granted to Dr. Freund an option to obtain a certain license under SRI's rights in such patent rights and know-how.

WHEREAS, by exercising the option granted under the Option Agreement, Dr. Freund desires that SRI convey to ISD a license under SRI's rights in such patent rights and know-how to develop, make use and sell products for use in performing surgery on humans and animals, on the terms and subject to the conditions of the Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of the Agreement, the terms defined in this article shall have the respective meanings set forth below:

1.1 "AFFILIATE" shall mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with, such Person. A Person shall be regarded as in control of another Person if it owns, or directly or indirectly controls, at least fifty percent (50%) of

the voting stock or other ownership interest of the other Person, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other Person by any means whatsoever.

1.2 "FIELD" shall mean the manipulation of tissues and medical devices for animal and human medicine (including but not limited to surgery, laparoscopic surgery and microsurgery).

1.3 "ISD KNOW-HOW" shall mean all inventions, discoveries, processes, methods, compositions, formulae, procedures, protocols, techniques, results of experimentation and testing, information and data, which have not been published and otherwise are not generally known, which are necessary or useful to the development, manufacture, use or sale of products utilizing or incorporating the Telepresence Surgical Technology, or otherwise relate to or arise from the Telepresence Surgical Technology, and which are first conceived or reduced to practice solely or jointly by employees or other Persons on behalf of ISD prior to September 12, 1997; all to the extent and only to the extent that ISD has the right to grant licenses, immunities or other rights thereunder.

1.4 "ISD PATENT RIGHTS" shall mean (a) all patent applications, heretofore or hereafter filed or having legal force in any country which claim a discovery or invention which is (i) necessary or useful to the development, manufacture, use or sale of products utilizing or incorporating the Telepresence Surgical Technology or (ii) otherwise relates to or arises from the Telepresence Surgical Technology, and which is first conceived or reduced to practice solely or jointly by employees or other Persons on behalf of ISD prior to September 12, 1997, (b) all valid and enforceable patents that have issued or in the future issue from the patent applications described in clause (a) above, including utility, model and design patents and certificates of invention, and (c) all divisionals, continuations, continuations-in-part, reissues, renewals, extensions, registrations, confirmations, re-examinations or additions to any such patent applications and patents; all to the extent and only to the extent that ISD has the right to grant licenses, immunities or other rights thereunder.

1.5 "MILESTONE" shall mean the good faith filing by ISD, its Affiliate or sublicensee of a Pre-Market Approval application or 510K application with the Food and Drug Administration in the United States (or the equivalent application with the governing health authority of any country in Europe), supported by the information that in ISD's best judgment would give the greatest likelihood of approval by the FDA (or the governing health authority of the applicable country in Europe).

1.6 "PERSON" shall mean an individual, corporation, partnership, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship,

unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.7 "PRODUCT" shall mean any product for use in the Field which if made, used or sold would infringe one or more valid claims of the SRI Patent Rights if in an issued patent but for the license granted by the Agreement, or which otherwise uses, incorporates or was conceived, developed or reduced to practice using the SRI Patent Rights or SRI Know-How.

1.8 "SRI FUTURE TECHNOLOGY RIGHTS" shall mean all intellectual property rights of SRI in all inventions, discoveries, processes, methods, compositions, formulae, procedures, protocols, techniques, results of experimentation and testing, information and data regarding Telepresence Surgical Technology, which are first conceived or reduced to practice solely or jointly by employees or other Persons on behalf of SRI on or after September 12, 1997 and prior to September 12, 1999; all to the extent and only to the extent that SRI has the right to grant licenses, immunities or other rights thereunder.

1.9 "SRI KNOW-HOW" shall mean all inventions, discoveries, processes, methods, compositions, formulae, procedures, protocols, techniques, results of experimentation and testing, information and data, which have not been published and otherwise are not generally known, regarding Telepresence Surgical Technology in which SRI has an ownership or other interest as of the date of the Agreement or which are first conceived or reduced to practice solely or jointly by employees or other Persons on behalf of SRI prior to September 12, 1997; all to the extent and only to the extent that SRI has the right to grant licenses or other rights thereunder.

1.10 "SRI PATENT RIGHTS" shall mean (a) all patent applications, heretofore or hereafter filed or having legal force in any country, regarding Telepresence Surgical Technology, which claim a discovery or invention in which SRI has an ownership or other interest as of the date of the Agreement or which is first conceived or reduced to practice solely or jointly by employees or other Persons on behalf of SRI prior to September 12, 1997, (b) all valid and enforceable patents that have issued or in the future issue from the patent applications described in clause (a) above, including utility, model and design patents and certificates of invention, and (c) all divisionals, continuations, continuations-in-part, reissues, renewals, extensions or additions to any such patent applications and patents; all to the extent and only to the extent that SRI has the right to grant licenses, immunities or other rights thereunder. A list of the SRI Patent Rights as of the date of the Agreement is attached hereto as Exhibit B.

1.11 "STOCK PURCHASE AGREEMENT" shall mean the Stock Purchase Agreement dated the date hereof, among ISD, SRI and the other signatories thereto.

1.12 "TELEPRESENCE SURGICAL TECHNOLOGY" shall mean hardware, firmware and software technology pertaining to the manipulation of tissues or medical devices for human and animal medicine (including but not limited to surgery, laparoscopic surgery and microsurgery) as described or contemplated in Exhibits A and B to the Agreement and developed by SRI's Medical Technology Laboratory or any successor SRI organization having the development of medical hardware, firmware and software technology as its primary mission.

1.13 "THIRD PARTY" shall mean any Person other than SRI, ISD and their respective Affiliates.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

Each party hereby represents and warrants to the other party as follows:

2.1 CORPORATE EXISTENCE AND POWER. Such party (a) is a corporation duly organized, validly existing and in good standing under the laws of the state in which it is incorporated; (b) has the corporate power and authority and the legal right to own and operate its property and assets, to enter into the Agreement and to perform its obligations hereunder, and to carry on its business as it is now being conducted and (c) is in compliance with all requirements of applicable law, except to the extent that any noncompliance would not have a material adverse effect on the properties, business, financial or other condition of it and would not materially adversely affect its ability to perform its obligations under the Agreement.

2.2 AUTHORIZATION AND ENFORCEMENT OF OBLIGATIONS. Such party has taken all necessary corporate action on its part to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder. The Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms.

2.3 NO CONSENTS. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such party in connection with the Agreement have been obtained.

2.4 NO CONFLICT. The execution and delivery of the Agreement and the performance of such party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations, and (b) do not conflict with, or constitute a default under, any contractual obligation of it.

2.5 SRI REPRESENTATIONS AND WARRANTIES. SRI hereby represents and warrants to ISD that:

2.5.1 Except as otherwise specifically disclosed under the Agreement, it has not granted any right to any Third Party under the SRI Patent Rights or and SRI Technology.

2.5.2 It owns or controls under valid licenses with right of sublicense all of the rights, title and interest in and to the patents and patent applications set forth on Exhibit B attached hereto and the SRI Know-How, except as otherwise provided herein.

2.5.3 It has disclosed to ISD all SRI invention disclosures regarding the Telepresence Surgical Technology as of the date of the Agreement.

ARTICLE 3

LICENSE GRANTS

3.1 LICENSE GRANT TO ISD. Subject to the provisions of Section 5.3 below, SRI hereby grants to ISD an exclusive, worldwide, royalty-free license (including the right to grant sublicenses) under the SRI Patent Rights and SRI Know-How (a) to conduct research and development with respect to Products for use in the Field, and (b) to make, have made, use, market, distribute, import, offer for sale and sell Products for use in the Field. Upon execution of the Agreement and frequently thereafter until September 12, 1998, at mutually convenient times, SRI shall disclose and make available to ISD all information available to SRI, including without limitation SRI invention disclosures and SRI Know-How, as is reasonably necessary for ISD's employees and consultants to understand and practice the SRI Patent Rights and SRI Know-How in the Field, as such information becomes available to SRI. ISD shall have the right, during normal business hours upon reasonable notice, to review and make copies of those portions of SRI employees' laboratory notebooks containing such information as is reasonably necessary for ISD's employees and consultants to understand and practice the SRI Patent Rights and SRI Know-How in the Field.

3.2 SUBLICENSES. Each sublicense by ISD under the Agreement shall be consistent with the terms and conditions of the license granted to ISD by SRI and nothing in such sublicense shall eliminate or reduce ISD's obligations to SRI under the Agreement. Each sublicense by SRI under the Agreement shall be consistent with the terms and conditions of the license granted to SRI by ISD and nothing in such sublicense shall eliminate or reduce SRI's obligations to ISD under the Agreement.

3.3 RESERVATION OF CERTAIN RIGHTS. Notwithstanding the foregoing, the license granted to ISD by the Agreement is subject

to the reservation of (a) the right of SRI to practice processes and methods, and to make, use and sell products, which are covered by the SRI Patent Rights or which are disclosed in or otherwise pertain to SRI Know-How, (i) for all commercial and research purposes outside the Field and (ii) for SRI's internal and collaborative non-commercial research purposes (including United States Government sponsored research) in the Field; (b) certain rights held by or in favor of the United States Government by applicable law or regulation; and (c) the non-exclusive, worldwide, royalty-free right to use the SRI Patent Rights and SRI Know-How for medical training and simulations, so long as products created pursuant to such right are not used to perform medical procedures. To the extent required by applicable United States laws or regulations, if at all, ISD, its Affiliates and sublicensees shall manufacture the Products in the United States or its territories.

3.4 DISCLAIMER OF WARRANTIES. NOTHING IN THE AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION MADE OR WARRANTY GIVEN BY SRI THAT ANY PATENT WILL ISSUE BASED UPON ANY PENDING PATENT APPLICATION INCLUDED IN THE SRI PATENT RIGHTS, THAT ANY PATENT INCLUDED IN THE SRI PATENT RIGHTS WHICH ISSUES WILL BE VALID, OR THAT THE USE OF ANY SRI PATENT RIGHTS OR SRI KNOW-HOW WILL NOT INFRINGE THE PATENT OR PROPRIETARY RIGHTS OF ANY OTHER PERSON. EXCEPT AS OTHERWISE SET FORTH IN SECTION 2.5 ABOVE, SRI MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SRI PATENT RIGHTS OR SRI KNOW-HOW, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

3.5 LICENSE GRANT TO SRI. ISD hereby grants to SRI a non-exclusive, worldwide, royalty-free license (including the right to grant sublicenses) to practice methods and processes, and to make, use and sell products, which are covered by the ISD Patent Rights or which are disclosed in or otherwise pertain to ISD Know-How (a) for all commercial and research purposes outside the Field and (b) for SRI's internal and collaborative non-commercial research purposes (including United States Government sponsored research) in the Field. At least quarterly prior to September 12, 1998, at mutually convenient times, ISD shall disclose and make available to SRI information available to ISD regarding the use of the ISD Patent Rights and ISD Know-How outside the Field, as such information becomes available to ISD.

3.6 TECHNICAL ASSISTANCE. Prior to September 12, 1997, upon reasonable notice and during normal business hours, SRI (a) shall provide such technical assistance regarding the SRI Patent Rights and SRI Know-How as ISD reasonably requests to conduct its activities contemplated by the Agreement, and (b) shall make available to ISD such technical personnel of SRI as reasonably necessary to provide the foregoing technical assistance. Except for services reasonably required for the technology transfer as set forth in Section 3.1 above, ISD shall reimburse SRI for its standard research or consulting costs for any such technical

assistance, determined in accordance with SRI's normal business practice applied on a consistent basis, together with all reasonable out-of-pocket travel and other expenses incurred by SRI in providing such technical assistance. At the request of ISD, SRI shall provide ISD with estimates of the anticipated costs of any requested technical assistance prior to undertaking such technical assistance.

3.7 ACCESS. During the term of the Agreement prior to September 12, 1997, subject to the limitations of this Section 3.7, ISD shall have the right to visit SRI's facilities to inspect and use SRI Telepresence Surgical Technology demonstration or prototype equipment. ISD's access to SRI facilities and use of equipment shall be subject to the following conditions:

(a) ISD shall provide reasonable prior notice;

(b) ISD's use of SRI facilities and equipment shall be during normal business hours at times mutually convenient to SRI and ISD, which do not conflict with SRI's normal business activities;

(c) ISD shall repair or replace any SRI equipment damaged by ISD; and

(d) ISD's access to SRI facilities shall be subject to the execution by ISD of an agreement with standard SRI terms and conditions regarding access to SRI facilities by contractors and other non-employee Third Parties.

3.8 RIGHT OF FIRST NEGOTIATION. SRI shall not sell, assign, license or otherwise transfer the SRI Future Technology Rights for use in the Field to any Third Party unless SRI first (a) gives to ISD written notice of SRI's desire to do so, (b) provides ISD with information available to SRI regarding the use of the SRI Future Technology Rights in the Field, sufficient to permit ISD to evaluate and understand such SRI Future Technology Rights, subject to the confidentiality provisions of Article 6 below, solely to evaluate its interest in negotiating a license under such rights, and (c) offers to ISD the opportunity to negotiate with SRI to obtain a license under the SRI Future Technology Rights for use in the Field. IF ISD fails to give written notice to SRI of its desire to negotiate a license under such rights within 60 days after receipt of the written notice from SRI under clause (a) above, or if the parties are unable after good faith negotiations to reach a mutually acceptable agreement, thereafter SRI shall have the right in its sole discretion to sell, assign, license or otherwise transfer the SRI Future Technology Rights for use in the Field to any one or more Third Parties.

ARTICLE 4

CONSIDERATION TO SRI

4.1 ISSUANCE OF ISD SHARES. In consideration for the license granted to ISD hereunder, concurrent with the execution of the Agreement, ISD shall issue to SRI or SRI's designees five hundred eighty five thousand (585,000) shares of ISD Common Stock on the terms and subject to the conditions of the Stock Purchase Agreement.

4.2 REIMBURSEMENT OF CERTAIN SRI COSTS. Within five (5) business days following the execution of the Agreement, ISD shall reimburse SRI for (a) all reasonable, direct, out-of-pocket costs (not to exceed $116,000 in the aggregate) incurred by SRI on or before the date of the Option Agreement in connection with the preparation, filing, prosecution and maintenance of the patent applications and patents included in the SRI Patent Rights; (b) all reasonable, direct, out-of-pocket costs incurred by SRI after the date of the Option Agreement and on or before the date of the Agreement in connection with the preparation, filing, prosecution and maintenance of the patent applications and patents included in the SRI Patent Rights, which are approved by ISD or Dr. Freund prior to being incurred; and (c) all reasonable, outside counsel attorneys' fees and costs (not to exceed $10,000 in the aggregate) incurred by SRI in connection with the negotiation, drafting and execution of the Option Agreement, the Agreement and the Stock Purchase Agreement; PROVIDED, HOWEVER, that no fees or costs resulting from work performed by SRI in-house counsel shall be reimbursed under this Section 4.2.

4.3 PAYMENT METHOD. All payments by ISD to SRI under the Agreement shall be paid in United States dollars by bank wire transfer in immediately available funds to such account as SRI shall designate before such payment is due.

ARTICLE 5

DILIGENCE OBLIGATIONS

5.1 RESEARCH AND DEVELOPMENT EFFORTS. ISD shall use its commercially reasonable and diligent efforts (a) to conduct such research, development and preclinical and human clinical trials as necessary or desirable (in ISD's reasonable discretion) to obtain regulatory approvals to manufacture and market Products for use in the Field, and (b) to commence marketing and market each such Product for use in the Field in such countries as ISD determines are commercially desirable. ISD's obligation to commence marketing a Product in a country shall not commence until all regulatory approvals necessary to market such Product in such country have been obtained by ISD. ISD, at its sole expense and in its sole discretion, shall fund the costs of all research, development, preclinical and clinical trials, regulatory approval

activities and commercialization of the Products, and SRI shall have no obligation to fund any such activities.

5.2 REPORTS. Within ninety (90) days following the end of each calendar year during the term of the Agreement, ISD shall prepare and deliver to SRI a summary written report which shall summarize the status of the research, development and testing of Products, and the status of obtaining the necessary approvals to market Products.

5.3 FAILURE TO MEET THE MILESTONE. If ISD fails to achieve the Milestone on or before September 12, 2002, then at SRI's election in its sole discretion, (a) the license granted by SRI to ISD shall become non-exclusive, and (b) the right to file and prosecute patent applications, to maintain and enforce any resulting patents, included within the SRI Patent Rights under Article 7 below shall revert to SRI, without any further action by ISD.

ARTICLE 6

CONFIDENTIALITY

6.1 CONFIDENTIAL INFORMATION. During the term of the Agreement, and for a period of five (5) years following the expiration or earlier termination hereof, each party shall exercise reasonable care to maintain in confidence all information of the other party (including samples) disclosed by the other party and identified as, or acknowledged to be, confidential (the "Confidential Information"), and shall not use, disclose or grant the use of the Confidential Information except on a need-to-know basis to those directors, officers, employees, agents, permitted sublicensees and permitted assignees, to the extent such disclosure is reasonably necessary in connection with such party's activities as expressly authorized by the Agreement. To the extent that disclosure is authorized by the Agreement, prior to disclosure, each party hereto shall obtain the written agreement of any such Person, who is not otherwise bound by fiduciary obligations to such party, to hold in confidence and not make use of the Confidential Information for any purpose other than those permitted by the Agreement. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

6.2 PERMITTED DISCLOSURES. The nonuse and nondisclosure obligations contained in this article shall not apply to the extent that (a) any receiving party (the "Recipient") is required (i) to disclose information by law, order or regulation of a governmental agency or a court of competent jurisdiction, or (ii) to disclose information to any governmental agency for purposes of obtaining approval to test or market a product, provided in either case that the Recipient shall provide written notice thereof to the other party and sufficient opportunity to object, time

permitting, to any such disclosure or to request confidential treatment thereof; or (b) the Recipient can demonstrate that (i) the information was public knowledge at the time of such disclosure by the Recipient, or thereafter became public knowledge, other than as a result of acts attributable to the Recipient in violation hereof; (ii) the information was rightfully known by the Recipient (as shown by its written records) prior to the date of disclosure to the Recipient by the other party hereunder; (iii) the information was disclosed to the Recipient on an unrestricted basis from a Third Party not under a duty of confidentiality to the other party; or (iv) the information was independently developed by employees or agents of the Recipient without access to the Confidential Information of the other party.

6.3 PUBLICATION. ISD acknowledges SRI's interest in publishing the results of its research to obtain recognition within the scientific community and to advance the state of scientific knowledge. SRI and ISD each recognize their mutual interest in obtaining valid patent protection and protecting their respective business interests. Consequently, if SRI, its employees or consultants desire to make a publication (including any oral disclosure made without obligation of confidentiality) relating to any discovery or invention regarding the technology which is the subject of the Agreement (except (a) such technology as described in Section 3.8 above which is not licensed to ISD, and (b) such technology as is conceived or invented by ISD), SRI shall give ISD a copy of the proposed written publication at least 30 days prior to submission for publication, or an outline of such oral disclosure at least 30 days prior to presentation. ISD shall have the right to request a reasonable delay in publication or presentation, not to exceed 90 days, in order to protect patentable information. If ISD requests such a delay, SRI shall delay submission or presentation of the publication for a period of 90 days to enable ISD to file the applicable patent applications protecting each parties' rights in such discoveries or inventions to be filed in accordance with Article 7 below. Upon the expiration of 30 days in the case of proposed written publications, or 30 days in the case of proposed oral presentations, from delivery to ISD, SRI shall be free to proceed with the written publication or presentation, respectively, unless ISD has requested the delay described above.

6.4 TERMS OF THE AGREEMENT. Except as otherwise provided in this article or as otherwise required by applicable law, regulation or order of a governmental agency or court of competent jurisdiction, neither party shall disclose any terms or conditions of the Agreement to any Third Party without the prior consent of the other party; PROVIDED, HOWEVER, that ISD may, at its election, disclose terms or conditions of the Agreement to an investor in ISD or a bona fide potential investor in ISD, without the prior consent of SRI.

6.5 NO USE OF NAME. Except as otherwise required by applicable law, regulation or order of a governmental agency or

court of competent jurisdiction, neither party shall use the name of the other party or the other party's directors, officers or employees in any advertising, news release or other publication, without the prior express written consent of the other party; PROVIDED, HOWEVER, that ISD may, at its election, identify SRI as the licensor of the Telepresence Surgical Technology (whether under that name or under some other designation) and/or of certain technology on which the Products are in part based.

6.6 DESCRIPTION OF TELEPRESENCE SURGICAL TECHNOLOGY. Notwithstanding the provisions of Section 6.1, ISD may, at its election and in its sold discretion, disclose a description of the Telepresence Surgical Technology (whether under that name or some other designation) in financing documents, in marketing literature and in such other publications as ISD reasonably deems necessary to meet ISD's diligence obligations under Article 5 above; PROVIDED, HOWEVER, that ISD may not disclose SRI Know-How without the prior express written consent of SRI.

ARTICLE 7

INVENTIONS AND PATENTS

7.1 OWNERSHIP OF INVENTIONS. The entire right and title in all inventions, discoveries, processes, methods, compositions, formulae, techniques, information and data regarding Telepresence Surgical Technology, whether or not patentable (collectively, the "Inventions"), and any patent applications or patents based thereon, conceived in the performance of the parties' activities during the term of the Agreement (a) by employees or other Persons acting solely on behalf of SRI, shall be owned solely by SRI ("SRI Inventions"), (b) by employees or other Persons acting solely on behalf of ISD shall be owned solely by ISD ("ISD Inventions"), and (c) jointly by employees or other Persons acting on behalf of SRI and by employees or other Persons acting on behalf of ISD, shall be owned jointly by SRI and ISD (the "Joint Inventions"). SRI and ISD each hereby represents that all employees and other Persons acting on its behalf in performing its obligations under the Agreement shall be obligated to assign to it, or as it shall direct, all Inventions conceived by such employees or other Persons.

7.2 SRI PATENT RIGHTS.

7.2.1 FILING, PROSECUTION, AND MAINTENANCE. ISD shall file and prosecute patent applications included in the SRI Patent Rights in the United States, Japan, the European Patent Office (designating the United Kingdom, France, Germany and Italy) and such other countries as ISD may select in its sole discretion, and shall maintain any resulting patents. At ISD's election in its sole discretion, such foreign filing may be initiated through the Patent Cooperation Treaty designating such countries. In so doing, ISD shall endeavor to obtain the strongest commercially

desirable patent protection (under the circumstances) regarding the Telepresence Surgical Technology with respect to the Products and shall consider in good faith the interests of SRI. ISD (a) shall supply SRI with a copy of each such patent application as filed, together with notice of its filing date and serial number; (b) shall consult with SRI regarding the prosecution and maintenance of the SRI Patent Rights, and shall implement reasonable requests of SRI with respect thereto; (c) shall provide SRI with copies of all filings, submissions, correspondence, office actions and responses thereto with the applicable patent authorities regarding the SRI Patent Rights; and (d) shall inform SRI promptly of the allowance and issuance of each patent included in the SRI Patent Rights, together with the date and patent number thereof, and shall provide SRI with a copy of such patent as issued. SRI shall cooperate with ISD, execute all lawful papers and instruments and make all rightful oaths and declarations and and instruments and make all rightful oaths and declarations as may be necessary in the preparation, prosecution and maintenance of all such patents and patent applications, ISD shall reimburse SRI for its standard costs for any such assistance, determined in accordance with SRI's normal business practice applied on a consistent basis, together with all reasonable out-of-pocket travel and other expenses incurred by SRI in providing such assistance; PROVIDED, HOWEVER, that ISD shall not be obligated to reimburse SRI for any consultation with SRI which ISD is obligated to undertake pursuant to this Article 7. At the request of ISD, SRI shall provide ISD with estimates of the anticipated costs of any requested assistance prior to undertaking such assistance.

7.2.2 FUTURE PATENT COSTS. Except as otherwise set forth in this section, ISD shall pay all costs incurred after the date of the Agreement in connection with the preparation, filing, prosecution and maintenance of the patent applications and patents included in the SRI Patent Rights. If, during the term of the Agreement, SRI grants a license to any one or more Third Parties under the SRI Patent Rights for use outside the Field, SRI shall pay or cause each such Third party to reimburse ISD for such Third Party's PRO RATA share of the actual out-of-pocket costs paid by ISD (or reimbursed by ISD to SRI) in connection with the preparation, filing, prosecution and maintenance of the patent applications and patents included in the SRI Patent Rights; PROVIDED, HOWEVER, that SRI shall have no obligation to reimburse ISD for any such Third Party's share of such out-of-pocket costs paid through the effective date of the license agreement with such Third Party in excess of the total consideration received by SRI from such Third Party for the license agreement with such Third Party. Patent costs incurred after the date(s) of such Third Party license agreement(s) shall be shared on a PRO RATA basis by ISD and each such Third Party; PROVIDED, HOWEVER, that ISD may, at is election, seek reimbursement directly from each such Third Party, and SRI shall cause each such Third Party to make reimbursement directly to ISD, for such Third Party's PRO RATA share of those patent costs incurred after the date of such Third Party license agreement. Notwithstanding anything to the contrary in this Section 7.2, if ISD desires to abandon or materially

narrow any claim of the SRI Patent Rights which has application outside the Field, then SRI shall have the right, in its sole discretion and at its sole expense, to assume control of the prosecution, maintenance and enforcement of such claim, provided that the respective rights of each party under the Agreement with respect to such claim shall not otherwise be affected solely by virtue of ISD abandoning and SRI assuming control thereof.

7.2.3 ENFORCEMENT. Each party promptly shall notify the other party of any infringement known to such party of the SRI Patent Rights and shall provide the other party with the available evidence, if any, of such infringement. ISD, at its sole expense, shall have the right (but not the obligation) to determine the appropriate course of action to enforce the SRI Patent Rights in the Field or otherwise abate the infringement thereof in the Field, to take (or refrain from taking) appropriate action to enforce the SRI Patent Rights in the Field, to control any litigation or other enforcement action in the Field and to enter into, or permit, the settlement of any such litigation or other enforcement action with respect to the SRI Patent Rights in the Field, and shall consider, in good faith, the interests of SRI in so doing. If, within one hundred twenty (120) days of receipt of notice from SRI, ISD does not abate the infringement in the Field or file suit to enforce the SRI Patent Rights against at least one infringing party in the Field, SRI shall have the right to take whatever action it deems appropriate to enforce the SRI Patent Rights in the Field. The party controlling any such enforcement action shall not settle the action or otherwise consent to an adverse judgment in such action that adversely affects the rights or interests of the non-controlling party or imposes additional obligations on the non-controlling party, without the prior written consent of the non-controlling party. All monies recovered upon the final judgment or settlement of any such suit by ISD to enforce the SRI Patent Rights in the Field shall be retained by ISD. All monies recovered upon the final judgment or settlement of any such suit by SRI to enforce the SRI Patent Rights in the Field shall be retained by SRI. Notwithstanding the foregoing, SRI and ISD shall fully cooperate with each other in the planning and execution of any action to enforce the SRI Patent Rights in the Field.

7.3 ISD PATENT RIGHTS.

7.3.1 FILING, PROSECUTION, AND MAINTENANCE. ISD, at its sole expense, shall have the right to file and prosecute patent applications included in the ISD Patent Rights in the United States, Japan, the European Patent Office (designating the United Kingdom, France, Germany and Italy) and such other countries as ISD may select in its sole discretion, and to maintain any resulting patents. At ISD's election in its sole discretion, such foreign filing may be initiated through the Patent Cooperation Treaty designating such countries. ISD shall provide SRI with copies of each such patent application as filed,

together with notice of its filing date and serial number, and copies of all office actions and responses thereto.

7.3.2 ENFORCEMENT. ISD, at its sole expense, shall have the right (but not the obligation) to determine the appropriate course of action to enforce the ISD Patent Rights or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the ISD Patent Rights, to control any litigation or other enforcement action and to enter into, or permit, the settlement of any such litigation or other enforcement action with respect to the ISD Patent Rights, and shall consider, in good faith, the interests of SRI in so doing. All monies recovered upon the final judgment or settlement of any such suit to enforce the ISD Patent Rights shall be retained by ISD.

7.4 PATENT MARKINGS. With respect to each Product which would infringe a valid claim of an issued patent of the SRI Patent Rights but for the license granted to ISD hereunder, ISD, its Affiliates and sublicensees shall mark each such Product sold or otherwise disposed of by any of them with the appropriate marking, giving notice to the public that such Product is patented, by fixing thereon either the word "patent" or the abbreviation "pat", together the number of such issued patent of the SRI Patent Rights.

ARTICLE 8

TERM AND TERMINATION

8.1 EXPIRATION. Subject to the provisions of this article, the Agreement shall expire on the later of (a) the expiration of the last to expire of the SRI Patent Rights, or (b) the date seventeen (17) years after the date of the Agreement.

8.2 TERMINATION BY SRI. SRI may terminate the Agreement, in its sole discretion, upon thirty (30) days prior written notice to ISD, (a) if ISD fails to timely reimburse SRI for the costs described in Section 4.2 above, and if ISD has not cured such breach within thirty (30) days after written notice thereof by SRI; or (b) except as otherwise provided in the article below regarding force majeure, upon or after the material breach of its obligations under the Stock Purchase Agreement or under Section 6.1, 6.2, 6.3, 6.4, 7.2, 7.3, 9.1, 9.2 or 9.3 of the Agreement, if ISD has not cured such breach within ninety (90) days after written notice thereof by SRI.

8.3 TERMINATION BY ISD. Except as otherwise provided in the article below regarding force majeure, if SRI materially breaches its obligations under Section 3.1, 3.6 or 3.7 of the Agreement, and SRI has not cured such breach within sixty (60) days after written notice thereof by ISD, then (a) ISD may terminate the Agreement upon thirty (30) days prior written notice to SRI, and

for the periods(s) specified in Section 2(a) of the Stock Purchase Agreement, repurchase that portion of the shares of ISD Common Stock issued to SRI specified in Section 2(a) of the Stock Purchase Agreement at the price and on the terms and conditions set forth in the Stock Purchase Agreement, and (b) SRI shall grant to ISD an exclusive, worldwide, royalty-free license with the right to sublicense, under the SRI Patent Rights and SRI Know-How, to make, have made, use, market, distribute, import, offer for sale and sell Products for use in the Field.

8.4 CONVERSION TO NONEXCLUSIVE BY SRI. SRI may convert the license granted by SRI to ISD to a nonexclusive license, in its sole discretion, upon thirty (30) days prior written notice to ISD, (a) upon or after the material breach of ISD's obligations under Section 5.1 of the Agreement, if ISD has not cured such breach within sixty (60) days after written notice thereof by SRI; or (b) if ISD voluntarily commences any action or seeks any relief regarding its liquidation, reorganization, dissolution or similar act or under any bankruptcy, insolvency or similar law; or (c) if a proceeding is commenced or an order, judgment or decree is entered seeking the liquidation, reorganization, dissolution or similar act or any other relief under any bankruptcy, insolvency or similar law against ISD, without its consent, which continues undismissed or unstayed for a period of sixty (60) days; PROVIDED, HOWEVER, that SRI shall not have the right to terminate the Agreement solely by reason of the occurrence of any one or more of the events described in this Section 8.4.

8.5 FAILURE TO ISSUE ISD SHARES. In the event that ISD fails to duly authorize, validly issue and deliver to SRI or its designees the shares referenced in Section 4.2 above concurrent with the execution of the Agreement, the Agreement automatically shall terminate without further action by SRI.

8.6 EFFECT OF EXPIRATION OR TERMINATION. Expiration or termination of the Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination, and the provisions of Articles 6 and 9 shall survive the expiration or termination of the Agreement. Upon expiration of the Agreement under Section 8.1 above, ISD shall have an exclusive, worldwide, royalty-free license under the SRI Know-How in the Field, and SRI shall have a non-exclusive, worldwide, royalty-free license under the ISD Patent Rights and ISD Know-How for use outside the Field.

8.7 ISD DATA. Notwithstanding anything to the contrary in the Agreement, (a) if the Agreement is terminated pursuant to the provisions of Section 8.2 above, upon SRI's request not more than ninety (90) days after such termination, within thirty (30) days after such request, ISD shall provide provide SRI with copies of all regulatory submissions and approvals, if any, regarding actual or potential Products, (b) SRI shall have the right of reference to all data and information in such regulatory submissions, and (c) ISD shall execute all such documents and instruments reasonably necessary to enable SRI to reference all such data, information

and submissions. ISD makes no representations and warranties whatsoever, express or implied, regarding such data, information and submissions, and any such use and reference of such data, information and submissions shall be at SRI's own risk.

ARTICLE 9

INDEMNIFICATION AND INSURANCE

9.1 INDEMNIFICATION. ISD shall indemnify, defend and hold harmless SRI, its directors, officers, employees and agents from all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) that they may suffer as a result of any claims, demands, actions or other proceedings made or instituted by any Third Party or Affiliate against any of them and arising out of or relating to (a) any use by ISD, its Affiliate or sublicensee of any SRI Patent Rights or SRI Know-How, including any claim of patent infringement, or (b) any personal injury to or death of any person or damage to any property in connection with any act or omission (without regard to culpable conduct) by or on behalf of ISD, its Affiliate or sublicensee in the performance of its activities contemplated by the Agreement (including without limitation the manufacture, use and sale of Products), other than those certain losses, liabilities, damages and expenses arising solely out of the gross negligence or willful misconduct of SRI. Notwithstanding the foregoing, ISD shall have no obligation to indemnify, defend or hold harmless SRI from any losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) that it may suffer as a result of any claims, demands, actions or other proceedings made or instituted by any current or former employee, consultant, licensee or optionee of SRI.

9.2 INDEMNIFICATION PROCEDURE. SRI promptly shall notify ISD of any loss, liability, damage or expense, or any claim, demand, action or other proceeding with respect to which SRI intends to claim such indemnification. ISD's indemnity obligations under this article shall not apply to amounts paid in any settlement if effected without the consent of ISD, which consent shall not be unreasonably withheld or delayed. ISD shall not settle or consent to an adverse judgment in any such claim, demand, action or other proceeding that adversely affects the rights or interests of SRI, its employees or agents or imposes additional obligations on SRI, its employees or agents, without the prior express written consent of SRI. SRI, its employees and agents, shall cooperate fully with ISD and its legal representatives in the investigation of any action, claim or liability covered by this indemnification.

9.3 INSURANCE. Concurrent with the commencement of the first human clinical trial of any Product, ISD shall procure and maintain such liability insurance, including contractual and product liability insurance, against claims for bodily injury,

including death, or property damage arising from its activities contemplated by the Agreement, in amounts not less than $2,000,000 per occurrence and $5,000,000 in the aggregate. ISD shall maintain such insurance for so long thereafter as it continues to conduct its activities contemplated by the Agreement; PROVIDED, HOWEVER, that in the event such insurance becomes unavailable to ISD or in the event of extreme market conditions or other unforeseen events, the parties agree to discuss such changed circumstances and appropriate mechanisms to address them. Upon request, ISD shall provide SRI with certificates of insurance evidencing ISD's compliance with the insurance requirements of this section. SRI assumes no liability and disclaims any responsibility for the product specifications, clinical trials, manufacture, use, marketing, sale or other disposition, application, or delivery of any and all Products. No warranties made by ISD in connection with Product shall expressly or implicitly obligate SRI in any manner whatsoever.

9.4 LIMITED LIABILITY. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES ARISING OUT OF OR RELATED TO THE AGREEMENT OR WITH RESPECT TO ANY CLAIM, DEMAND, ACTION OR OTHER PROCEEDING RELATING TO THE AGREEMENT HOWEVER CAUSED, AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL SRI'S LIABILITY OWING TO ISD WITH RESPECT TO ANY CLAIM, DEMAND, ACTION OR OTHER PROCEEDING RELATING TO THE AGREEMENT EXCEED THE VALUE OF THE CONSIDERATION ACTUALLY RECEIVED BY SRI UNDER THE AGREEMENT OR THE STOCK PURCHASE AGREEMENT.

ARTICLE 10

FORCE MAJEURE

Neither party shall be held liable or responsible to the other party nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected party including but not limited to fires, earthquakes, floods, embargoes, wars, acts of war (whether war is declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or other party.

ARTICLE 11

ARBITRATION

Any controversy or claim arising out of or relating to the Agreement, or the breach thereof, or any failure to agree where

agreement of the parties is necessary pursuant hereto, including the determination of the scope of this agreement to arbitrate, shall be resolved by the following procedures:

11.1 ATTEMPT TO RESOLVE DISPUTE. The parties shall use all reasonable efforts to amicably resolve the dispute through direct discussions. The senior management of each party commits itself to respond promptly to any such dispute. Either party may send written notice to the other party identifying the matter in dispute and invoking the procedures of this article. Within ten (10) days after such written notice is received, unless a delay is agreed to by both parties or the parties agree to confer by telephone, one or more principals of each party shall meet in Menlo Park, California to attempt to amicably resolve the dispute by written agreement. If said dispute cannot be settled through direct discussions within twenty (20) days after such written notice is received, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation in San Francisco and administered by the American Arbitration Association ("AAA"), 417 Montgomery Street, San Francisco, California 94104-1113, pursuant to the Commercial Mediation Rules of AAA at the time of submission prior to resorting to binding arbitration.

11.2 APPLICATION TO BINDING ARBITRATION. If after sixty (60) days from the first written notice of dispute, the parties fail to resolve the dispute by written agreement or mediation, either party may submit the dispute to final and binding arbitration administered by the AAA, pursuant to the Commercial Arbitration Rules of the AAA at the time of submission. California Arbitration Law shall govern. The arbitration shall be held in Menlo Park, California before a single neutral, independent, and impartial arbitrator (the "Arbitrator"). The language of the arbitration shall be English, provided however that an interpreter may be provided for any witness that desires an interpreter; the costs of such interpretation shall be borne by the party requesting the interpreter, subject to being awarded by the Arbitrator as a cost of arbitration.

11.3 BINDING ARBITRATION PROCEDURE. Unless the parties have agreed upon the selection of the Arbitrator before then, the AAA shall appoint the Arbitrator as soon as practicable, but in any event within thirty (30) days after the submission to AAA for binding arbitration. The arbitration hearings shall commence within forty-five (45) days after the selection of the Arbitrator. Unless the Arbitrator otherwise directs, each party shall be limited to two pre-hearing depositions each lasting no longer than 6 hours. The parties shall exchange documents to be used at the hearing no later than ten (10) days prior to the hearing date. Unless the Arbitrator otherwise directs, each party shall have no longer than ten (10) hours to present its position, the entire proceedings before the Arbitrator shall be on no more than three (3) hearing days within a two week period. At the close of evidence, each side shall submit a proposed award to the Arbitrator, one of which shall be selected by the Arbitrator. The

award shall be made no more than thirty (30) days following the close of the proceeding. Under no circumstance should any time limit on the arbitration hearings be applied so as to render any award subject to vacation under California Code of Civil Procedure Section 1286.2. Accordingly, the Arbitrator shall have authority to alter any time period believed necessary to avoid vacatur under Section 1286.2. The Arbitrator's award shall be a final and binding determination of the dispute and shall be fully enforceable as an arbitration award by the California courts in accordance with the California Arbitration Law. The prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses, including arbitration administration fees, incurred in connection with such proceeding. Except as otherwise required by applicable law, regulation or order of a governmental agency or court of competent jurisdiction, neither party nor the Arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

11.4 FEDERAL CLAIM. Any controversy or claim arising out of or relating to the provisions of Article 7 of the Agreement for which the United States District Court or other federal court would have subject matter jurisdiction in the absence of the arbitration provisions set forth in this Article 11 shall be exempt from such arbitration provisions and the United States District Court for the Northern District of California shall have exclusive jurisdiction over such controversy or claim.

ARTICLE 12

MISCELLANEOUS

12.1 NOTICES. Any consent, notice or report required or permitted to be given or made under the Agreement by one party to the other party shall be in writing, delivered personally or by facsimile (and promptly confirmed by personal delivery, U.S. first class mail, courier or nationally-recognized delivery service), U.S. first class mail postage prepaid, courier or nationally-recognized delivery service, and addressed to the other party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the addressor. Except as otherwise provided in the Agreement, such consent, notice or report shall be effective upon receipt by the addressee.

> If to SRI, for technical matters: SRI International 333 Ravenswood Avenue Menlo Park, California 94025-3493 Attention: Ajit Shah If to SRI, for all other matters: SRI International 333 Ravenswood Avenue Menlo Park, California 94025-3493 Attention: Technology Licensing
>
> If to ISD, for technical matters: Intuitive Surgical Devices, Inc. c/o Cooley Godward Castro Huddleson & Tatum Five Palo Alto Square 3000 El Camino Real Palo Alto, California 94306-2155 Attention: John G. Freund, M.D.
>
> If to ISD, for all other matters: Intuitive Surgical Devices, Inc. c/o Cooley Godward Castro Huddleson & Tatum Five Palo Alto Square 3000 El Camino Real Palo Alto, California 94306-2155 Attention: John G. Freund, M.D.

12.2 SOLICITATION OF SRI EMPLOYEES. ISD acknowledges that, during the term of the Agreement, ISD will have access to SRI's business and employees, including certain valuable proprietary information of SRI. ISD recognizes that misuse of such proprietary information, including interference with the employment relationship between SRI and its employees, would cause substantial loss and irreparable harm to SRI. Therefore, as part of the consideration for the Agreement, ISD shall not, prior to the expiration of twelve (12) months after the effective date of the Agreement, either directly or indirectly, by any means or device whatsoever, solicit any more than two of SRI's scientific or laboratory personnel involved with or working on any project relating to Telepresence Surgical Technology or otherwise induce or attempt to induce such personnel to terminate their employment with SRI.

12.3 GOVERNING LAW. The Agreement, including the decision to arbitrate and any decision by an arbitrator pursuant to Article 11, shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof (except to the extent United States law preempts California law), and shall not be governed by the United Nations Convention on Contracts for the International Sale of Goods.

12.4 U.S. EXPORT LAWS AND REGULATIONS. Each party hereby acknowledges that the rights and obligations of the Agreement are subject to the laws and regulations of the United States relating to the export of products and technical information. Without

limitation, each party shall comply with all such laws and regulations.

12.5 NO OTHER RIGHTS. The Agreement shall not be construed to grant any license or other rights to ISD in any patent rights, know-how or other technology of SRI, except as expressly provided in the Agreement.

12.6 ASSIGNMENT. ISD shall not assign its rights or obligations under the Agreement, in whole or in part, by operation of law or otherwise, wihtout the prior written consent of SRI, which consent shall not be unreasonably withheld; PROVIDED, HOWEVER, that ISD may, without such consent, assign the Agreement and its rights and obligations hereunder in connection with the transfer or sale of all or substantially all of its business or divisions or subdivisions related to Telepresence Surgical Technology, or in the event of its merger, consolidation, change in control, spin-off, recapitalization or similar transaction. Any permitted assignee shall assume all obligations of its assignor under the Agreement. Any purported assignment in violation of this section shall be null and void.

12.7 WAIVERS AND AMENDMENTS. No change, modification, extension, termination or waiver of the Agreement, or any of the provisions herein contained, shall be valid unless made in writing and signed by duly authorized representatives of the parties hereto.

12.8 ENTIRE AGREEMENT. The Agreement embodies the entire understanding between the parties and supersedes any prior understanding and agreements between and among them respecting the subject matter hereof. There are no representations, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of the Agreement which are not fully expressed herein. The Agreement supersedes the Option Agreement, and upon execution of the Agreement by the parties, the Option Agreement is hereby terminated.

12.9 SEVERABILITY. Any of the provisions of the Agreement which are determined to bei nvalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability in such jurisdiction, without rendering invalid or unenforceable the remaining provisions hereof and without affecting the validity or enforceability of any of the terms of the Agreement in any other jurisdiction.

12.10 WAIVER. The waiver by either party hereto of any right hereunder or the failure to perform or of a breach by the other party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other party whether of a similar nature or otherwise.

12.11 COUNTERPARTS. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but

all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first set forth above.

SRI INTERNATIONAL		INTUITIVE SURGICAL DEVICES, INC.	
By:	/s/ Harold E. Kruth	By:	/s/ John G. Freund
Title:	SR VP & G C	Title:	

Agreed to, for purposes of the third sentence of Section 12.8 only, as of this December 19, 1995

/s/ John G. Freund

John G. Freund, M.D.

EXHIBIT "A"
SRI International Invention Disclosures

#3026
Teleoperator System and Method with Telepresence Green (corresponds to #48)

P #3079
Steerable and Stereoscopic Laparoscope Green

P #3278
Remote Center Positioner
Jenses (corresponds to #29)

P #3308
Articulated Surgical Grasper
Hill

P #3311
Telepresence Surgery Demo System
Hill, Green, Jensen, Gorfa, Shah

P #3318
Sterilizable Inner Manipulator
Hill

P #3319
Method for Telemanipulation with Telepresence Green (corresponds to #33)

P #3336
Articulated Manipulator
Green, Hill, Jensen

P #3421
Method and Apparatus for Axial and Rotational Positioning Shaft with Application to Laparoscopic Medical Instruments Green

P #3435
Combined Remote-Center Positioner and Abdominal Wall Lift Device Green

P #3441
Manipulator with Twist-Lock Tool Insertion Jensen, Hill (corresponds to #42)

P #3457
Quick-Change Surgical Instrument
Hill (corresponds to #44)

EXHIBIT "B"
SRI International Patent Rights

#48
Basic teleoperator system for providing operator tactile feedback and control and a real or virtual image of the workspace (filed January 21, 1992). (SN: 07/8231932) (also filed in Europe, Japan and Canada)

#48-1
Divisional of -48, directed to tactile sensors and broader claim language re the basic telepresence concept (filed August 21, 1995). (SN: 08/S17,052)

#29
Remote center positioner (RCP) - four bar linkage that constrains movement of an endoscopic instrument about a remote point (i.e., a percutaneous penetration in the patient) (filed May 14, 1993). (SN: 08/062,404) (also filed in Europe and Japan)

#29-4
Divisional of RCP application-directed to method claims (filed July 20, 1995). (SN:08/504,301)

#29-5
Divisional of RCP application-directed to flexible drive element (filed July 20, 1995). (SN: 08/504,620)

#29-6
Divisional of RCP application-directed to channel shaped linkage (filed July 20, 1995). (SN: 08/504,619)

#33
System and method for transforming view able real-time image into perspective image simulating the view of an operator at the remote workspace (filed May 5, 1994). (SN: 08/239,086)

#33-1
Directed to the dynamic calibration system (filed April 20, 1995). (SN: 06/239,086)

#42, -44
Surgical instrument manipulator - receives signals from servomechanism and manipulates instrument, provides at least four degrees of freedom and quick attachment and release of different surgical instruments (filed June 7, 1995). (42: 08/485,597, 44: 08/487,020)

EXHIBIT 10.9

AGREEMENT ("Agreement") with an Effective Date of December 22, 1997, between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation (hereinafter called IBM), and INTUITIVE SURGICAL, INC. a Delaware corporation (hereinafter called INTUITIVE).

IBM has the right to license others under certain patents and patent applications relating to systems and methods for the augmentation of surgery. INTUITIVE desires to acquire an exclusive license under those patents and patent applications.

In consideration of the premises and mutual covenants herein contained, IBM and INTUITIVE agree as follows:

SECTION 1. DEFINITIONS

1.1 "ASSOCIATED MATERIALS" shall mean copies of all inventor notebooks (or the relevant portions thereof), files, data, information, results of testing, drawings and schematics and all models, robots and prototypes which are owned by IBM and are in IBM's possession on the Effective Date and which relate to the LARS Patents.

1.2 "BIOPSY" shall mean the removal and microscopic examination of tissue taken from a living body and performed to establish an exact diagnosis.

1.3 "CORPORATE PARTNERS" shall mean those parties who are essential to the success of gaining regulatory approval for the sale of INTUITIVE Licensed Products and Services in a given country and/or in making significant sales of INTUITIVE Licensed Products and Services in a given country.

1.4 "ENDOSCOPE" shall mean any optical imaging device adapted to be inserted through a small incision, puncture wound, or orifice into a natural or artificial lumen or cavity of a human body.

1.5 "FIELD" shall mean Surgery performed in the practice of animal and human medicine, with or without an Endoscope, provided, however, the medical fields of neurology, ophthalmology and orthopedics, and all Surgery practiced in those medical fields, and Biopsy procedures are excluded from the Field.

1.6 "INTUITIVE LICENSED PRODUCTS AND SERVICES" shall mean any product and/or service the manufacture, use or sale of which is covered by a claim contained in the LARS and/or ROBODOC Patents.

1.7 "INFORMATION HANDLING SYSTEM" OR "IHS" shall mean any instrumentality or aggregate of instrumentalities primarily

designed to compute, classify, process, transmit, receive, retrieve, originate, switch, store, display, manifest, measure, detect, record, reproduce, handle or utilize any form of information, intelligence or data for business, scientific, control or other purposes.

1.8 "LARS PATENTS" shall have the meaning set forth in Exhibit I to this Agreement.

1.9 "ROBODOC PATENTS" shall mean United States Patents 5,299,288; 5,408,409 and 5,086,401 and Japanese Patent 2132963 and all patents which are continuations, continuations-in-part, divisions, reissues, renewals, extensions or additions thereof (or which otherwise claim priority from the foregoing) and their corresponding patents.

1.10 "SUBSIDIARY" shall mean a corporation, company or other entity:

1.10.1 more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a party hereto; or

1.10.2 which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than fifty percent (50%) of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists.

1.11 "SURGERY" shall mean operation on or manipulation of tissue for the treatment of disease, injury or deformity.

SECTION 2. GRANT OF RIGHTS

2.1 After the Effective Date and upon receipt of the payment of Section 4.1, IBM agrees to grant and hereby grants to INTUITIVE an exclusive (subject to Sections 2.3 and 2.4), revocable (upon termination per Section 9), worldwide right (with the right to grant sublicenses thereunder) under the LARS Patents to make, have made for INTUITIVE, use, import, offer for sale, sell and/or otherwise transfer INTUITIVE Licensed Products and Services in the Field.

2.2 After the Effective Date and upon receipt of the payment of Section 4.1, IBM agrees to grant and hereby grants to INTUITIVE a nonexclusive revocable (upon termination per Section 9), worldwide right (without the right to grant sublicenses

thereunder except as provided in Section 3) under the LARS Patents to make, have made for INTUITIVE, use, import, offer for sale, sell and/or otherwise transfer INTUITIVE Licensed Products and Services outside the Field.

2.3 The license of Section 2.1 is subject to a reserved right in IBM and its Subsidiaries to practice the LARS Patents in its and their own facilities for research, development, testing and engineering for any purpose and for the manufacture and sale of IBM products and the provision of IBM services, other than for IBM products and services within the Field.

2.4 INTUITIVE acknowledges that IBM has previously licensed the right to practice the inventions claimed in the LARS Patents to the entities identified in the letter dated December 18, 1997, from A. M. Torressen (IBM) to K. I. McAusland (INTUITIVE) for use in "Information Handling Systems", but otherwise without restriction as to field, and accepts the license of Section 2.1 above subject to these identified prior licenses. IBM shall exclude the LARS Patents from all patent licenses IBM enters into with third parties after the Effective Date except for specific licenses which may be granted by IBM outside the Field. INTUITIVE further acknowledges that IBM is negotiating the grant of license rights under the LARS Patents outside the Field with Integrated Surgical Systems.

2.5 After the Effective Date and upon receipt of the payment of Section 4.1, IBM agrees to grant and hereby grants to INTUITIVE an exclusive (subject to Sections 2.7 and 2.8), revocable (upon termination per Section 9), worldwide right (with the right to grant sublicenses thereunder) under the ROBODOC Patents to make, have made for INTUITIVE, use, import, offer for sale, sell and/or otherwise transfer INTUITIVE Licensed Products and Services in the Field.

2.6 After the Effective Date and upon receipt of the payment of Section 4.1, IBM agrees to grant and hereby grants to INTUITIVE a nonexclusive revocable (upon termination per Section 9), worldwide right (without the right to grant sublicenses thereunder except as provided in Section 3) under the ROBODOC Patents to make, have made for UNINTUITIVE, use, import, offer for sale, sell and/or otherwise transfer INTUITIVE Licensed Products and Services outside the Field.

2.7 The license of Section 2.5 is subject to a reserved right in IBM and its Subsidiaries to practice the ROBODOC Patents in its and their own facilities for research, development, testing and engineering for any purpose and for the manufacture and sale of IBM products and the provisions of IBM services, other than for IBM products and services within the Field. The license of

Section 2.5 is also subject to a reserved right in the University of California to practice the ROBODOC Patents for educational and research purposes.

2.8 INTUITIVE acknowledges that IBM has previously licensed the right to practice the inventions claimed in the ROBODOC Patents to the entities identified in the letter dated December 18, 1997, from A. M. Torressen (IBM) to K. I. McAusland (INTUITIVE) for use in "Information Handling Systems", but otherwise without restriction as to field, and accepts the license of Section 2.5 above subject to those identified prior licenses. IBM shall exclude the ROBODOC Patents from all patent licenses IBM enters into with third parties after the Effective Date except for specific licenses which may be granted by IBM outside the Field. INTUITIVE further acknowledges that IBM has granted to Integrated Surgical Systems, its Subsidiaries, and its and their customers, an immunity from suit under the ROBODOC Patents, and accepts the license of Section 2.5 subject thereto, and that IBM is also negotiating the grant of license rights under the ROBODOC Patents outside the Field with Integrated Surgical Systems.

2.9 As soon as practicable after the payment of Section 4.1, IBM shall provide INTUITIVE with all Associated Materials.

SECTION 3. SUBLICENSES

3.1 The right to grant sublicenses granted in Section 2.2 and 2.6 shall extend only to INTUITIVE's Subsidiaries and Corporate Partners and only to the extent necessary for INTUITIVE to Partners and only to the extent necessary for INTUITIVE to develop, manufacture, market, sell and/or otherwise transfer INTUITIVE Licensed Products and Services.

3.2 INTUITIVE shall be responsible to IBM for the adherence of all such Subsidiaries and Corporate Partners to the terms and conditions of this Agreement as such terms and conditions are applicable to such Subsidiaries and Corporate Partners. Any sublicenses to any such Subsidiaries or Corporate Partners shall terminate on the date such Subsidiary or Corporate Partner ceases to be a Subsidiary or Corporate Partner.

SECTION 4. CONSIDERATION

4.1 In consideration for the rights and licenses granted in Sections 2.1 and 2.2:

4.1.1 INTUITIVE shall pay IBM a non-refundable payment of nine hundred sixteen thousand, six hundred seventy dollars ($916,670) upon the Effective Date.

4.1.2 INTUITIVE shall also pay IBM four million, five hundred eighty three thousand, three hundred thirty dollars ($4,583,330) within ten (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 INTUITIVE.

4.2 In consideration for the rights and licenses granted in Sections 2.5 and 2.6:

4.2.1 INTUITIVE shall pay IBM a non-refundable payment of eighty three thousand, three hundred thirty dollars ($83,330) upon the Effective Date.

4.2.2 INTUITIVE shall also pay IBM four hundred sixteen thousand, six hundred seventy dollars ($416,670) within ten (10) days after the closing of the first underwritten public offering registered under the Securities Act of 1993, 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 INTUITIVE.

4.3 INTUITIVE shall also pay IBM one million dollars ($1,000,000) within ninety days (90) after the end of the fiscal year in which the cumulative total of all sales of products and services (including INTUITIVE Licensed Products and Services, if any) in that year by INTUITIVE (or any entity or person acting for or on behalf of INTUITIVE which leases, sells and/or otherwise transfers INTUITIVE products and/or services) first equals or exceeds twenty five million dollars ($25,000,000) ("Due Date"). Such payments shall accrue on the date upon which the above-noted total sales are attained ("Accrual Date").

4.4 INTUITIVE shall also pay IBM an additional one million dollars ($1,000,000) within ninety days (90) after the end of the fiscal year in which the cumulative total of all sales of products and services (including INTUITIVE Licensed Products and Services, if any) in that year by INTUITIVE (or any entity or person acting for or on behalf of INTUITIVE which leases, sells or otherwise transfers INTUITIVE products and/or services) first equals or exceeds fifty million dollars ($50,000,000) ("Due Date"). Such payments shall accrue on the date upon which the above-noted total sales are attained ("Accrual Date"). INTUITIVE understands that, depending upon the total sales attained, the payments of both Sections 43.3 and 4.4 may be due at the same time.

SECTION 5. PATENT ENFORCEMENT AND PROSECUTION

5.1 INTUITIVE shall have the right but not the obligation to enforce the LARS Patents and the ROBODOC Patents in the Field, at INTUITIVE's expense. IBM agrees to cooperate with such enforcement efforts as necessary. INTUITIVE agrees to reimburse IBM for its reasonable expenses incurred in connection with such cooperation. If IBM becomes aware of infringement of the LARS Patents or the ROBODOC Patents inside the Field and believes that

enforcement of the patents is required in order to protect the value of the patents in the face of the infringement, then IBM shall submit a written request for enforcement of the patents to INTUITIVE. INTUITIVE shall respond to IBM within sixty (60) days indicating whether INTUITIVE will enforce the patents against the alleged infringer. In the event that INTUITIVE declines to enforce the patents, and IBM disagrees with that position, INTUITIVE's CEO shall meet, upon IBM's request, the IBM's Vice President of Intellectual Property and Licensing to further discuss the necessity and advisability of enforcement against the alleged infringer.

5.2 Outside the Field, INTUITIVE shall have no right to bring suit against any third party under or in connection with this Agreement including, but not limited to, alleged infringers of the LARS Patents or the ROBODOC Patents or any one of them. If INTUITIVE becomes aware of infringement of the LARS Patents or the ROBODOC Patents outside the Field and believes that enforcement of the patents is required in order to protect the value of the patents in the face of infringement, then INTUITIVE shall submit a written request for the enforcement of the patents to IBM. IBM shall respond to INTUITIVE within sixty (60) days indicating whether IBM will enforce the patents against the alleged infringer. In the event that IBM declines to enforce the patents and INTUITIVE disagrees with that position, IBM's Vice President of Intellectual Property and Licensing shall meet, upon INTUITIVE's request, with INTUITIVE's CEO to further discuss the necessity and advisability of enforcement against the alleged infringer.

5.3 If either Party is threatened with suit, intends to file suit or is sued, it shall promptly advise the other Party in writing. Neither IBM nor INTUITIVE shall enter any settlement or other agreement which negatively affects the validity or enforceability of the LARS Patents or the ROBODOC Patents or any issued claim thereof without the advice and prior written consent of the other party, which consent shall not be unreasonably withheld.

5.4 INTUITIVE shall have the right but not the obligation, at its expense, to participate in the prosecution (including the filing of foreign counterparts) of the LARS Patents. At INTUITIVE's request IBM will provide INTUITIVE with copies of patent office actions and filings in the United States and foreign countries in sufficient time to permit INTUITIVE to comment on and advise IBM with respect to such actions or filings prior to submission of IBM's response. INTUITIVE shall have the right to suggest additional claims under the LARS Patents for prosecution by IBM, at IBM's expense. If IBM elects not to prosecute such claims, INTUITIVE may, at its election and its

expense, prosecute such claims. IBM agrees to cooperate with such prosecution and execute such papers as may be required for INTUITIVE to pursue such prosecution. Any patent issuing therefrom shall be included in the LARS Patents and will be subject to the licenses granted under Sections 2.1 and 2.2. However, IBM shall continue the prosecution and maintenance of the LARS Patents at its expense. However, if IBM elects to abandon prosecution or maintenance of any of the LARS Patents, INTUITIVE may, at its election, assume such prosecution or maintenance, and IBM will assign such patent or patent application to INTUITIVE subject to a worldwide, non-exclusive, paid-up right outside the Field to make, have made, practice, have practiced, use, import, offer for sale, sell and/or otherwise transfer under such patents or patents issuing on such applications, including the right to extend such license to IBM's IHS licensees.

SECTION 6. WARRANTY

6.1 IBM represents and warrants that as of the Effective Date:

(A) it has the full right and power to grant the licenses set forth in Section 2.1, 2.2, 2.5 and 2.6;

(B) to the best of its knowledge, there are no outstanding agreements, licenses, assignments, or encumbrances inconsistent with the provisions of said licenses or with any other provision of this Agreement, other than those set forth in Sections 2.4 and 2.8;

(C) to the best of its knowledge none of the licenses to the licensees listed in the letter referred to in Sections 2.4 and 2.8 grant the licensees the right to sublicense or assign their rights under such license except to a Subsidiary (as that term is defined herein) of such licensee (or of sublicensed Subsidiaries to sublicense other Subsidiaries).

IBM makes no representation or warranty, express or implied, as to the validity or scope of any of the LARS Patents or the ROBODOC Patents. IBM shall have no liability in respect of any infringement of patents, copyrights or other rights of third parties due to INTUITIVE's operating under the rights and license herein granted.

SECTION 7. RECORDS

7.1 INTUITIVE shall keep records in accordance with generally accepted accounting principles and in sufficient detail to permit the determination of the amounts due to IBM under Sections 4.3 and 4.4. Such records shall be kept until the payment of Section 4.4 is made.

7.2 Prior to the payment of Section 4.4, upon written notice for an audit, INTUITIVE shall permit auditors designated by IBM, and reasonably acceptable to INTUITIVE, together with such legal and

technical support as IBM deems necessary, to examine, during ordinary business hours, books, records, materials, and manufacturing processes of INTUITIVE for the purpose of verifying compliance with Sections 4.2, 4.3 and 4.4. Each party shall pay the costs that it incurs in the course of the audit. No more than one audit may be conducted in any one fiscal year.

SECTION 8. COMMUNICATIONS

8.1 Any notice or other communication required or permitted to be made or given to either party hereto pursuant to this Agreement shall be sent to such party by facsimile or certified mail, postage prepaid, addressed to it at its address set forth below, or to such other address as it shall designate by written notice given to the other party, and shall be deemed to have been made or given on the date of facsimile transmission or mailing. The addresses are as follows:

8.1.1 For IBM:

Direct of Licensing
International Business Machines Corporation
500 Columbus Avenue
Thornwood, New York 10594
United States of America

8.1.2 For facsimile transmission to IBM:

(914) 742-6737

8.1.3 For INTUITIVE:

Chief Patent Counsel
INTUITIVE Surgical, Inc.
1340 W. Middlefield Road
Mountain View, CA 94043

8.1.4 For facsimile transmission to INTUITIVE:

(650) 526-2060

8.2 Payment by INTUITIVE to IBM shall be made by electronic funds transfer to:

SECTION 9. TERM AND TERMINATION

9.1 This Agreement shall expire upon the expiration of the last to expire of the LARS or the ROBODOC Patents.

9.2 This agreement may be terminated by IBM upon 30 days written notice in the event that INTUITIVE fails to make the payments of Sections 4.1 and 4.2 and, if applicable, those of Sections 4.3 and 4.4, or fails to comply with the conditions of Section 9.3 or 9.4, and fails to cure any such failure within the aforementioned notice period.

9.3 In the event that fifty percent (50%) or more of the outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) of INTUITIVE are or become owned or controlled, directly or indirectly, by a third (acquiring) party, INTUITIVE shall promptly give written notice of such acquisition to IBM. If INTUITIVE does not have outstanding shares or securities, such acquisition shall be deemed to occur if more than fifty percent (50%) of its ownership interest representing the right to make decisions for INTUITIVE is to be acquired by said third party. If such event occurs before the date upon which the payment of Section 4.2 is made, IBM may terminate this Agreement under this Section 9 unless the acquiring party settles, to IBM's satisfaction, any outstanding disputes which it may have with IBM or any of IBM's Subsidiaries, and agrees in writing with IBM to accept assignment of this Agreement subject to all the rights, conditions, duties and obligations thereof. If such event occurs after the date on which the payments of Sections 4.3 and 4.4 are made, IBM may terminate this Agreement unless the acquiring party agrees to in writing with IBM to accept assignment of this Agreement subject to all the rights, conditions, duties and obligations thereof, and makes the unpaid payments of Sections 4.3 and/or 4.4 to IBM prior to closing such acquisition.

9.4 In the event that INTUITIVE is a party to a merger, consolidation, amalgamation or other combination with another entity (whether preceded by an acquisition or not) such that INTUITIVE will cease to exist as a legal entity following such event, INTUITIVE shall promptly give written notice of such event

to IBM. If such event occurs before the date on which the payment of Section 4.2 is made, IBM may terminate this Agreement unless the entity which survives or results from such event settles, to IBM's satisfaction, any outstanding disputes which it may have with IBM, or any of IBM's Subsidiaries, and agrees in writing with IBM to accept assignment of this Agreement subject to all the rights, conditions, duties and obligations thereof. If such event occurs after the date on which the payment of Section 4.2 is made, but before one or both of the payments of Sections 4.3 and 4.2 are made, IBM may terminate this Agreement unless the acquiring party agrees in writing with IBM to accept assignment of this Agreement subject to all the rights, conditions, duties and obligations thereof, and makes the unpaid payments of Sections 4.3 and/or 4.4 to IBM prior to closing such merger, consolidation, amalgamation or other combination.

9.5 No termination or this Agreement or the licenses granted hereunder shall relieve INTUITIVE of any obligation or liability accrued hereunder prior to such termination. If this Agreement is terminated by IBM prior to the payment of Section 4.2, the payments of Sections 4.2, 4.3 and 4.4 shall not be due IBM. If this Agreement is terminated by IBM prior the Accrual Date of either or both Section 4.3 and 4.4, the payment or payments of Section 4.3 and/or Section 4.4 shall not be due IBM.

SECTION 10. MISCELLANEOUS

10.1 Each party (the first party) shall, at its expense, defend, indemnify and hold the other party (the second party), its Subsidiaries and each of them and their officers, directors, agents, representatives and employees, harmless against all claims, representatives and employees, harmless against all claims, demands, damages, liabilities, penalties and expenses (including, but not limited to, legal fees and expenses, including reasonable attorneys fees) including those for infringement, property damage and personal injury or death, whether arising in contract, tort (including negligence of any degree) or otherwise, wherever and by whomever brought (including third parties) arising out of, connected with or resulting from such first party's activities under or in furtherance of this Agreement or the first party's use (including sublicensing in the case of INTUITIVE) of the LARS Patents and/or ROBODOC Patents licensed hereunder, including the use, sale or other transfers of products of the first party covered, in whole or in part, by any claim of the LARS Patents and/or ROBODOC Patents or made, in whole or in part, with any process or apparatus covered by any claim of the LARS Patents or the ROBODOC Patents.

10.2 Except as provided in Sections 9.3 or 9.4, INTUITIVE shall not assign this Agreement, nor any of its rights or privileges, nor delegate any of its duties or obligations, thereunder, under any circumstances, without the prior written consent of IBM. Any

attempt to do so shall be void. However, notwithstanding the foregoing, INTUITIVE may grant sublicenses under the LARS Patents as provide din Sections 2.1, 2.2, 2.5 and 2.6 without the prior written consent of IBM.

10.3 This Agreement shall not be binding upon the parties and shall not obligate either of the parties until it has been signed hereinbelow by both parties, in which event it shall be effective as of the Effective Date.

10.4 Nothing contained in this Agreement shall be construed as conferring any right to use in advertising, publicity, or other promotional activities any name, trade name, trademark, or other designation of either party hereto (including any contraction, abbreviation or simulation of any of the foregoing). Each party hereto agrees not to use or refer to this Agreement or any provision thereof in any publicity without the express written approval of the other party, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, the parties may disclose without approval of the other party the existence and terms of this Agreement to the extent (a) required by law (including securities laws); (b) the disclosure is made under a binder of confidentiality to any person or entity who may be interested in investing in or acquiring all or substantially all of the assets or securities of such party, or (c) the disclosure is made to its financial advisors provided that such advisors have signed a binder of confidentiality.

10.5 Nothing contained in this Agreement shall be construed as conferring on either party any license or other right to copy the exterior design of the products of the other party.

10.6 Nothing contained in this Agreement shall be construed as limiting the rights which the parties have outside the scope of the licenses granted hereunder, or restricting the right of either party or any of its Subsidiaries to make, have made, use, lease, sell or otherwise dispose of any particular product or products not herein licensed.

10.7 Except as expressly set forth in this Agreement nothing contained in this Agreement shall be construed as conferring either directly or by implication, estoppel or otherwise upon either party or any third party any license or other right with respect to any patents, patent applications copyrights or mask works or similar rights of other party.

INTUITIVE understands that its customers may need licenses or other rights from third parties and/or International Business Machines Corporation for the use of products acquired from INTUITIVE. However, provided that this Agreement is not

terminated by IBM for breach, customers of INTUITIVE who were customers of INTUITIVE prior to any such termination shall not need additional licenses from IBM for INTUITIVE Licensed Products and Services and Subsidiaries and Corporate Partners who were Subsidiaries and Corporate Partners prior to any such termination shall not need additional licenses from IBM for INTUITIVE Licensed Products and Services outside the Field but within the scope of Section 3.1.

10.8 Each party shall pay all taxes (including, without limitation, sales and value added taxes), exclusive of taxes based on the other party's net income, imposed by the national government, including any political subdivision thereof, of any country in which said party is doing business, as the result of said party's furnishing consideration hereunder. In the event such a tax becomes payable as a result of a party furnishing consideration in respect of a sublicense granted pursuant to Section 3 said sublicensing party shall be reasonable for determining the amount of and paying, or causing said sublicensed Subsidiary to pay, said tax.

10.9 The headings of the several Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning of interpretation of this Agreement.

10.10 If any Section of this Agreement is founded by competent authority to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and unenforceability of such Section in every other respect and the remainder of this Agreement shall continue in effect so long as the Agreement still expresses the intent of the parties. If the intent of the parties cannot be preserved, then the parties shall attempt to renegotiate this Agreement.

10.11 This Agreement shall be construed, and the legal relations between the parties hereto shall be determined, in accordance with the law of the State of New York, United States of America, without regard to its principles of conflicts of law, as such law applies to contracts signed and fully performed in the State of New York. Each of the parties waives its right to a jury trial.

10.12 Nothing in this Agreement shall be construed as creating any agency, joint venture, partnership or other type of relationship between the parties.

10.13 No amendment or modification hereof shall be valid or binding upon the parties unless made in writing and signed by both parties.

10.14 This Agreement and its Exhibit embodies the entire understanding of the parties with respect to the subject matter hereof and mergers all prior communications (whether oral or written) between them, and neither of the parties shall be bound by any conditions, definitions, warranties, understandings or representations with respect thereto other than as expressly provided in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly signed.

INTERNATIONAL BUSINESS MACHINES CORPORATION

Date 12/30/97

By /s/ M. C. Phelps, Jr.

M. C. Phelps, Jr.
Vice President

INTUITIVE SURGICAL, INC.

Date 12/30/97

By /s/ Lonnie M. Smith

Lonnie M. Smith
President and CEO

EXHIBIT 1

This is an Exhibit to the Agreement with an Effective Date of December 22, 1997 between IBM and INTUITIVE SURGICAL, INC.

"LARS Patents" shall mean the following patents, patents issuing from the following applications, and all patents which are continuations, continuations-in-part, divisions, reissues, renewals, extensions, or additional of or otherwise claim priority from the following patents and patent applications and their corresponding patents:

COUNTRY	APPLICATION FILED	APPLICATION NUMBER	DATE ISSUED	PATENT NO.	DATE EXPIRES
US	July 27, 1992	0000919450	January 19, 1994	0005299309	June 13, 2011
US	October 11, 1994	0000321320	May 20, 1997	0005630431	May 20, 2014
US	April 6, 1994	0000223862	August 29, 1995	0005445166	August 29, 2012
US	April 28, 1994	0000234825	April 4, 1995	0005402801	April 4, 2012
AU	May 13, 1993	93107816.6			May 13, 2013
BE	May 13, 1993	93107816.6			May 13, 2013
FR	May 13, 1993	93107816.6			May 13, 2013
GE	May 13, 1993	93107816.6			May 13, 2013
IT	May 13, 1993	93107816.6			May 13, 2013
JA	April 19, 1993	0005-90989	October 24, 1996	0002575586	April 19, 2013
NE	May 13, 1993	93107816.6			May 13, 2013
SP	May 13, 1993	93107816.6			May 13, 2013
SW	May 13, 1993	93107816.6			May 13, 2013
SZ	May 13, 1993	93107816.6			May 13, 2013
UK	May 13, 1993	93107816.6			May 13, 2013
US	May 27, 1992	0000889215	May 23, 1995	0005417210	May 27, 2012
US	January 26, 1995	0000378433	November 12, 1996	0005572999	November 12, 2013
AU	October 27, 1993	93117400.7	April 23, 1997	000E152026	October 27, 2013
BE	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
FR	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
GE	October 27, 1993	93117400.7	April 23, 1997	69310085.0	October 27, 2013
IT	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
JA	October 4, 1993	005-248114	May 2, 1997	0002642047	October 4, 2013
NE	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
SP	October 27, 1993	93117400.7	April 23, 1997	0002102577	October 27, 2013
SW	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
SZ	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
UK	October 27, 1993	93117400.7	April 23, 1997	0000595291	October 27, 2013
US	October 30, 1992	0000968715	March 14, 1995	0005397323	October 20, 2012
JA	June 24, 1994	006-142841	March 11, 1997	0002620518	June 24, 2014
US	August 17, 1993	0000108027	August 30, 1994	0005343395	August 17, 2013
US	April 28, 1994	Y0991-080-G			**
US	November 2, 1993	Y0991-080XA			**
US	January 24, 1995	0000000000*			**
US	January 26, 1995	Y0992-080C			**
US	April 6, 1994	0000223969		0005695500	**
US	July 17, 1997	Y0995-081X			**

- ------------------

* Filing receipt problem being resolved with USPTO

** Longer of either 17 years from issue or 20 years from earliest U.S. filing date.

LICENSE REFERENCE NO: L973288

This is amendment number 1 ("Amendment") to the patent license agreement in respect of systems and methods for the augmentation of surgery ("Agreement") having an Effective Date of December 22, 1997 between International Business Machines Corporation ("IBM") and Intuitive Surgical, Inc. ("INTUITIVE").

INTUITIVE has asked IBM for an extension of time in which to make certain payments specified in the Agreement. IBM is willing to grant the requested extension of time on an interest-free basis.

In consideration of the premises and mutual covenants herein contained, IBM and INTUITIVE agree as follows:

The Agreement is hereby amended as follows:

1. In Section 4.1.2, delete "September 1, 1998" and insert therefor - - November 2, 1998 - -.

2. In Section 4.2.2, delete "September 1, 1998" and insert therefor - - November 2, 1998 - -.

This Amendment embodies the entire understanding of the parties with respect to its subject matter and supersedes and merges all prior communications, representations and understandings (whether written or oral) between them relating to the subject matter hereof.

This Amendment shall be effective as of the date of the last signature below.

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

INTERNATIONAL BUSINESS MACHINES CORPORATION	INTUITIVE SURGICAL, INC.
By: /s/ M.C. Phelps, Jr.	By: /s/ Lonnie M. Smith
M.C. Phelps, Jr. Vice President	Lonnie M. Smith President and CEO
Date: 10/16/98	Date: Oct. 15, 1998

EXHIBIT 10.10

VER. EQ.7/9/98

LAST MODIFIED:_____
TLO:_____

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

EXCLUSIVE PATENT LICENSE AGREEMENT

TABLE OF CONTENTS

VER. EQ.7/9/98

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
EXCLUSIVE PATENT LICENSE AGREEMENT

This Agreement, effective as of the date set forth above the signatures of the parties below (the "EFFECTIVE DATE"), is between the Massachusetts Institute of Technology ("M.I.T."), a Massachusetts corporation, with a principal place of business at 77 Massachusetts Avenue, Cambridge, MA 02139-4307 and Intuitive Surgical, Inc. ("COMPANY"), a Delaware corporation, with a principal place of business at 1340 W. Middlefield Road, Mountain View, CA 94043.

R E C I T A L S

WHEREAS, M.I.T. is the owner of certain PATENT RIGHTS (as later defined herein) relating to M.I.T. Case No. 7830, PCT/US 98/19508 "Robotic Apparatus " by Akhil Madhani, Gunter D. Niemeyer, And J. Kenneth Salisbury Jr. and has the right to grant licenses under said PATENT RIGHTS, subject only to a royalty-free, nonexclusive non-transferable license to practice the PATENT RIGHTS granted to the United States Government for government purposes;

WHEREAS, M.I.T. desires to have the PATENT RIGHTS developed and commercialized to benefit the public and is willing to grant a license thereunder;

WHEREAS, COMPANY has represented to M.I.T., to induce M.I.T. to enter into this Agreement, that COMPANY has committed itself to a thorough, vigorous and diligent program of exploiting the PATENT RIGHTS so that public utilization shall result therefrom; and

WHEREAS, J. Kenneth Salisbury, a current employee of M.I.T., and also an M.I.T. inventor of the PATENT RIGHTS now holds an equity position in COMPANY, the Conflict Avoidance Statement of J. Kenneth Salisbury is attached hereto as Appendix C; and

WHEREAS, Akhil Madhani an inventor of the PATENT RIGHTS holds equity in COMPANY, his waiver of participation in M.I.T.'s institutional equity share is attached hereto as Appendix E; and

WHEREAS, Gunter Niemeyer an inventor of the PATENT RIGHTS holds equity in COMPANY, his waiver of participation in M.I.T.'s institutional equity share is attached hereto as Appendix F; and

WHEREAS, J, Kenneth Salisbury an inventor of the PATENT RIGHTS holds equity in COMPANY, his waiver of participation in M.I.T.'s institutional equity share is attached hereto as Appendix G; and

WHEREAS, M.I.T. is also accepting equity in consideration for the license granted hereunder, M.I.T.'s Vice President for Research has granted approval;

WHEREAS, COMPANY desires to obtain a license under the PATENT RIGHTS upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, M.I.T. and COMPANY hereby agree as follows:

1. DEFINITIONS.

1.1 "AFFILIATE" shall mean any legal entity (such as a corporation, partnership, or limited liability company) that is controlled by COMPANY. For the purposes of this definition, the term "control" means (i) beneficial ownership of at least fifty percent (50%) of the voting securities of a corporation or other business organization with voting securities or (ii) a fifty percent (50%) or greater interest in the net assets or profits of a partnership or other business organization without voting securities.

1.2 "EXCLUSIVE PERIOD" shall mean the period of time set forth in Section 2.2.

1.3 "FIELD" shall mean Medical Devices.

1.4 "LICENSED PRODUCT" shall mean any product that cannot be manufactured, used, leased, or sold, in whole or in part, without infringing one or more claims under the PATENT RIGHTS.

1.5 "LICENSED PROCESS" shall mean any process that cannot be performed, in whole or in part, without using at least one process that infringes one or more claims under the PATENT RIGHTS or which uses a LICENSED PRODUCT.

1.6 "PATENT RIGHTS" shall mean:

(a) the United States and international patents listed on Appendix A;

(b) the United States and international patent applications and/or provisional applications listed on Appendix A and the resulting patents;

(c) any patent applications resulting from the provisional applications listed on Appendix A, and any divisionals, continuations, continuation-in-part applications, and continued prosecution applications (and their relevant international equivalents) of the patent applications listed on Appendix A and of such patent applications that result from the provisional applications listed on Appendix A, to the extent the claims are directed to subject matter specifically described in the patent applications listed on Appendix A, and the resulting patents;

(d) any patents resulting from reissues, reexaminations, or extensions (and their relevant international equivalents) of the patents described in (a), (b), and (c) above; and

(e) international (non-United States) patent applications and provisional applications filed after the EFFECTIVE DATE and the relevant international equivalents to divisionals, continuations, continuation-in-part applications and continued prosecution applications of the patent applications to the extent the claims are directed to subject matter specifically described in the patents or patent applications referred to in (a), (b), (c), and (d) above, and the resulting patents.

1.7 "REPORTING PERIOD" shall begin on the first day of each calendar quarter and end on the last day of such calendar quarter.

1.8 "SUBLICENSEE" shall mean any non-AFFILIATE sublicensee of the rights granted COMPANY under Section 2.1.

1.9 "TERM" shall mean the term of this Agreement, which shall commence on the EFFECTIVE DATE and shall remain in effect until the expiration or abandonment of all issued patents and filed patent applications within the PATENT RIGHTS, unless earlier terminated in accordance with the provisions of this Agreement.

1.10 "TERRITORY" shall mean world-wide.

2. GRANT OF RIGHTS.

2.1 License Grants. Subject to the terms of this Agreement, M.I.T. hereby grants to COMPANY and its AFFILIATES for the TERM a royalty-bearing license under the PATENT RIGHTS to develop, make, have made, use, sell, lease, and import LICENSED PRODUCTS in the FIELD in the TERRITORY and to develop and perform LICENSED PROCESSES in the FIELD in the TERRITORY.

2.2 Exclusivity. In order to establish an exclusive period for COMPANY, its AFFILIATES and SUBLICENSEES, M.I.T. agrees that it shall not grant any other license to make, have made, use, sell, lease and import LICENSED PRODUCTS in the FIELD in the TERRITORY or to perform LICENSED PROCESSES in the FIELD in the TERRITORY during the period of time commencing on the EFFECTIVE DATE and terminating with the last to expire of the PATENT RIGHTS.

2.3 Sublicenses. COMPANY shall have the right to grant sublicenses of its rights under Section 2.1. COMPANY shall incorporate terms and conditions into its sublicense agreements sufficient to enable COMPANY to comply with this Agreement. Upon termination of this Agreement for any reason, any SUBLICENSEE not then in default shall have the right to seek a license from M.I.T. M.I.T. agrees to negotiate such licenses in good faith under reasonable terms and conditions.

2.4 U.S. Manufacturing. LICENSEE agrees that any LICENSED PRODUCTS used, leased, or sold in the United States will be manufactured substantially in the United States.

2.5 Retained Rights.

(a) M.I.T. M.I.T. retains the right to practice under the PATENT RIGHTS for research, teaching, and educational purposes.

(b) Federal Government. COMPANY acknowledges that the U.S. federal government retains a royalty-free, non-exclusive, non-transferable license to practice any government-funded invention claimed in any PATENT RIGHTS as set forth in 35 U.S.C. Sections 201-211, and the regulations promulgated thereunder, as amended, or any successor statutes or regulations.

2.6 No Additional Rights. Nothing in this Agreement shall be construed to confer any rights upon COMPANY by implication, estoppel, or otherwise as to any technology or patent rights of M.I.T. or any other entity other than the PATENT RIGHTS, regardless of whether such technology or patent rights shall be dominant or subordinate to any PATENT RIGHTS.

3. COMPANY DILIGENCE OBLIGATIONS.

3.1 Diligence Requirements. COMPANY shall use diligent efforts, or shall cause its AFFILIATES and SUBLICENSEES to use diligent efforts, to develop LICENSED PRODUCTS or LICENSED PROCESSES and to introduce LICENSED PRODUCTS or LICENSED PROCESSES into the commercial market; thereafter, COMPANY or its AFFILIATES or SUBLICENSEES shall make LICENSED PRODUCTS or LICENSED PROCESSES reasonably available to the public. Specifically, COMPANY or AFFILIATE or SUBLICENSEE shall fulfill the following obligations:

3.2 COMPANY shall fund, or shall cause its AFFILIATES or SUBLICENSEES to fund, no less than Five Hundred Thousand Dollars ($500,000) of research toward the development of LICENSED PRODUCTS and/or LICENSED PROCESSES in each calendar year (pro-rated for partial years) beginning in 1999 and ending with the first commercial sale of a LICENSED PRODUCT or a first commercial performance of a LICENSED PROCESS.

3.3 In the event that M.I.T. determines that) has failed to fulfill its obligations under this Section 3.2, then M.I.T. may treat such failure as a material breach in accordance with Section 12.3(b).

4. Royalties and Payment Terms.

4.1 Consideration for Grant of Rights.

(a) License Issue Fee and Patent Cost Reimbursement. COMPANY shall pay to M.I.T. on the EFFECTIVE DATE a license issue fee of Twelve Thousand Dollars ($12,000), and, in accordance with Section 6.3, shall reimburse M.I.T. for its actual expenses incurred as of the EFFECTIVE DATE in connection with obtaining the PATENT RIGHTS. These payments are nonrefundable.

(b) Equity.

(i) Grant. COMPANY shall issue a total of Thirty Five Thousand Eight Hundred Thirty Four (35,834) shares of Common Stock of COMPANY, (the "Shares") in the name of M.I.T and shall mail to M.I.T. a stock certificate for such number of shares on or before June 1, 1999

(ii) Investor Rights. COMPANY further agrees that within ninety (90) days from the Effective Date, and in any event prior to such time as the COMPANY files a registration statement with the Securities and Exchange Commission for the initial public offering of any of the COMPANY's securities, COMPANY will cause that certain Amended and Restated Investor Rights Agreement (Attached hereto as Appendix H) dated July 31, 1998 by and between the COMPANY and certain holders of the COMPANY's capital stock to be amended to make M.I.T. a party thereto, with respect to of Thirty Five Thousand Eight Hundred Thirty Four (35,834) shares of Common Stock to be issued by COMPANY to MIT in consideration of the grant of the license hereunder.

4.2 Payments.

(a) Method of Payment. All payments under this Agreement should be made payable to "Massachusetts Institute of Technology" and sent to the address identified in Section 14.1. Each payment should reference this Agreement and identify the obligation under this Agreement that the payment satisfies.

(b) Payments in U.S. Dollars. All payments due under this Agreement shall be payable in United States dollars. Conversion of foreign currency to U.S. dollars shall be made at the conversion rate existing in the United States (as reported in the Wall Street Journal) on the last working day of the calendar quarter of the applicable REPORTING PERIOD. Such payments shall be without deduction of exchange, collection, or other charges, and, specifically, without deduction of withholding or similar taxes or other government imposed fees or taxes.

(c) Late Payments. Any payments by COMPANY that are not paid on or before the date such payments are due under this Agreement shall bear interest, to the extent permitted by law, at two percentage points above the Prime Rate of interest as reported in the Wall Street Journal on the date payment is due.

5. REPORTS AND RECORD KEEPING.

5.1 Frequency of Reports.

(a) Before First Commercial Sale. Prior to the first commercial sale of any LICENSED PRODUCT or first commercial performance of any LICENSED PROCESS, COMPANY shall deliver reports to M.I.T., annually, within sixty (60) days of the end of each calendar year, containing information concerning the funds spent toward the commercialization of LICENSED PRODUCTS and LICENSED PROCESSES, and shall also deliver to M.I.T. the same reports delivered to other common shareholders, and with the same frequency.

(b) Upon First Commercial Sale of a LICENSED PRODUCT or Commercial Performance of a LICENSED PROCESS. COMPANY shall report to M.I.T. the date of first commercial sale of a LICENSED PRODUCT or first commercial use of a LICENSED PROCESS.

(c) After First Commercial Sale. After the first commercial sale of a LICENSED PRODUCT or first commercial performance of a LICENSED PROCESS, LICENSEE shall deliver to M.I.T the same reports delivered to other common shareholders, and with the same frequency.

5.2 Names and Addresses of SUBLICENSEES and AFFILIATES. COMPANY shall inform M.I.T. of the names and addresses of its AFFILIATES and SUBLICENSEES.

5.3 Financial Statements. On or before the ninetieth (90th) day following the close of COMPANY's fiscal year, COMPANY shall provide M.I.T. with COMPANY's financial statements for the preceding fiscal year including, at a minimum, a balance sheet and an income statement, certified by COMPANY's treasurer or chief financial officer or by an independent auditor.

5.4 Record keeping. COMPANY shall maintain, and shall cause its AFFILIATES and SUBLICENSEES to maintain, complete and accurate records relating to the rights and obligations under this, which records shall contain sufficient information to permit M.I.T. to confirm the accuracy of any reports delivered to M.I.T. and compliance in other respects with this Agreement. The relevant party shall retain such records for at least five (5) years following the end of the calendar year to which they pertain, during which time M.I.T., or M.I.T.'s appointed agents, shall have the right, at M.I.T.'s expense, to inspect such records during normal business hours to verify any reports and payments made or compliance in other respects under

this Agreement. In the event that any audit performed under this Section noncompliance with the terms of this Agreement, COMPANY shall bear the full cost of such audit, and shall remit any amounts due to M.I.T. within thirty (30) days of receiving notice thereof from M.I.T.

6. PATENT PROSECUTION.

6.1 Responsibility for PATENT RIGHTS. M.I.T. hereby appoints COMPANY its agent to apply for, seek prompt issuance of, and maintain the PATENT RIGHTS during the term of this Agreement, provided that COMPANY uses commercially reasonable efforts to obtain broad and strong patent protection in the best interest of M.I.T. and COMPANY, and further provided that COMPANY agrees to copy M.I.T. on all patent prosecution documents, and to give M.I.T. reasonable opportunities to advise COMPANY on patent prosecution related decisions. M.I.T. agrees to cooperate with COMPANY in such filing, prosecution and maintenance. If COMPANY elects not to initiate or to discontinue patent prosecution of a particular patent application, COMPANY agrees to give M.I.T. sufficient notice of its decision so that M.I.T. may elect, at its sole discretion, to continue prosecuting such patent application at its sole expense.

6.2 International (non-United States) Filings. Appendix B is a list of countries in which patent applications corresponding to the United States patent applications listed in Appendix A shall be filed, prosecuted, and maintained. Appendix B may be amended by mutual agreement of COMPANY and M.I.T.

6.3 Payment of Expenses. Payment of all fees and costs, including attorneys fees, relating to the filing, prosecution and maintenance of the PATENT RIGHTS shall be the responsibility of COMPANY, whether such amounts were incurred before or after the EFFECTIVE DATE. As of March 29, 1999, M.I.T. has incurred approximately $33,731.17 for such patent-related fees and costs. COMPANY shall reimburse all amounts due pursuant to this Section within thirty (30) days of invoicing; late payments shall accrue interest pursuant to Section 4.2(c). In all instances, M.I.T. shall pay the fees prescribed for large entities to the United States Patent and Trademark Office.

7. INFRINGEMENT.

7.1 Notification of Infringement. Each party agrees to provide written notice to the other party promptly after becoming aware of any infringement of the PATENT RIGHTS.

7.2 Right to Prosecute Infringements.

(a) COMPANY Right to Prosecute. So long as COMPANY remains the exclusive licensee of the PATENT RIGHTS in the FIELD in the TERRITORY, COMPANY, to the extent permitted by law, shall have the right, under its own control and at its own expense, to prosecute any third party infringement of the PATENT RIGHTS in the FIELD in the TERRITORY, subject to Section 7.4. If required by law, M.I.T. shall permit any action under this Section to be brought in its name, including being joined as a party-plaintiff, provided that COMPANY shall hold M.I.T. harmless from, and indemnify M.I.T. against, any costs, expenses, or liability that M.I.T. incurs in connection with such action.

Prior to commencing any such action, COMPANY shall consult with M.I.T. and shall consider the views of M.I.T. regarding the advisability of the proposed action and its effect on the public interest. COMPANY shall not enter into any settlement, consent judgment, or other voluntary final disposition of any infringement action under this Section without the prior written consent of M.I.T.

(b) M.I.T. Right to Prosecute. In the event that COMPANY is unsuccessful in persuading the alleged infringer to desist or fails to have initiated an infringement action within a reasonable time after COMPANY first becomes aware of the basis for such action, M.I.T. shall have the right, at its sole discretion, to prosecute such infringement under its sole control and at its sole expense, and any recovery obtained shall belong to M.I.T.

7.3 Declaratory Judgment Actions. In the event that a declaratory judgment action is brought against M.I.T. or COMPANY by a third party alleging invalidity, unenforceability, or non-infringement of the PATENT RIGHTS, M.I.T., at its option, shall have the right within twenty (20) days after commencement of such action to take over the sole defense of the action at its own expense. If M.I.T. does not exercise this right, COMPANY may take over the sole defense of the action at COMPANY's sole expense, subject to Section 7.4.

7.4 Recovery. Any recovery obtained in an action brought by COMPANY under Sections 7.2 or 7.3 shall be distributed as follows: (i) each party shall be reimbursed for any expenses incurred in the action (including the amount of any royalty or other payments withheld from M.I.T. as described below), (ii) as to ordinary damages, COMPANY shall receive an amount equal to its lost profits or a reasonable royalty on the infringing sales, or whichever measure of damages the court shall have applied, and COMPANY shall pay to M.I.T. based upon such amount a reasonable approximation of the royalties and other amounts that COMPANY would have paid to M.I.T. if COMPANY had sold the infringing products, processes and services rather than the infringer, and (iii) as to special or punitive damages, the parties shall share equally in any award.

7.5 Cooperation. Each party agrees to cooperate in any action under this Article which is controlled by the other party, provided that the controlling party reimburses the cooperating party promptly for any costs and expenses incurred by the cooperating party in connection with providing such assistance.

7.6 Right to Sublicense. So long as COMPANY remains the exclusive licensee of the PATENT RIGHTS in the FIELD in the TERRITORY, COMPANY shall have the sole right to sublicense any alleged infringer in the FIELD in the TERRITORY for future use of the PATENT RIGHTS in accordance with the terms and conditions of this Agreement relating to sublicenses. Any upfront fees as part of such sublicense shall be shared equally between COMPANY and M.I.T.; other revenues to COMPANY pursuant to such sublicense shall be treated as set forth in Article 4.

8. INDEMNIFICATION AND INSURANCE

8.1 Indemnification.

(a) Indemnity. COMPANY shall indemnify, defend, and hold harmless M.I.T. and its trustees, officers, faculty, students, employees, and agents and their respective successors, heirs and assigns (the "Indemnitees"), against any liability, damage, loss, or expense (including reasonable attorneys fees and expenses) incurred by or imposed upon any of the Indemnitees in connection with any claims, suits, actions, demands or judgments arising out of any theory of liability (including without limitation actions in the form of tort, warranty, or strict liability and regardless of whether such action has any factual basis) concerning any product, process, or service that is made, used, sold, imported, or performed pursuant to any right or license granted under this Agreement.

(b) Procedures. The Indemnitees agree to provide COMPANY with prompt written notice of any claim, suit, action, demand, or judgment for which indemnification is sought under this Agreement. COMPANY agrees, at its own expense, to provide attorneys reasonably acceptable to M.I.T. to defend against any such claim. The Indemnitees shall cooperate fully with COMPANY in such defense and will permit COMPANY to conduct and control such defense and the disposition of such claim, suit, or action (including all decisions relative to litigation, appeal, and settlement); provided, however, that any Indemnitee shall have the right to retain its own counsel, at the expense of COMPANY, if representation of such Indemnitee by the counsel retained by COMPANY would be inappropriate because of actual or potential differences in the interests of such Indemnitee and any other party represented by such

counsel. COMPANY agrees to keep M.I.T. informed of the progress in the defense and disposition of such claim and to consult with M.I.T. with regard to any proposed settlement.

8.2 Insurance. COMPANY shall obtain and carry in full force and effect commercial general liability insurance, including product liability and errors and omissions insurance which shall protect COMPANY and Indemnitees with respect to events covered by Section 8.1(a) above. Such insurance (i) shall be issued by an insurer licensed to practice in the Commonwealth of Massachusetts or an insurer pre-approved by M.I.T., such approval not to be unreasonably withheld, (ii) shall list M.I.T. as an additional named insured thereunder, (iii) shall be endorsed to include product liability coverage, and (iv) shall require thirty (30) days written notice to be given to M.I.T. prior to any cancellation or material change thereof. The limits of such insurance shall not be less than One Million Dollars ($1,000,000) per occurrence with an aggregate of Three Million Dollars ($3,000,000) for bodily injury including death; One Million Dollars ($1,000,000) per occurrence with an aggregate of Three Million Dollars ($3,000,000) for property damage; and One Million Dollars ($1,000,000) per occurrence with an aggregate of Three Million Dollars ($3,000,000) for errors and omissions. In the alternative, COMPANY may self-insure subject to prior approval of M.I.T. COMPANY shall provide M.I.T. with Certificates of Insurance evidencing compliance with this Section. COMPANY shall continue to maintain such insurance or self-insurance after the expiration or termination of this Agreement during any period in which COMPANY or any AFFILIATE or SUBLICENSEE continues (i) to make, use, or sell a product that was a LICENSED PRODUCT under this Agreement or (ii) to perform a service that was a LICENSED PROCESS under this Agreement, and thereafter for a period of five (5) years.

9. NO REPRESENTATIONS OR WARRANTIES

EXCEPT AS MAY OTHERWISE BE EXPRESSLY SET FORTH IN THIS AGREEMENT, M.I.T. MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND CONCERNING THE PATENT RIGHTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, VALIDITY OF PATENT RIGHTS CLAIMS, WHETHER ISSUED OR PENDING, AND THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE. Specifically, and not to limit the foregoing, M.I.T. makes no warranty or representation (i) regarding the validity or scope of the PATENT RIGHTS, and (ii) that the exploitation of the PATENT RIGHTS or any LICENSED PRODUCT or LICENSED PROCESS will not infringe any patents or other intellectual property rights of M.I.T. or of a third party.

IN NO EVENT SHALL M.I.T., ITS TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES AND AFFILIATES BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING ECONOMIC DAMAGES OR INJURY TO PROPERTY AND LOST PROFITS, REGARDLESS OF WHETHER M.I.T. SHALL BE ADVISED, SHALL HAVE OTHER REASON TO KNOW, OR IN FACT SHALL KNOW OF THE POSSIBILITY OF THE FOREGOING.

10. ASSIGNMENT.

This Agreement is assignable with M.I.T.'s written consent, which shall not unreasonably be withheld provided that the assignee agrees in writing to be bound by all the terms and conditions of this Agreement.

11. GENERAL COMPLIANCE WITH LAWS

11.1 Compliance with Laws. COMPANY shall use reasonably commercial efforts to comply with all commercially material local, state, federal, and international laws and regulations relating to the development, manufacture, use, and sale of LICENSED PRODUCTS and LICENSED PROCESSES.

11.2 Export Control. COMPANY and its AFFILIATES and SUBLICENSEES shall comply with all United States laws and regulations controlling the export of certain commodities and technical data, including without limitation all Export Administration Regulations of the United States Department of Commerce. Among other things, these laws and regulations prohibit or require a license for the export of certain types of commodities and technical data to specified countries. COMPANY hereby gives written assurance that it will comply with, and will cause its AFFILIATES and SUBLICENSEES to comply with, all United States export control laws and regulations, that it bears sole responsibility for any violation of such laws and regulations by itself or its AFFILIATES or SUBLICENSEES, and that it will indemnify, defend, and hold M.I.T. harmless (in accordance with Section 8.1) for the consequences of any such violation.

11.3 Non-Use of M.I.T. Name. COMPANY and its AFFILIATES and SUBLICENSEES shall not use the name of "Massachusetts Institute of Technology," "Lincoln Laboratory" or any variation, adaptation, or abbreviation thereof, or of any of its trustees, officers, faculty, students, employees, or agents, or any trademark owned by M.I.T., or any terms of this Agreement in any promotional material or other public announcement or disclosure without the prior written consent of M.I.T. The foregoing notwithstanding, without the consent

of M.I.T., COMPANY may state that it is licensed by M.I.T. under one or more of the patents and/or patent applications comprising the PATENT RIGHTS.

11.4 Marking of LICENSED PRODUCTS. To the extent commercially feasible and consistent with prevailing business practices, COMPANY shall mark, and shall cause its AFFILIATES and SUBLICENSEES to mark, all LICENSED PRODUCTS that are manufactured or sold under this Agreement with the number of each issued patent under the PATENT RIGHTS that applies to such LICENSED PRODUCT.

12. TERMINATION.

12.1 Voluntary Termination by COMPANY. COMPANY shall have the right to terminate this Agreement, for any reason, (i) upon at least six (6) months prior written notice to M.I.T., such notice to state the date at least six (6) months in the future upon which termination is to be effective, and (ii) upon payment of all amounts due to M.I.T. through such termination effective date.

12.2 Cessation of Business. If COMPANY ceases to carry on its business related to this Agreement, M.I.T. shall have the right to terminate this Agreement immediately upon written notice to COMPANY.

12.3 Termination for Default.

(a) Nonpayment. In the event COMPANY fails to pay any amounts due and payable to M.I.T. hereunder, and fails to make such payments within thirty (30) days after receiving written notice of such failure, M.I.T. may terminate this Agreement immediately upon written notice to COMPANY.

(b) Material Breach. In the event COMPANY commits a material breach of its obligations under this Agreement, except for breach as described in Section 12.3(a), and fails to cure that breach within sixty (60) days after receiving written notice thereof, M.I.T. may terminate this Agreement immediately upon written notice to COMPANY.

12.4 Effect of Termination.

(a) Survival. The following provisions shall survive the expiration or termination of this Agreement: Articles 1, 8, 9, 13 and 14, and Sections 4.1(b), 5.4, 11.1, 11.2 and 12.4.

(b) Inventory. Upon the early termination of this Agreement, COMPANY and its AFFILIATES and SUBLICENSEES may complete and sell any work-in-progress and inventory of LICENSED PRODUCTS that exist as of the effective date of termination, provided that (i) COMPANY pays M.I.T. the applicable running royalty or other amounts due on such sales of LICENSED PRODUCTS in accordance with the terms and conditions of this Agreement, and (ii) COMPANY and its AFFILIATES and SUBLICENSEES shall complete and sell all work-in-progress and inventory of LICENSED PRODUCTS within six (6) months after the effective date of termination.

(c) Pre-termination Obligations. In no event shall termination of this Agreement release COMPANY, AFFILIATES, or SUBLICENSEES from the obligation to pay any amounts that became due on or before the effective date of termination.

13. DISPUTE RESOLUTION.

13.1 Mandatory Procedures. The parties agree that any dispute arising out of or relating to this Agreement shall be resolved solely by means of the procedures set forth in this Article, and that such procedures constitute legally binding obligations that are an essential provision of this Agreement. If either party fails to observe the procedures of this Article, as may be modified by their written agreement, the other party may bring an action for specific performance of these procedures in any court of competent jurisdiction.

13.2 Equitable Remedies. Although the procedures specified in this Article are the sole and exclusive procedures for the resolution of disputes arising out of or relating to this Agreement, either party may seek a preliminary injunction or other provisional equitable relief if, in its reasonable judgment, such action is necessary to avoid irreparable harm to itself or to preserve its rights under this Agreement.

13.3 Dispute Resolution Procedures.

(a) Mediation. In the event any dispute arising out of or relating to this Agreement remains unresolved within sixty (60) days from the date the affected party notified the other party of such dispute, either party may initiate mediation upon written notice to the other party ("Notice Date"), whereupon both parties shall be obligated to engage in a mediation proceeding under the then current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes (http://www.cpradr.org/medmodel.htm), except that specific provisions of this Article shall override inconsistent provisions of the CPR Model Procedure. The mediator will be selected from the CPR Panels of Neutrals. If the parties cannot agree upon the selection of a mediator within fifteen (15) business days after the Notice Date, then upon the request of either party, the CPR shall appoint the mediator. The parties shall attempt to resolve the dispute through mediation until the first of the following occurs: (i) the parties reach a written settlement; (ii) the mediator notifies the parties in writing that they have reached an impasse; (iii) the parties agree in writing that they have reached an impasse; or (iv) the parties have not reached a settlement within sixty (60) days after the Notice Date.

(b) Trial Without Jury. If the parties fail to resolve the dispute through mediation, or if neither party elects to initiate mediation, each party shall have the right to pursue any other remedies legally available to resolve the dispute, provided, however, that the parties expressly waive any right to a jury trial in any legal proceeding under this Article.

13.4 Performance to Continue. Each party shall continue to perform its undisputed obligations under this Agreement pending final resolution of any dispute arising out of or relating to this Agreement; provided, however, that a party may suspend performance of its undisputed obligations during any period in which the other party fails or refuses to perform its undisputed obligations. Nothing in this Article is intended to relieve LICENSEE from its obligation to make undisputed payments pursuant to Articles 4 and 6 of this Agreement.

13.5 Statute of Limitations. The parties agree that all applicable statutes of limitation and time-based defenses (such as estoppel and laches) shall be tolled while the procedures set forth in Sections 13.3(a) are pending. The parties shall cooperate in taking any actions necessary to achieve this result.

14. MISCELLANEOUS.

14.1 Notice. Any notices required or permitted under this Agreement shall be in writing, shall specifically refer to this Agreement, and shall be sent by hand, recognized national overnight courier, confirmed facsimile transmission, confirmed electronic mail, or registered or certified mail, postage prepaid, return receipt requested, to the following addresses or facsimile numbers of the parties:

If to M.I.T.: Technology Licensing Office, Room NE25-230
Massachusetts Institute of Technology
77 Massachusetts Avenue
Cambridge, MA 02139-4307
Attention: Director
Tel: 617-253-6966
Fax: 617-258-6790

If to COMPANY: Intuitive Surgical Corporation
1340 W. Middlefield Road, Mountain View, CA 94043.
Attention: Lonnie M. Smith
President and Chief Executive Officer
Tel: (650) 237-7000
Fax: (650 526-2060

All notices under this Agreement shall be deemed effective upon receipt. A party may change its contact information immediately upon written notice to the other party in the manner provided in this Section.

14.2 Governing Law. This Agreement and all disputes arising out of or related to this Agreement, or the performance, enforcement, breach or termination hereof, and any remedies relating thereto, shall be construed, governed, interpreted and applied in accordance with the laws of the Commonwealth of Massachusetts, U.S.A., without regard to conflict of laws principles, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

14.3 Force Majeure. Neither party will be responsible for delays resulting from causes beyond the reasonable control of such party, including without limitation fire, explosion, flood, war, strike, or riot, provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

14.4 Amendment and Waiver. This Agreement may be amended, supplemented, or otherwise modified only by means of a written instrument signed by both parties. Any waiver of

any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or fail to act in any other instance, whether or not similar.

14.5 Severability. In the event that any provision of this Agreement shall be held invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect any other provision of this Agreement, and the parties shall negotiate in good faith to modify the Agreement to preserve (to the extent possible) their original intent. If the parties fail to reach a modified agreement within thirty (30) days after the relevant provision is held invalid or unenforceable, then the dispute shall be resolved in accordance with the procedures set forth in Article 13. While the dispute is pending resolution, this Agreement shall be construed as if such provision were deleted by agreement of the parties.

14.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns.

14.7 Headings. All headings are for convenience only and shall not affect the meaning of any provision of this Agreement.

14.8 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements or understandings between the parties relating to its subject matter.

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

M.I.T.'s offer to Intuitive Surgical Corporation to execute this license shall extend to April 5, 1999.

THE EFFECTIVE DATE OF THIS AGREEMENT IS APRIL 1, 1999

MASSACHUSETTS INSTITUTE OF TECHNOLOGY	INTUITIVE SURGICAL CORPORATION
By: /s/ J. David Litster	By: /s/ Lonnie M. Smith
Name: J. David Litster	Name: Lonnie M. Smith
Title: Vice President for Research	Title: President & CEO

APPENDIX A

List of Patent Applications and Patents

I. United States Patents and Applications

MIT Case 7830
"Robotic Apparatus"
by Akhil Madhani, Gunter Niemeyer, and J. Kenneth Salisbury
PCT/US98/19508 designating the United States

II. International (non-U.S.) Patents and Applications

MIT Case 7830
"Robotic Apparatus"
by Akhil Madhani, Gunter Niemeyer, and J. Kenneth Salisbury
PCT/US98/19508 designating the EPO, Canada, and Japan

APPENDIX B

List of Countries (excluding United States) for which
PATENT RIGHTS Applications Will Be Filed, Prosecuted and Maintained

Please advise

CONFLICT AVOIDANCE STATEMENT

Name: J. Kenneth Salisbury
Dept. or Lab.: Mechanical Engineering
Company: Intuitive Surgical Corporation
Address: 1340 W. Middlefield Road,
Mountain View, CA 94043.

Licensed Technology:

MIT Case 7830
"Robotic Apparatus"
by Akhil Madhani, Gunter Niemeyer, and
J. Kenneth Salisbury

Because of the M.I.T. license granted to the above company and my equity* position and continuing relationship with this company, I acknowledge the potential for a possible conflict of interest between the performance of research at M.I.T. and my contractual or other obligations to this company. Therefore, I will not:

1) use students at M.I.T. for research and development projects for the company;

2) restrict or delay access to information from my M.I.T. research;

3) take direct or indirect research support from the company in order to support my activities at M.I.T.; or

4) employ students at the company, except in accordance with Section 2.12.2, "Relations of Faculty and Students," in the Policies and Procedures Guide.

In addition, in order to avoid the appearance of a conflict, I will attempt to differentiate clearly between the intellectual directions of my M.I.T. research and my contributions to the company. To that end, I will expressly inform my department head/laboratory director annually of the general nature of my activities on behalf of the company.

Signed: /s/ J. Kenneth Salisbury, Jr.

Date: 3/31/99

Approved by: Illegible

Name (print):

(Dept. Head or Lab Dir)

Conf Avoid Stmnt 941017

23

* "Equity" includes stock, options, warrants or other financial instruments convertible into Equity, which are directly or indirectly controlled by the inventor.

APPENDIX

WAIVER

For good and valuable consideration, including the grant of a license to Intuitive Surgical Corporation ("COMPANY"), of the invention referenced below:

M.I.T. Case No. 7830
7830, PCT/US 98/19508 "Robotic Apparatus " by
Akhil Madhani, Gunter D. Niemeyer, And J. Kenneth Salisbury Jr.

a company in which I hold equity, I hereby release all rights, title and interest I and my heirs and assigns may have as an inventor/author under M.I.T.'s Guide to the Ownership, Distribution and Commercial Development of M.I.T. Technology, as that policy may be amended from time to time, to receive my inventor's share of M.I.T.'s institutional equity. pursuant to this License Agreement.

Witness: Illegible

Signed: /s/ Akhil Madhani

Name: Akhil Madhani

Date: 3/31/99

APPENDIX

WAIVER

For good and valuable consideration, including the grant of a license to Intuitive Surgical Corporation ("COMPANY"), of the invention referenced below:

M.I.T. Case No. 7830
7830, PCT/US 98/19508 "Robotic Apparatus " by
Akhil Madhani, Gunter D. Niemeyer, And J. Kenneth Salisbury Jr.

a company in which I hold equity, I hereby release all rights, title and interest I and my heirs and assigns may have as an inventor/author under M.I.T.'s Guide to the Ownership, Distribution and Commercial Development of M.I.T. Technology, as that policy may be amended from time to time, to receive my inventor's share of M.I.T.'s institutional equity. pursuant to this License Agreement.

Witness: /s/ Gary Guthart

Signed: /s/ G. Niemeyer

Name: Gunter D. Niemeyer

Date: 3/31/99

APPENDIX

WAIVER

For good and valuable consideration, including the grant of a license to Intuitive Surgical Corporation ("COMPANY"), of the invention referenced below:

M.I.T. Case No. 7830
7830, PCT/US 98/19508 "Robotic Apparatus " by
Akhil Madhani, Gunter D. Niemeyer, And J. Kenneth Salisbury Jr.

a company in which I hold equity, I hereby release all rights, title and interest I and my heirs and assigns may have as an inventor/author under M.I.T.'s Guide to the Ownership, Distribution and Commercial Development of M.I.T. Technology, as that policy may be amended from time to time, to receive my inventor's share of M.I.T.'s institutional equity. pursuant to this License Agreement.

Witness: /s/ Gary Guthart

Signed: /s/ J. Kenneth Salisbury, Jr.

Name: J.Kenneth Salisbury

Date: 3/31/99

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
EXCLUSIVE PATENT LICENSE AGREEMENT WITH
INTUITIVE SURGICAL, INC.
APRIL, 1, 1999

ADDENDUM

WHEREAS, Intuitive Surgical, Inc. ("Intuitive") has represented in good faith that its present efforts to acquire regulatory approval for, and commercialize, its da Vinci(TM) Surgical System in both Europe and the United States require its complete and undivided attention;

WHEREAS, Intuitive believes in good faith that its future depends upon its undivided commitment to making its da Vinci(TM) Surgical System widely available to the public, and that the public will benefit from having access to its technology; and

WHEREAS, Intuitive has asked MIT for a clarification of certain obligations under the Parties April 1, 1999 License Agreement in order for Intuitive to devote its resources solely to successfully introducing its technology into the world's markets;

NOW:

MIT hereby clarifies and agrees that Intuitive's present efforts to commercialize its da Vinci(TM) Surgical System in the United States and abroad satisfy the spirit of section 3.1 and 3.2 of the Parties April 1, 1999 License Agreement, and thus that Intuitive's obligations under section 3.1 and 3.2 of that Agreement shall be deemed satisfied.

Read, Understood, Executed and Agreed to:

/s/ Lonnie M. Smith
- ----------
Lonnie Smith
President & CEO
Intuitive Surgical, Inc.
1340 W. Middlefield Road
Mountain View, CA 94043

Feb. 24, 2000
- ----------
Date

/s/ Lita Nelsen

Lita Nelsen
Director
Technology Licensing Office, NE25-230
Massachusetts Institute of Technology
77 Massachusetts Avenue
Cambridge, MA 02139-4307

Feb. 29, 2000

Date

EXHIBIT 10.11

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.

EXHIBIT 10.12

RENAULT & HANDLEY
INDUSTRIAL & COMMERCIAL REAL ESTATE

PARTIES

This LEASE, executed in duplicate at Palo Alto, California, this 5th 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 OF 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.

8. Lessee shall not commit, or suffer to be committed, any USES PROHIBITED waste upon the Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in oraround 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

ABANDON-MENT

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 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.

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 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

EXHIBIT 10.13

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 ACCEPTED AND AGREED TO: UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT B TO THIS AGREEMENT.

INTUITIVE SURGICAL DEVICES, INC.

Dated: 2/28/97

By:

/s/ Lonnie M. Smith
- ----------
Signature

Title:

Lonnie M. Smith
- ----------
(Printed Name)

Address: 900 Hansen Way
Palo Alto, CA 94304

76 Crosstie Lane

(Address)

Batesville, In 47006

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 March 8, 2000, in the Registration Statement (Form S-1) and related Prospectus of Intuitive Surgical, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Palo Alto, California
March 20, 2000

5
1,000

YEAR	YEAR	YEAR
DEC-31-1997	DEC-31-1998	DEC-31-1999
JAN-01-1997	JAN-01-1998	JAN-01-1999
DEC-31-1997	DEC-31-1998	DEC-31-1999
17,034	10,169	4,106
15,640	13,051	22,154
0	0	2,044
0	0	0
0	1,259	2,861
32,870	24,950	31,746
3,683	5,364	6,295
879	2,147	3,586
35,674	28,167	34,455
7,446	5,133	9,723
897	2,438	2,521
0	0	0
14	17	19
7	7	7
27,310	20,572	22,185
35,674	28,167	34,455
0	0	10,192
0	0	10,192
0	0	9,273
0	0	9,273
20,282	23,208	11,130
0	0	0
130	215	406
(23,602)	(29,443)	(18,415)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
(23,602)	(29,443)	(18,415)
(11.24)	(8.14)	(3.81)
(11.24)	(8.14)	(3.81)