United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

(MARK ONE)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Period Ended September 30, 1999.

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From ____________ to ______________.

Commission file number 1-12471

INTEGRATED SURGICAL SYSTEMS, INC.
(Exact Name of registrant as specified in its charter)

Delaware	68-0232575
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1850 Research Park Drive	
Davis, CA	95616-4884
(Address of principal executive offices)	(Zip Code)

530-792-2600
(Registrant's telephone number, including area code)

829 West Stadium Lane, Sacramento, CA 95834
(former address)

Not applicable
(Former name, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ___

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes ___ No ___

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock $.01 Par Value - 9,091,963 shares as of November 1, 1999.

INTEGRATED SURGICAL SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEGRATED SURGICAL SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS	September 30, 1999
Current Assets:	
Cash and cash equivalents	$566,135
Short-term investments	46,042
Accounts receivable	2,222,761
Inventory	3,399,217
Other current assets	514,286
Total current assets	6,748,441
Property and equipment, net	1,064,274
Leased equipment, net	661,019
Long-term net investment in sales type leases	565,126
Intangible assets, net	2,385,698
Other assets	247,205
Total assets	$11,671,763
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$1,111,107
Value-added taxes payable	69,080
Accrued payroll and related expenses	441,874
Customer deposits	1,253,957
Accrued product retrofit costs	135,348
Current portion of bank loans	142,507
Other current liabilities	1,111,105
Total current liabilities	4,264,978
Note payable	162,200
Commitments and contingencies	
Stockholders' equity:	
Convertible preferred stock, $0.01 par value 1,000,000 shares authorized; 5,826 shares issued and outstanding ($5,826,000 aggregate liquidation value)	58
Common stock, $0.01 par value, 50,000,000 shares authorized; 9,019,124 shares issued and outstanding	90,191
Additional paid-in capital	49,850,025
Deferred stock compensation	(39,783)
Preferred stock discount	(273,750)
Accumulated other comprehensive loss	(414,369)
Accumulated deficit	(41,967,787)
Total stockholder's equity	7,244,585
	$11,671,763

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Net Sales	$ 2,269,044	$ 777,894	$ 5,185,003	$ 4,188,474
Cost of Sales	1,241,486	432,881	2,793,103	2,033,764
	1,027,558	345,013	2,391,900	2,154,710
Operating expenses:				
Selling, general and administrative	1,327,700	1,607,875	4,399,672	4,768,347
Research and development	1,436,468	1,770,890	4,262,414	5,126,043
Stock compensation	15,285	32,925	45,856	68,925
	2,779,453	3,411,690	8,707,942	9,963,315
Other income (expense):				
Interest income	36,317	56,074	176,533	221,710
Other	(71,174)	102,659	(352,643)	172,465
Loss before provision for income taxes	(1,786,752)	(2,907,944)	(6,492,152)	(7,414,430)
Provision for income taxes	53,809	15,000	84,068	39,196
Net loss	(1,840,561)	(2,922,944)	(6,576,220)	(7,453,626)
Preferred stock accretion	(659,996)	(68,412)	(1,168,603)	(68,412)
Net loss applicable to common stockholders	$(2,500,557)	$(2,991,356)	$(7,744,823)	$(7,522,038)
Basic net loss per common share	$ (0.28)	$ (0.53)	$ (1.09)	$ (1.35)
Shares used in computing basic net loss per-share	8,873,184	5,632,477	7,102,218	5,575,810

See notes to consolidated financial statements

INTEGRATED SURGICAL SYSTEMS, INC.
Consolidated Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	($6,576,220)	($7,453,626)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	435,094	340,801
Amortization of intangible assets	629,280	629,280
Gain on sale of short term investments	(50,626)	
Stock compensation	45,855	71,585
Issuance of stock options to consultants	145,239	158,841
Changes in operating assets and liabilities		
Accounts Receivable	(257,120)	149,435
Inventory	(393,559)	(2,169,993)
Other current assets	(49,865)	(199,396)
Accounts payable	(364,647)	(344,723)
Value added taxes payable	(278,504)	294,020
Accrued payroll and related expenses	(29,404)	231,367
Customer deposits	357,681	268,563
Payable to subcontractors	---	(38,656)
Other current liabilities	378,511	400,760
Note Payable	19,000	10,792
Net cash used in operating activities	(5,989,285)	(7,650,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of short term investments	1,978,236	(1,784,729)
Net investments in sales type leases	(363,295)	73,000
Purchases of property and equipment	(168,137)	(891,040)
(Increase) decrease in other assets	25,327	(450,996)
Net cash provided by (used in) investing activities	1,472,131	(3,053,765)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bank loans	(762,019)	(46,569)
Net proceeds from sale of preferred stock and warrants	6,177,425	3,300,400
Proceeds financing leases	---	186,461
Payments of expenses EASDAQ offering	---	(11,478)
Proceeds from sale of common stock warrants	10,658	6,930
Proceeds from exercise of stock options	4,509	16,339
Net cash provided by financing activities	5,430,573	3,452,083
Effect of exchange rate changes on cash and cash equivalents	(570,865)	76,477
Net increase (decrease) in cash and cash equivalents	342,554	(7,176,155)
Cash and cash equivalents at beginning of period	223,581	9,091,788
Cash and cash equivalents at end of period	$566,135	$1,915,633

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 1999

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in Integrated Surgical Systems, Inc.'s annual report on Form 10-KSB for the year ended December 31, 1998.

NOTE B - INVENTORIES

The components of inventory consist of the following:

	September 30, 1999
Raw Materials	$1,436,858
Work in process	751,492
Finished goods	1,210,867
	$3,399,217

NOTE C - CONVERTIBLE PREFERRED STOCK

In July 1999, the Company received net proceeds of approximately $2,825,000 from the sale of 3,000 shares of Series E Convertible Preferred Stock ("Series E Preferred Stock") and warrants ("Warrants") to purchase 37,500 shares of common stock ("Common Stock"), par value $.01 per share.

The Series E Preferred Stock is convertible (the "Beneficial Conversion Feature") into shares of Common Stock, at the option of the holder, commencing October 28, 1999, subject to certain limitations, discussed below. The number of shares of Common Stock issuable upon conversion of the Series E Preferred Stock is equal to the quotient of (x) the product of $1,000 (the stated value of each share of Series E Preferred Stock) and the number of shares of Series E Preferred Stock to be converted and (y) 85% of the lowest sale price of the Common Stock on the Nasdaq SmallCap Market during the five trading days preceding the date of conversion (the "Market Price"), but in no event more than $5.0625 (the "Conversion Price").

Holders of Series E Preferred Stock may convert 25% of their shares commencing October 28, 1999, 50% of their shares commencing November 27, 1999, 75% of their shares Commencing December 27, 1999 and 100% of their shares commencing January 26, 2000. The Company may require holders to convert all (but not less than all) of the Series E Preferred Stock at any time after July 30, 2002, or buy out all outstanding shares, at the then Conversion Price.

Holders of Series E Preferred Stock may convert 100% of their shares prior to January 26, 2000 if the maximum conversion price of $5.0625 is exceeded on the Nasdaq Small Cap Market.

The value assigned to the Beneficial Conversion Feature, as determined using the quoted market price of the Company's common stock on the date the Series E Preferred Stock was sold, amounted to $529,412, which represents a discount to the value of the Series E Preferred Stock (the "Discount".) The Discount is being accreted using the straight-line method through January 26, 2000. Approximately $256,000 of the discount was accreted during the three month period ended September 30, 1999.

Holders of Series E Preferred Stock are not entitled to dividends and have no voting rights, unless required by law or with respect to certain matters relating to the Series E Preferred Stock.

The Company may redeem the Series E Preferred Stock upon written notice to the holders of the Series E Preferred Stock at any time after the earlier of January 30, 2000 and the closing of a registered firm underwritten secondary offering of equity securities, at a redemption price equal to the greater of $1,500 per share and the Market Price of the Shares of Common Stock into which such Series E Preferred Stock could have been converted on the date of the notice of redemption.

The Warrants are exercisable at any time during the period commencing January 30, 2000 and ending January 29, 2004, at an exercise price of $3.7294, subject to adjustment. The Conversion Price and the number of shares of Common Stock issuable upon conversion are subject to adjustment based upon certain future events.

NOTE D - NET LOSS PER SHARE

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, Earnings Per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All net loss per share amounts have been presented on the basis set forth in Statement 128.

As of September 30, 1999, outstanding options to purchase 1,340,562 shares of Common Stock (with exercise prices ranging from $0.07 to $8.63) and outstanding warrants to purchase 5,334,056 shares of Common Stock (with exercise prices ranging from $0.01 to $6.16) could potentially dilute basic earnings per share in the future and have not been included in the computation of diluted net loss per share because to do so would have been antidilutive for the periods presented.

NOTE E - ACCUMULATED OTHER COMPREHENSIVE LOSS

As of January 1, 1998, the Company adopted Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components. Statement 130 requires unrealized gains or losses on the Company's available-for-sale securities and the foreign currency translation adjustments, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of Statement 130.

The following table sets forth the computation of comprehensive loss:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Net loss..	(1,840,561)	(2,922,944)	(6,576,220)	(7,453,626)
Other comprehensive income:				
Unrealized gain (loss) on available for sale securities......................	0	16,956	(50,626)	16,956
Foreign currency translation....................	73,130	52,568	(570,959)	76,477
Comprehensive loss..............................	(1,767,431)	(2,853,420)	(7,197,805)	(7,360,193)

NOTE F -- SUBSEQUENT EVENT

On May 25th the Company entered into a definitive letter of intent with ILTAG International Licensing Holding S.A.L., as lead investor, to sell an equity interest in the Company. This transaction is subject to the approval of Stockholders. If approved, three investors will purchase an aggregate of 2,922,396 shares of common stock and warrants to purchase an additional number of shares of common stock that would give them 40% of the fully diluted common stock, for a purchase price of $4 million. The exercise price of the warrants will be $1.02656 per share. As a condition of the sale, the investors, or their representatives will become three of the five members of the Board of Directors of the Company. The three investors are ILTAG International Licensing Holding S.A.L., Bernd Herrmann and Urs Wettstein. The Stockholders' vote on this issue is planned for mid-November 1999. The Board of Directors recommends that Stockholders approve the transaction.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations

Nine Months Ended September 30, 1999 Compared to Nine Months Ended September 30, 1998

Net Sales. Net sales for the nine months ended September 30, 1999 (the "1999 Interim Period") were approximately $5,185,000, largely attributable to the sale of six ROBODOC systems, as compared to nine months ended September 30, 1998 (the "1998 Interim Period") of approximately $4,188,000, which included the sale of five ROBODOC systems. In addition to the sale of six systems, a seventh system was shipped to a customer subject to an operating lease agreement, and during the 1999 interim period, an eighth system was installed at another site, but not recognized as a sale since all Company obligations had not yet been concluded.

Results for the first nine months of 1999 were lower than anticipated given the strong order activity experienced in the fourth quarter of 1998 after the introduction of the Company's proprietary pinless registration technology. Moreover, early in the second quarter, the Company's competitor fostered uncertainty among potential customers in response to the resignation of the Chief Executive Officer on April 28, 1999. As a result, new orders and sales in the second quarter were below expectation.

Cost of Sales. Cost of sales for the 1999 Interim Period was approximately $2,793,000 (54% of net sales) as compared to the 1998 Interim Period of approximately $2,034,000 (49% of net sales). The higher cost as a percent of sales in the 1999 Interim Period is a result of lower unit selling prices attributable to two customers purchasing more than one ROBODOC system.

Selling, General and Administrative. Selling, general and administrative expenses for the 1999 Interim Period (approximately $4,400,000) decreased by approximately $368,000, or 8% as compared to the 1998 Interim Period (approximately $4,768,000). European marketing costs increased approximately $200,000 with the addition of two employees in sales and increased participation in medical conferences and travel to potential customer sites.

Research and Development. Research and development expenses for the 1999 Interim Period (approximately $4,262,000) decreased by approximately $864,000, or approximately 17%, as compared to the 1998 Interim Period (approximately $5,126,000). Approximately 45% of the decrease in research and development expense is attributable to efforts in 1998 to implement the quality system to meet ISO 9000 standards not required in the 1999 Interim Period. Management, to reduce spending to desired cash flow, initiated the remaining decrease. Lower priority/return projects were delayed.

Stock Compensation. Stock compensation expense during the 1999 Interim Period was $46,000, $23,000 lower than the 1998 Interim Period ($69,000). The Company charged to operations in 1996 deferred stock compensation relating to stock options granted during 1996 with exercise prices less than the estimated fair value of the Company's Common Stock, as determined by an independent valuation analysis, on the date of grant. Deferred compensation for the non-vested portion is being amortized into expense over the vesting period of the stock options, which generally range from three to five years. Stock compensation expense in the 1999 and 1998 Interim Periods represents the additional vesting which occurred in the first nine months of 1999 and 1998.

Interest Income. Interest income for the 1999 Interim Period (approximately $177,000) decreased by approximately $45,000, or 20%, as compared to the 1998 Interim Period (approximately $222,000), primarily due to lower average cash balances during the 1999 Interim Period.

Other Income and Expense. Other expense for the 1999 Interim Period was approximately $353,000 compared to income of approximately $172,000 in the 1998 Interim Period. The increase in expense ($525,000) is primarily attributable to an exchange rate loss associated with a weaker Dutch Guilder against the U.S. dollar in the 1999 Interim Period. The Company does not currently hedge foreign currency transactions against the U.S. dollar to minimize exchange rate gains or losses. This activity is being considered.

Net Loss. The net loss for the 1999 Interim Period (approximately $6,576,000) decreased by approximately $878,000, or approximately 12%, as compared to the net loss for the 1998 Interim Period (approximately $7,454,000).

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company's expenses have exceeded net sales and the accumulated net loss at September 30, 1999 was $42 million. Operations have been funded primarily from the issuance of debt and the sale of equity securities aggregating approximately $42.9 million. In addition, the Company was the beneficiary of proceeds from a $3 million key-man life insurance policy in 1993 upon the death of one of its executives.

In 1998, the Company established a $1.5 million revolving credit facility with a bank. During 1999, the Company repaid the amount due under this line of credit and terminated the agreement. The Company has an additional revolving line of credit with Societe Generale Bank in Lyon, France, that requires quarterly payment of approximately $26,000 per quarter. The revolving line of credit was established in July 1996 for five years with interest accruing at 7.15% per annum. The amount available decreases quarterly by 5% of the original amount beginning October 1996. The loan balance as of September 30, 1999 was approximately $143,000.

The Company received an interest free loan with a balance of $162,200 at September 30, 1999 from the French agency Agence Nationale de Valorisation de la Recherches, which is a French national agency established to aid research and development projects. In the case of failure of the project, the grant organization may decide to forgive all or part of the repayments. If the Company sells either a license for the related technology, the prototype developed, or articles manufactured specifically for the research project, 50% of the revenue must be paid to the grant organization in the subsequent year, up to the balance of the loan amount outstanding. According to the contract, any such payments would be considered to be an advance repayment of the loan. The Company has not made any sales of this type through September 30, 1999.

The Company's use of cash in operating activities of approximately $5,989,000 in the 1999 Interim Period decreased by approximately $1,662,000 as compared to cash used in operating activities in the 1998 Interim Period of approximately $7,651,000. Net cash used in operations in the 1999 Interim Period was due primarily to inventory growth of approximately $394,000 and increased accounts receivable of approximately $257,000, reductions in accounts payable of $365,000 and Value-added taxes payable of $279,000 offset by increases in customer deposits of $358,000, increases in other current liabilities of $379,000 and changes in other operating assets and liabilities of $60,000.

The Company's proceeds from investing activities of approximately $1,472,000 in the 1999 Interim Period increased by approximately $4,526,000 as compared to cash used for investing activities in the 1998 Interim Period of approximately $3,054,000. The investment cash proceeds in the 1999 Interim Period were derived primarily from the sale of short term investments to retire loans. There are presently no significant equipment or plant expenditures planned that would adversely impact liquidity.

Cash provided by financing activities in the 1999 Interim Period was approximately $5,431,000 and increased by approximately $1,979,000 as compared to the financing activities during the 1998 Interim Period. In 1999 the Company received aggregate net proceeds of approximately $6,177,000 from the sale of convertible preferred stock and warrants.

The Company's business is not inherently seasonal. However, because the sales price of the Company's products are significant, the timing of customer orders can cause revenue fluctuations from period to period which may give the appearance of seasonality.

The net proceeds from the Series A Preferred Stock financing, received in the 3rd quarter of 1998, were used to fund the operations of the Company during the fourth quarter of 1998 and first quarter of 1999. In the first nine months of 1999, the Company received net proceeds from the Series B, C, D and E Preferred Stock financings of approximately $6,177,000. Of this amount, approximately $760,000 was used to pay bank loans, approximately $5,000,000, together with approximately $1,000,000 of the remaining net proceeds from the Series A Preferred Stock financing carried over into 1999, and was the Net Cash Used in Operating Activities in the first nine months of 1999. The $5,989,000 Net Cash Used in Operating Activities in the first nine months of 1999 represents approximately $5,371,000 in cash operating losses, and $618,000 negative cash change in operating assets and liabilities.

The Company believes, based upon its current business plan and existing cash equivalents, that it has adequate capital to satisfy its immediate working capital needs. However, there is no assurance that revenues from operations will be adequate in the short term to fully execute the Company's business plan, or that debt or future financing, if needed, will be available on terms favorable to the Company.

YEAR 2000 COMPLIANCE

The Company uses a wide variety of commercially available computers and computer software in the normal course of business that are generally Y2K compliant. The Company has potential Y2K exposure in two areas. First, the Company's accounting and manufacturing system is not currently Y2K compliant and could cause some disruption of business, if not upgraded by the end of 1999. Secondly, the Company's products are computer controlled, however they are not highly date sensitive, which minimizes the impact of any Y2K issues identified.

The Company is in the process of upgrading its accounting and manufacturing computer system and plans to complete the upgrade by the beginning of the fourth quarter of 1999. The Company has completed initial investigations of its products and concluded that there is minimal risk of system failure due to the Y2K problem.

Potential exposure in other areas is minimal. Any Y2K problems with the Company's network or software used for research and development and engineering could adversely affect research and development and engineering costs, but would not immediately impact the ability to continue operations. Such issues could also be quickly resolved with commercially available products. Many of the Company's major product components have relatively long lead times. Temporary interruptions in the Company's supplies caused by any year 2000 issues would not significantly impact the Company's manufacturing schedule, or its ability to service customers. As a contingency, the Company plans to identify readily available alternative vendors for key components and use current inventory stocks as a buffer in case of a vendor related Year 2000 problem. In general, the Company has determined that there is a minimal exposure to year 2000 problems through third parties.

The Company estimates it will need to spend less than $100,000 to become year 2000 compliant. The majority of this cost relates to upgrading or replacing the Company's accounting and manufacturing system. Expenses include the testing conducted by the Quality Department, Engineering Department involvement in testing and de-bugging, and the Service Department upgrades to customer equipment if any such service is required.

In the worst case scenarios, the Company believes that it would have minimal business interruption due to any foreseeable Y2K problems. In connection with the Company's accounting and manufacturing system, the Company's contingency plan is to operate with manual accounting and manufacturing systems, augmented by available third party Y2K compliant software, until planned upgrades become operational. Management believes alternate vendors, and off the shelf solutions will be available to solve any of the Company's undetected problems. In addition, the Company is small enough to allow it to function with manual operating procedures for short periods of time.

Y2K project cost is based on management's best estimate and actual results could differ from those anticipated. If the Company or its vendors are unable to resolve the Y2K issues in a timely manner, or if there are significant undetected Y2K issues, such matters could have a material impact on the Company's results of operations. However, the Company believes the necessary modifications and replacement of computer systems will be completed in 1999 and, as a result, the Y2K issue is not expected to pose significant operational or financial problems for the Company.

EMPLOYEES

Employees as of September 30, 1999 decreased by two compared to September 30, 1998:

	PERIOD ENDING SEPTEMBER 30TH	
	1999	1998
General and Administrative	11	12
Sales and Marketing	11	12
Regulatory & Quality	9	8
Research & Development	40	42
Manufacturing	10	9
Total Employees	81	83

Item 2. Changes in Securities

(c)(1) On July 30, 1999, the Company issued and sold 3,000 shares of Series E Convertible Preferred Stock ("Series E Preferred Stock") and warrants to purchase 37,500 shares of Common Stock to nine accredited investors for a total purchase price of $3,000,000 pursuant to a Preferred Stock Purchase Agreement dated as of July 30, 1999. In addition, the Company issued 4,024 shares of Common Stock to a party who arranged this preferred stock financing. The Series E Preferred Stock, warrants and shares of Common Stock were issued pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D.

The Series E Preferred Stock is convertible into shares of Common Stock, at the option of the holder thereof, subject to certain limitations, discussed below. The number of shares of Common Stock issuable upon conversion of the Series E Preferred Stock is determined by multiplying the number of shares of Series E Preferred Stock to be converted by $1,000, and dividing that amount by 85% of the lowest sale price of a price of a share of Common Stock on the NASDAQ Smallcap Market during the five trading days preceding the date of the conversion. There is no minimum conversion price, but in no event may the conversion price exceed $5.0625. The right of conversion is subject to the following limitations:

- - The number of shares of Common Stock that the holder may acquire upon conversion, together with shares beneficially owned by the holder and its affiliates, may not exceed 5% of the total outstanding shares of Common Stock.

- - The number of shares of Common Stock that the holders may acquire upon conversion may not exceed 1,765,727 shares, until stockholders approve the issuance upon conversion of more than that number of shares, representing 19.9% of the shares outstanding on the date upon which the Series E Preferred Stock was issued . This limitation is required by the rules of The NASDAQ Stock Market, Inc. Until stockholder approval is obtained, upon any request for conversion that, together with prior conversions, would result in the issuance of more than 1,765,727 shares of Common Stock but for this limitation, the Company will be required to pay the holder requesting conversion an amount in cash equal to the greater of (A) $1,500 per share of Series E Preferred Stock it is unable to convert because of this limitation and (B) the number of shares of Common Stock in excess of 1,765,727 shares that would have been issued upon conversion but for this limitation times the closing sale price of a share of Common Stock on the trading day preceding the notice of conversion.

At any time after July 30, 2002, the Company may require holders to convert all (but not less than all) of the Series E Preferred Stock, or buy out all outstanding shares, at the then conversion price.

Holders of Series E Preferred Stock are not entitled to dividends and have no voting rights, except as required by law and with respect to certain matters relating to the Series E Preferred Stock.

The Company may redeem the Series E Preferred stock upon written notice to the holders of the Series E Preferred Stock at any time after the earlier of January 30, 2000 and the closing of a registered firm commitment underwritten secondary offering of the Company's equity securities, at a redemption price equal to the greater of $1,500 per share and an amount equal to the lowest sale price of a share of Common Stock during the five trading days preceding the date of the notice of redemption times the number of shares of Common Stock into which such shares of Series E Preferred Stock could have been converted on the date of the notice of redemption.

The conversion price and the number of shares of Common Stock issuable upon conversion are subject to adjustment in the event of a stock split, stock dividend, reorganization, reclassification or issuance of shares of Common Stock (or securities convertible into or exercisable or exchangeable for Common Stock) prior to the first anniversary of the date on which a registration statement for the resale of the shares of Common Stock issuable upon conversion of the Series E Preferred is declared effective by the Commission at less than the then conversion price in a transaction exempt from the registration requirements of the Securities Act if the Company grants the purchasers of such shares (or other securities) the right to demand registration of such shares.

The Warrants are exercisable at any time during the period commencing January 30, 2000 and ending January 29, 2004, at an exercise price of $3.7294 per share, subject to adjustment in the event of a stock split, stock dividend, reclassification, recapitalization, merger, consolidation or certain dispositions of assets.

(c)(2) During the three months ended September 30, 1999, the Company issued 44,818 shares of Common Stock upon conversion of its Series A Convertible Preferred Stock and 348,434 shares of Common Stock upon conversion of its Series B Convertible Preferred Stock. The issuance of these shares was exempt from registration pursuant to Section 3(a)(9) of the Securities Act.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4.1* -- Form of Series E Preferred Stock Purchase Agreement

4.2* -- Certificate of Designations for Series E Convertible Preferred Stock (included as Exhibit A to Exhibit 4.1)

4.3* -- Form of warrant issued in connection with the Series E Convertible Preferred Stock financing (included as Exhibit B to Exhibit 4.1)

4.4* -- Form of Registration Rights Agreement for the Series E Convertible Preferred Stock financing (included as Exhibit C to Exhibit 4.1)

27.1 -- Financial Data Schedule

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*Incorporated by reference from the Company's Form 10-QSB for the fiscal quarter ended June 30, 1999.

(b) Reports on Form 8-K
None.

Signatures

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRATED SURGICAL SYSTEMS, INC.

Date: November 12, 1999 by: /s/ Mark W. Winn

Mark W. Winn, Chief Financial Officer

9-MOS
DEC-31-1999
SEP-30-1999
566,135
46,042
2,222,761
0
3,399,217
6,748,441
3,902,505
2,177,212
11,671,761
4,264,978
0
0
58
90,191
7,154,336
11,671,763
5,185,003
5,185,003
2,793,103
8,707,942
176,110
0
0
(6,492,152)
84,068
(6,576,220)
0
0
0
(6,576,220)
(1.09)
(1.09)