As filed with the Securities and Exchange Commission on October 17, 2000
Registration No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT
under
THE SECURITIES ACT OF 1933

Integrated Surgical Systems, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**3841**	**68-0232575**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1850 Research Park Drive
Davis, California 95616-4884
Telephone: (530) 792-2600
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(Address and telephone number of principal executive offices)

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Approximate Date of Proposed Sale to the Public:
As soon as practicable after the effective date of this registration statement.

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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. [X]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security (1)	Proposed Maximum Offering Price (1)	Amount of Registration Fee
Common Stock, $.01 par value	24,035,000(2)	$0.38 (3)	$9,133,300	$2,411.19

1. Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 promulgated under the Securities Act of 1933.

2. Represents shares to be sold by the selling securityholder named herein. Also includes an indeterminate number of shares that the selling securityholder may acquire as a result of a stock split, stock dividend or similar transaction involving the common stock pursuant to the antidilution provisions of warrants.

3. Calculated solely for the purpose of determining the registration fee pursuant to Rule 457(e) based upon the closing price of the common stock on the Nasdaq SmallCap Market on October 13, 2000.

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 which 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.

Preliminary prospectus dated October 17, 2000, subject to completion

Integrated Surgical Systems, Inc.

Common Stock

Triton West Group, Inc. is offering and selling up to 24,035,000 shares of our common stock, that we may sell to Triton under an equity line of credit agreement or upon exercise of warrants issued under that agreement. Triton is an "underwriter" within the meaning of the Securities Act of the shares offered and sold under this prospectus.

Our common stock is quoted on The Nasdaq SmallCap Market under the symbol "RDOC", and is listed on The Pacific Exchange Inc. under the symbol "ROB". The common stock also has been admitted for trading on the European Association of Securities Dealers' Automated Quotation system under the symbol "RDOC".

The common stock is a speculative investment and involves a high degree of risk. You should read the description of certain risks under the caption "Risk Factors" commencing on page 2 before purchasing the common stock.

Our executive offices are at 1850 Research Park Drive, Davis, California 95616-4884, and our telephone number is 530-792-2600.

These securities have not been approved or disapproved by the SEC or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation

to the contrary is a criminal offense.

The date of this prospectus is _____, 2000

Information Contained in this Prospectus is Subject to Completion or Amendment. A Registration Statement Relating to These Securities Has Been Filed With The Securities And Exchange Commission. These Securities May Not Be Sold Nor May Offers to Buy Be Sold Nor May Offers to Buy Be Accepted Prior to The Time The Registration Statement Becomes Effective. This Prospectus Shall Not Constitute An Offer to Sell or the Solicitation of an Offer to Buy Nor Shall There Be Any Sale of These Securities in Any State in Which Such Offer, Solicitation or Sale Would Be Unlawful Prior to Registration or Qualification under the Securities Laws of Any State.

Table of Contents

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the selling securityholder or us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained in this prospectus is correct as of any time subsequent to the date of this prospectus or that there has been no change in our affairs such date.

Information About Integrated Surgical Systems, Inc.

We develop, assemble, market and service image-directed, computer- controlled robotic products for orthopaedic and neurosurgical applications. Our principal orthopaedic product is the ROBODOC (A) Surgical Assistant System, consisting of a computer-controlled surgical robot and our ORTHODOC Presurgical Planner, and our principal neurosurgical product is the NeuroMate System. We were incorporated under the laws of the State of Delaware on October 1, 1990.

Recent Developments

Series H Convertible Preferred Stock Financing

On August 17, 2000, we issued an aggregate of 1,200 shares of series H convertible preferred stock and warrants to purchase 500,000 shares of common stock to four "accredited investors", within the meaning of Rule 501(a) of Regulation D under the Securities Act, for a total purchase price of $1,200,000. Each share of the preferred stock has a stated value of $1,000 per share and is convertible into common stock at a conversion price equal to 80% of the lowest sale price of the common stock on The Nasdaq SmallCap Market over the five trading days preceding the date of conversion. The number of shares of common stock that may be acquired upon conversion is determined by dividing the stated value of the number of shares of preferred stock to be converted by the conversion price, subject to

a maximum conversion price of $1.06 per share. The warrants may be exercised during the period commencing February 18, 2001 and ending February 17, 2004. The initial exercise price of 250,000 of the warrants is $0.93 per share, and the initial exercise price of the remaining 250,000 warrants is $1.02 per share.

Equity Line Financing

We have entered into an equity line of credit agreement for the sale of $12,000,000 of our common stock with Triton West Group, Inc. Under the terms of the agreement, we may sell shares of common stock over a three - year period to Triton at a price equal to 85% of the lowest closing bid price during the nine trading days commencing two trading days prior to the delivery of a purchase notice to Triton. The maximum dollar amount of shares that may be purchased on each closing date depends upon the average closing bid price and average trading volume of the common stock for the 30 trading days preceding the day we deliver a purchase notice to Triton, as indicated by the chart presented below.

Average Trading Volume For Preceding 30 Trading Days				
Average Closing Bid Price of Common Stock for Preceding 30 Trading Days	15,000-50,000	50,001-100,000	100,001-150,000	More than 150,000
	Maximum Amount of Shares We Can Sell To Triton			
$0.50-1.00	$400,000	$400,000	$600,000	$600,000
1.00-3.00	$500,000	$500,000	$750,000	$750,000
3.01-4.50	$500,000	$750,000	$750,000	$1,000,000
4.51-6.00	$750,000	$750,000	$1,000,000	$1,000,000
6.01-7.50	$750,000	$1,000,000	$1,000,000	$1,250,000
7.51-9.00	$1,000,000	$1,000,000	$1,250,000	$1,250,000
More than $9.00	$1,000,000	$1,250,000	$1,250,000	$1,500,000

For example, if the average closing bid price of a share of our common stock is between $0.50 and $1.00, and the average trading volume is more than 100,000 shares for the 30-day trading period preceding the delivery of a purchase notice to Triton, we can sell up to $600,000 of common stock to Triton. But if the trading volume for that 30-day trading period is more than 15,000 shares but not more than 100,000 shares, we only can sell up to $400,000 of common stock to Triton. As illustrated by the table, the amount available to us under the equity line increases as the bid price and trading volume of our common stock increase.

However, if at the time we deliver a purchase notice to Triton, the average closing bid price of a share of common stock has been less than $0.50 for the preceding 30 - day period, we can only sell up to $250,000 of common stock to Triton. The minimum amount of shares we may sell to Triton on any closing date is $100,000. We may not sell shares under the equity line until a registration statement for the resale of the shares is declared effective by the SEC. After the registration statement is declared effective, we may not sell shares to Triton more often than once every fifteen trading days.

We have issued a warrant to purchase 35,000 shares of common stock to Triton in connection with the agreement. The warrant is exercisable at $0.86 per share during the period commencing March 15, 2001 and ending on September 14, 2003. The equity line of credit agreement limits the number of shares that may be issued under the line, including shares that may be acquired upon exercise of warrants, to an aggregate of 3,843,939 shares, representing 19.9% of the shares outstanding on September 15, 2000, the date we entered into the equity line agreement, until stockholders approve the issuance of shares in excess of that number. This limitation is required under the corporate governance rules of the Nasdaq Stock Market, Inc. We will also pay Triton $7,000 at each closing.

Risk Factors

We have a history of operating losses and these losses may continue.

We have experienced significant losses since we began operations. We incurred net losses of approximately $10.2 million for the year ended December 31, 1999 and approximately $10.3 million for the year ended December 31, 1998 and a net loss of approximately $3.5 million for the six months ended June 30, 2000 as compared to a net loss of approximately $4.7 million for the six months ended June 30, 1999. As a result of these losses, we had an accumulated deficit of approximately $52.3 million as of June 30, 2000. We will continue to incur losses until such time, if ever, as we derive significant revenues from the sale of our products.

The report of independent auditors on our December 31, 1999 consolidated financial statements includes an explanatory paragraph concerning our ability to continue as a going concern.

The report of independent auditors on our December 31, 1999 consolidated financial statements includes an explanatory paragraph which indicates there is substantial doubt about our ability to continue as a going concern because of recurring operating losses and an accumulated deficit of approximately $45.8 million as of December 31, 1999.

Our potential future success and financial performance will depend almost entirely on our ability to successfully market the ROBODOC System.

For the near term, we expect to derive most of our revenues from sales of the ROBODOC System. Accordingly, our potential future success and financial performance will depend almost entirely on our ability to successfully market the ROBODOC System. To successfully market the ROBODOC System, we must commit substantial marketing efforts, develop an effective sales and marketing organization, and expend significant funds to inform potential customers, including hospitals and physicians, of the distinctive characteristics and advantages of using the ROBODOC System instead of traditional surgical tools and procedures. Since the ROBODOC System employs innovative technology, rather than being an improvement of existing technology, and represents a substantial capital expenditure, we expect to encounter resistance to change, which we must overcome if the ROBODOC System is to achieve significant market acceptance. Furthermore, our ability to market the ROBODOC System in the United States is dependent upon approval by the U.S. Food and Drug Administration. We cannot give you any assurance that we will obtain FDA approval to market the ROBODOC System in the United States, or that the ROBODOC System will achieve significant market acceptance in the United States, Europe and other foreign markets to generate sufficient revenues to become profitable.

Alternatives to our products may affect our potential future success.

The principal competition for the ROBODOC System is manual surgery performed by orthopaedic surgeons, using surgical power tools and manual devices. The providers of these instruments are the major orthopaedic companies, which include Howmedica, Inc. (a subsidiary of Stryker Corporation), located in New York; Zimmer, Inc. (a subsidiary of Bristol-Myers Squibb Company), located in Indiana; Johnson & Johnson Orthopaedics, Inc. (a subsidiary of Johnson & Johnson), located in New Jersey; DePuy, Inc. (a subsidiary of Johnson & Johnson) located in Indiana; Biomet, Inc., located in Indiana; and Osteonics, Inc. (a subsidiary of the Stryker Corporation), located in New Jersey.

Orto Maquet, a German manufacturer and major supplier of operating tables to hospitals and physicians in Europe, has entered the market with a device intended to compete with the ROBODOC System. Orto Maquet's system requires a preliminary surgical procedure to place positioning pins in the patient's thigh bone prior to performing hip replacement surgery. Although Orto Maquet offers a pre-surgical planning station, only our ROBODOC System offers enhancements that allow the surgeon to plan and perform revision hip surgery, the replacement of a previous hip implant. Orto Maquet has relationships with hospitals and physicians throughout Europe as a supplier of operating tables and has greater financial, marketing and distribution resources than us. Several of our potential customers in Germany have decided to purchase the Orto Maquet system instead of the ROBODOC System due to their preference for doing business with a German company.

The principal competition for the NeuroMate System are frame-based and frameless navigators, which are manually operated. Approximately twenty navigator models have been introduced, including those by Radionics, Sofamor-Danek and Ohio Medical Surgical products, all located in the United States; Elekta, located in Sweden; and Fischer Leibingher and Brain Lab, both located in Germany. In general, there are companies in the medical products industry capable of developing and marketing computer- controlled robotic systems for surgical applications, many of whom have significantly greater financial, technical, manufacturing, marketing and distribution resources than us, and have established reputations in the medical device industry. Furthermore, we cannot give you any assurance that IBM or the University of California, which developed the technology embodied in the ROBODOC System and hold patents relating thereto, will not enter the market or license the technology to other companies.

We cannot give you any assurance that future competition will not have a material adverse effect on our business. The cost of our systems represents a significant capital expenditure for a customer and accordingly may discourage purchases by certain customers.

We need, but have not yet obtained, permission from the U.S. Food and Drug Administration (FDA) to market the ROBODOC System in the United States.

Until recently, based upon pre-filing meetings and other discussions with representatives of the FDA as part of the pre-submission review process, we had been advised that we would have to file a PMA application for the ROBODOC System. Although we intended to file a PMA with the FDA in the second quarter of 1998, we decided to defer the filing to incorporate our pinless DigiMatch Single Surgery System technology, and possibly other technological developments, as part of the PMA application. Our pinless DigiMatch Single Surgery System eliminated a preliminary surgical procedure in which locator pins were placed in a patient's thigh bone prior to ROBODOC hip surgery. Incorporation of the DigiMatch technology necessitated further clinical trials conducted under an FDA approved Investigational Device Exemption (IDE) to demonstrate its safety and effectiveness.

Based upon our discussions with representatives of the FDA, it was suggested that if the ROBODOC System were reclassified from a Class III to a Class II device, it could be cleared for marketing in the U. S. through the 510(k) de novo premarket notification process. Data obtained for the new clinical trials will be used to support the reclassification of the ROBODOC System as a Class II device. In order to obtain FDA clearance of approval, we must demonstrate that the DigiMatch ROBODOC System is safe and effective for its intended use as an alternative to manual total hip replacement techniques. We cannot give you any assurance that

- the FDA will, in fact, reclassify the ROBODOC System as a Class II device
- the FDA will agree that the DigiMatch ROBODOC System is safe and effective, or
- if the FDA grants us permission to market the ROBODOC System in the U. S. , that it will not include unfavorable limitations or restrictions

We may not be able to comply with Quality System and other FDA reporting and inspection requirements.

Assuming we obtain the necessary FDA approvals and clearances for our products, in order to maintain such approvals and clearances we must, among other things, register our establishment and list our devices with the FDA and with certain state agencies, maintain extensive records, report any adverse experiences on the use of our products and submit to periodic inspections by the FDA and certain state agencies. The Food, Drug, and Cosmetic Act also requires devices to be manufactured in accordance with the quality system regulation, which sets forth good manufacturing practices requirements with respect to manufacturing and quality assurance activities. The quality system regulation revises the previous good manufacturing practices regulation and imposes certain enhanced requirements that are likely to increase the cost of compliance, including design controls.

We may not be able to obtain regulatory approvals needed to sell our products in foreign markets.

The introduction of our products in foreign markets has subjected and will continue to subject us to foreign regulatory clearances, which may be unpredictable and uncertain, and which may impose substantial additional costs and burdens. Many countries also impose product standards, packaging requirements, labeling requirements and import restrictions on devices. We cannot give you any assurance that any of our products will receive further approvals or clearances, if required on a timely basis, or at all.

Our ability to compete successfully may depend, in part, on our ability to obtain and protect patents, protect trade secrets and operate without infringing the proprietary rights of others.

Certain robotic medical technology underlying our products is the subject of a United States patent issued to IBM, which IBM has agreed not to enforce against the manufacture and sale of our products. We have been issued four U.S. patents and filed seven patent applications covering various aspects of our technology.

We cannot give you any assurance that our pending or future patent applications will mature into issued patents, or that we will continue to develop our own patentable technologies. Further, we cannot give you any assurance that any patents that may be issued to us effectively protect our technology or provide a competitive advantage for our products or will not be challenged, invalidated, or circumvented in the future. In addition, we cannot give you any assurance that competitors, many of which have substantially more resources than us and have made substantial investments in competing technologies, will not obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products either in the United States or internationally.

The medical device industry has been characterized by substantial competition and litigation regarding patent and other proprietary rights. We intend to vigorously protect and defend our patents and other proprietary rights relating to our proprietary technology. Litigation alleging infringement claims against us (with or without merit), or instituted by us to enforce patents and to protect trade secrets or know-how owned by us or to determine the enforceability, scope and validity of the proprietary rights of others, is costly and time consuming. If any relevant claims of third-party patents are upheld as valid and enforceable in any litigation or administrative proceedings, we could be prevented from practicing the subject matter claimed in such patents, or could be required to obtain licenses from the patent owners of each patent, or to redesign our products or processes to avoid infringement. We cannot give you any assurance that such licenses would be available or, if available, would be available on terms acceptable to us or that we would be successful in any attempt to redesign our products or processes to avoid infringement. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling our products, which would have a material adverse effect on our business, financial condition and results of operations.

Our production experience is limited.

Our success will depends in part on our ability to assemble our products in a timely, cost-effective manner and in compliance with good manufacturing practices, and manufacturing requirements of other countries, including the International Standards Organization 9000 standards and other regulatory requirements. The assembly of our products is a complex operation involving a number of separate processes and components. Our production activities to date have consisted primarily of assembling limited quantities of systems for use in clinical trials and systems for commercial sale. We do not have experience in assembling our products in larger commercial quantities. Furthermore, as a condition to receipt of pre-market approval, our facilities, procedures and practices will be subject to pre-approval and ongoing good manufacturing practices inspections by the FDA.

Manufacturers often encounter difficulties in scaling up manufacturing of new products, including problems involving product yields, quality control and assurance, component and service availability, adequacy of control policies and procedures, lack of qualified personnel, compliance with FDA regulations, and the need for further FDA approval of new manufacturing processes and facilities. We cannot give you any assurance that production yields, costs or quality will not be adversely affected as we seek to increase production, and any such adverse effect could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on our supplier of robots.

Although we have multiple sources for most of our components, parts and assemblies used in the ROBODOC and NeuroMate Systems, we are dependent on Sankyo Seiki of Japan for the ROBODOC System robot arm and Audemars-Piguet of Switzerland for the supply of the customized NeuroMate robot. Although we believe we can obtain a robot arm for either the ROBODOC System or the NeuroMate System from other suppliers, with appropriate modifications and engineering effort, we cannot give you any assurance that delays resulting from the required modifications or engineering effort to adapt alternative components would not have a material adverse effect on our business, financial condition and results of operations.

We are dependent on foreign sales.

Since we commenced operations, substantially all of our sales have been to customers in Germany, Austria, France and Japan. We believe that until such time, if ever, as we receive approval from the FDA to market the ROBODOC System in the United States, substantially all of our sales for the ROBODOC System will be derived from customers in foreign markets. Foreign sales are subject to certain risks, including economic or political instability, shipping delays, fluctuations in foreign currency exchange rates, changes in regulatory requirements, custom duties and export quotas and other trade restrictions, any of which could have a material adverse effect on our business. To date, payment for substantially all ROBODOC Systems in Europe has been fixed in U.S. Dollars. However, we cannot give you any assurance that in the future customers will be willing to make payment for our products in U.S. Dollars. If the U.S. Dollar strengthens substantially against the foreign currency of a country in which we sell our products, the cost of purchasing our products in U.S. Dollars would increase and may inhibit purchases of our products by customers in that country. We are unable to predict the nature of future changes in foreign markets or the effect, if any, they might have on us.

Lengthy sales cycle may cause us to recognize the sales price of a system in a subsequent fiscal quarter to the fiscal quarter in which we incurred related marketing and sales expenses.

Since the purchase of a ROBODOC System or NeuroMate System represents a significant capital expenditure for a customer, the placement of orders may be delayed due to customers' internal procedures to approve large capital expenditures. We anticipate that the period between initial contact of a customer for a system and submission of a purchase order by that customer could be as long as 9 to 12 months. Furthermore, the current lead time required by the supplier of the robot for either the ROBODOC System or the NeuroMate System is approximately four months after receipt of the order. We may be required to expend significant cash resources to fund our operations until the purchase price is paid. Accordingly, we may not recognize the sales price of a system until a fiscal quarter subsequent to the fiscal quarter in which we incurred marketing and sales expenses associated with an order.

We are subject to product liability claims.

The manufacture and sale of medical products exposes us to the risk of significant damages from product liability claims. Although we maintain product liability insurance against product liability claims in the amount of $5 million per occurrence and $5 million in aggregate, we cannot give you any assurance that the coverage limits of our insurance policies will be adequate or that such insurance can be maintained at acceptable costs. Although we have not experienced any product liability claims to date, a successful claim brought against us in excess of our insurance coverage could have a materially adverse effect on our business, financial condition and results of operations.

We may not be able to retain our key personnel or hire the additional personnel we need to succeed.

Our growth and future success also will depend in large part on the continued contributions of key technical and senior management personnel, as well as our ability to attract, motivate and retain highly qualified personnel generally and, in particular, trained and experienced professionals capable of developing, selling and installing the Systems and training surgeons in their use. Competition for such personnel is intense, and we cannot give you any assurance that we will be successful in hiring, motivating or retaining such qualified personnel. None of our executive or key technical personnel is employed pursuant to an employment agreement. The loss of the services of senior management or key technical personnel, or the inability to hire or retain qualified personnel, could have a material adverse effect on our business, financial condition and results of operations.

Our ability to obtain funds under our equity line of credit in amounts sufficient to satisfy our operating requirements is limited.

We may not sell shares under our equity line until the registration statement, of which this prospectus forms a part, is declared effective by the SEC. After the registration statement is declared effective, we may not sell shares to Triton more often than once every fifteen trading days. The dollar amount of shares that we may sell to Triton at any time is based upon a formula that varies with the average closing bid price and average trading volume of the common stock for the 30 trading days preceding the delivery of a purchase notice to Triton. If the average closing bid price of a share of our common stock is between $0.50 and $1.00 and the average trading volume for the preceding 30-day trading period is more than 100,000 shares, we can sell up to $600,000 of common stock to Triton, but if the trading volume for that 30-day trading period is more than 15,000 shares but not more than 100,000 shares, we only can sell up to $400,000 of common stock to Triton. The amount available to us under the equity line increases as the bid price and trading volume of our common stock increase. However, if at the time we deliver a purchase notice to Triton the average closing bid price of a share of common stock has been less than $0.50 for the preceding 30-day period, we can only sell up to $250,000 of common stock to Triton.

Our monthly cash requirements since January 1, 2000 have averaged approximately $700,000, therefore, as long as the market price of our common stock remains below $1.00, and unless we are able to generate meaningful cash flow from sales of our products, amounts available under the equity line may not be sufficient to satisfy our cash needs. The closing market price of our common stock has been less than $1.00 since August 3, 2000 and has been less than $0.50 since September 29, 2000.

We may need additional financing if we are unable to obtain funds sufficient to satisfy our cash requirements under the equity line. Additional financing, if required, may not be available on acceptable terms, if at all. If we are unable to obtain financing on favorable terms, we may have to reduce operations, defer research and development projects and reduce staffing. We may issue common stock or debt or equity securities convertible into shares of common stock to obtain additional financing, if required. Any additional financing may result in substantial dilution to current holders of our common stock.

In addition, under the equity line of credit agreement, we may not sell more than 3,843,939 shares of common stock, representing 19.9% of the outstanding shares on the date we entered into the agreement, without stockholder approval. This limitation is required under the corporate governance rules of the Nasdaq Stock Market, Inc. At an assumed market price of $0.50 per share, we only will be able to sell approximately $1,650,000 of shares under the equity line until we obtain stockholder approval. Although we intend to seek stockholder approval at a meeting of stockholders to be held before the end of 2000, we cannot guarantee that stockholders will approve the issuance of more than 3,843,939 shares under the equity line.

If we cannot satisfy Nasdaq's maintenance requirements, it may delist our common stock from its SmallCap Market.

Our common stock is quoted on the Nasdaq SmallCap Market. To continue to be listed, we are required to maintain net tangible assets of $2,000,000 and our common stock must maintain a minimum bid price of $1.00 per share. By letter dated September 13, 2000, Nasdaq notified us that our common stock failed to satisfy its minimum bid price standard for continued listing and we would be delisted if the price of our common stock was not at least $1.00 per share for ten consecutive trading days by December 12, 2000. As of October 2, 2000 we still did not meet the requirement.

The conversion of our convertible preferred stock may also have consequences that could cause Nasdaq to delist our common stock. The conversion of our preferred stock and resale of the common stock acquired upon conversion, or the possibility of the conversion of our preferred stock and resale of our common stock, may depress or inhibit increases in the market price of our common stock. As a result, the minimum bid price for our common stock may remain below $1.00. Nasdaq also may delist our common stock if it deems it necessary to protect investors and the public interest. If Nasdaq determines that the returns on our convertible preferred stock are excessive compared with the returns received by the holders of our common stock, and those excess returns were egregious, Nasdaq could delist our common stock.

If we are delisted and we are not then listed or do not qualify for a listing on a stock exchange, our common stock would be traded in the over-the-counter market and quoted in the NASD's "Electronic Bulletin Board" or the "pink sheets." Consequently, it may be more difficult for an investor to obtain price quotations for our common stock or to sell it.

If our common stock is delisted, it may become subject to the SEC's penny stock rules and more difficult to sell.

SEC rules require brokers to provide information to purchasers of securities traded at less than $5.00 and not traded on a national securities exchange or quoted on the Nasdaq Stock Market. If our common stock becomes a "penny stock" that is not exempt from the SEC rules, these disclosure requirements may have the effect of reducing trading activity in our common stock and make it more difficult for investors to sell. The rules require a broker-dealer to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny market. The broker must also give bid and offer quotations and broker and salesperson compensation information to the customer orally or in writing before or with his confirmation. The SEC rules also require a broker to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction before a transaction in a penny stock.

The sale of shares of our common stock to Triton under our equity line of credit and the subsequent public resale of those shares while the market price of our common stock is declining may result in further decreases in its price.

We may sell up to $12,000,000 of common stock to Triton under our equity line of credit agreement at a purchase price of 85% of the lowest closing bid price of our common stock during the nine trading day period commencing two trading days before we deliver a purchase notice to Triton. We anticipate that Triton will place orders to resell the shares it will purchase from us upon receipt of a purchase notice which could contribute to a decline in the market price of the common stock. The sale by Triton of a large number of shares of common stock purchased under the equity line during periods when the market price of the common stock declines, or the possibility of such sales, may exacerbate the decline or impede increases in the market price of the common stock.

Conversion of our preferred stock and subsequent public sale of our common stock while its market price is declining may result in further decreases in its price.

As of September 14, 2000, we had outstanding 2,077 shares of convertible preferred stock. Each share of preferred stock has a stated value of $1,000 per share and is convertible into common stock at a conversion price equal to 80% of the lowest sale price of the common stock on The Nasdaq SmallCap Market over the five trading days preceding the date of conversion. The number of shares of common stock that may be acquired upon conversion is determined by dividing the stated value of the number of shares of preferred stock to be converted by the conversion price, subject to a maximum conversion price of $1.22 as to 57 shares, $1.63 as to 820 shares and $1.06 as to the remaining 1,200 shares. Since there is no minimum conversion price, there is no limit on the number of shares of common stock that holders of preferred stock may acquire upon conversion. Holders of our preferred stock may sell at market price the shares of common stock they have acquired upon conversion at a 20% discount to prevailing market prices concurrently with, or shortly after, conversion, realizing a profit equal to the difference between the market price. The holders of the preferred stock also could engage in short sales of our common stock after delivering a notice of conversion to us, which could contribute to a decline in the market price of the common stock and give them the opportunity to profit from that decrease by covering their short position with shares acquired upon conversion at a 20% discount to the prevailing market price. The conversion of the preferred stock and subsequent sale of a large number of shares of common stock acquired upon conversion during periods when the market price of the common stock declines, or the possibility of such conversions and sales, may exacerbate the decline or impede increases in the market price of the common stock.

Other issuances of preferred stock could adversely affect existing holders of our common stock.

Under our certificate of incorporation, our Board of Directors may, without further stockholder approval, issue up to an additional 984,730 shares of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of common stock. We could use new classes of preferred stock as a method of discouraging, delaying or preventing a change in persons that control us. In particular, the terms of the preferred stock could effectively restrict our ability to consummate a merger, reorganization, sale of all or substantially all of our assets, liquidation or other extraordinary corporate transaction without the approval of the holders of our common stock. We could also create a class of preferred stock with rights and preferences similar to those of our outstanding convertible preferred stock, which could result in substantial dilution to holders of our common stock or adversely affect its market price.

Conversion of our outstanding preferred stock, the issuance of shares under our equity line of credit and the exercise of our outstanding warrants and stock options and subsequent public sale of our common stock will result in substantial dilution to existing stockholders.

As of September 14, 2000, we had outstanding 19,316,276 shares of common stock. In addition

- an indeterminate number of shares may be acquired upon conversion of our outstanding preferred stock since there is no minimum conversion price. At an assumed conversion price of $0.50 per share, holders of preferred stock could acquire upon conversion 4,153,764 shares of common stock, or approximately 22% of the shares outstanding as of September 14, 2000.
- an indeterminate number of shares may be acquired under our $12,000,000 equity line of credit which has no minimum purchase price. Assuming a purchase price of $0.50 per share, we will issue 24,000,000 shares under the line, representing approximately 124% of the shares outstanding as of September 14, 2000.
- 17,634,911 shares may be acquired upon exercise of outstanding warrants.
- 1,752,098 shares may be acquired upon exercise of outstanding stock options.

Existing stockholders will experience substantial dilution in their percentage ownership of our common stock if our preferred stock is converted, shares of common stock and warrants are issued under our equity line of credit and warrants and stock options are exercised. If all of the outstanding preferred stock are converted at an assumed conversion price of $.50 per share, $12,000,000 of shares of common stock, are issued under our equity line of credit at an assumed purchase price of $.50 per share, and all outstanding warrants and stock options are exercised, the number of outstanding shares of common stock will increase by 47,540,773 shares, representing approximately 246% of the outstanding common stock as of September 14, 2000.

Sales of substantial amounts of our common stock, or the possibility of such sales, may have an adverse effect on the market price of our common stock and impair our ability to raise capital through an offering of equity securities in the future.

As of September 14, 2000, there were 19,316,276 shares of common stock outstanding. Except for 4,577,284 shares of common stock (representing approximately 24% of the outstanding common stock), substantially all of the outstanding shares of common stock are transferable without restriction under the Securities Act. In addition,

- an indeterminate number of shares may be acquired upon conversion of our outstanding preferred stock since there is no minimum conversion price. At an assumed conversion price of $0.50 per share, holders of our outstanding preferred stock could acquire 4,153,764 shares of common stock. The number of shares that may be acquired upon conversion will increase if the market price of the common stock declines below the assumed conversion price.
- an indeterminate number of shares may be acquired under our $12,000,000 equity line of credit, which has no minimum purchase price. At an assumed purchase price of $0.50 per share, we will issue 24,000,000 shares of our common stock.
- 2,274,066 shares may be acquired upon exercise of warrants owned by IBM at exercise prices ranging from $.01 to $.07.
- 7,435,898 shares may be acquired upon exercise of warrants issued in our initial public offering at an exercise price of $1.54.
- 5,500,000 shares may be acquired upon exercise of warrants at an exercise price of $1.027.
- 2,424,949 shares may be acquired upon exercise of warrants having exercise prices ranging from $0.50 to $4.39 per share.
- 1,752,098 shares may be acquired upon exercise of stock options granted pursuant to our stock option plans at exercise prices ranging from $.07 to $8.63 per share.

Substantially all of such shares, when issued, may be immediately resold in the public market pursuant to effective registration statements under the Securities Act or pursuant to Rule 144.

If our securityholders sell publicly a substantial number of shares they own or may acquire under our equity line of credit, upon exercise of outstanding options and warrants or upon conversion of our preferred stock, then the market price of our common stock may decline. Public perception that those sales will occur may also exert downward pressure on our common stock. A decline in the price of our common stock may also impair our ability to raise capital through the sale of equity securities.

Forward Looking Statements

Some of the information in this prospectus and the documents we incorporate by reference may contain forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as "may" "will," "expect" "believe," "intend," "anticipate" "estimate" "continue" or similar words. These statements discuss future expectations, estimate the happening of future events or our financial condition or state other forward-looking information. When considering such forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus and the documents that we incorporate by reference. The risk factors discussed in this prospectus and other factors noted throughout this prospectus, including certain risks and uncertainties, could cause our actual results to differ materially from those contained in any forward-looking statement.

Market For Common Stock

Our common stock and redeemable common stock purchase warrants are traded on the Nasdaq SmallCap Market under the symbols "RDOC" and "RDOCW", respectively. Our common stock and warrants also are listed on the Pacific Exchange under the symbols "ROB" and "ROBWS", respectively.* Our Common Stock also has been traded on EASDAQ under the symbol "RDOC."

Set forth below are the high and low closing sale prices for our common stock and warrants on the Nasdaq SmallCap Market for each quarter since January 1, 1998.

	COMMON STOCK ("RDOC")		WARRANTS ("RDOCW")	
Quarter Ended 2000	HIGH	LOW	HIGH	LOW

March 31, 2000	$ 4.063	$ 1.656	$ 3.125	$ 0.406
June 30, 2000	2.625	1.250	2.000	0.500
September 30, 2000 (through October 13, 2000).	$ 1.500	$ 0.344	$ 0.750	$ 0.125

Quarter Ended 1999				
March 31, 1999	$ 3.938	$ 1.031	$ 1.031	$ 0.405
June 30, 1999	2.969	1.031	1.500	0.250
September 30, 1999	4.125	2.500	2.344	1.000
December 31, 1999	$ 2.750	$ 1.438	$ 1.125	$ 0.375

Quarter Ended 1999				
March 31, 1998	$ 5.875	$ 3.038	$ 1.813	$ 1.125
June 30, 1998	7.313	4.875	2.750	1.250
September 30, 1998	5.000	3.000	1.563	0.688
December 31, 1998	$ 4.563	$ 2.563	$ 1.250	$ 0.438

The closing bid prices of one share of our common stock and one warrant on the Nasdaq SmallCap Market on September 14, 2000 were $0.75 per share and $0.625 per warrant.

As of September 14, 2000, there were 156 holders of record of the common stock and 8 holders of record of the warrants. We believe that as of September 14, 2000 there were approximately 3,800 and 500 beneficial owners of common stock and warrants, respectively.

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* No trading activity has been reported by the Pacific Exchange.

Management's Discussion And Analysis of Financial Condition and Results of Operations

The following discussion and analysis relates to our consolidated operations and should be read in conjunction with our consolidated financial statements, including the notes thereto, appearing elsewhere in this report.

The report of the independent auditors on our December 31, 1999 financial statements included an explanatory paragraph indicating there is substantial doubt as to our ability to continue as a going concern.

We believe that we have developed a viable plan to address these issues and that our plan will enable us to continue as a going concern through the end of 2000. This plan includes the expansion of the geographic markets in which our products are sold, new applications for our products, the consummation of equity financings in amounts sufficient to fund further growth, to attain our product development and marketing objectives and meet our working capital demands, and the reduction of certain operating expenses as necessary. Although we believe that our plan will be realized, we cannot guarantee that these events will occur. The financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from our inability of to continue as a going concern.

Results Of Operations

Six months ended June 30, 2000 as compared to the six months ended June 30, 1999.

Net Sales. Net sales for the six months ended June 30, 2000 were approximately $2,041,000, attributable to the sale of one ROBODOC System recorded in the second quarter and the completion of a software implant contract, compared to the six months ended June 30, 1999 of approximately $2,916,000, which included the sale of three ROBODOC systems.

Cost of Sales. Cost of sales for the six months ended June 30, 2000 was approximately $898,000 (44% of net sales) as compared to approximately $1,552,000 (53% of net sales) for the six months ended June 30, 1999. The lower cost as a percent of sales in the six months ended June 30, 2000 is a result of a favorable product mix with the majority of revenues resulting from software development contracts and service contracts which carry lower costs than do product sales.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended June 30, 2000 (approximately $2,389,000) decreased by approximately $705,000, or 23% as compared to the six months ended June 30, 1999 (approximately $3,103,000). Marketing costs decreased approximately $546,000 as a result of fewer direct field sales personnel while general and administrative expense decreased approximately $133,000.

Research and Development. Research and development expenses for the six months ended June 30, 2000 (approximately $3,032,000) increased by approximately $206,000, or approximately 7%, as compared to the six months ended June 30, 1999 (approximately $2,826,000), due to increased costs associated with the successful knee replacement surgery technology and the training and testing associated with this.

Interest Income. Interest income for the six months ended June 30, 2000 (approximately $38,000) decreased by approximately $102,000 as compared to the six months ended June 30, 1999 (approximately $140,000), primarily due to lower average cash balances during the six months ended June 30, 2000.

Other Income and Expense. Other income for the six months ended June 30, 2000 was approximately $717,000 compared to expense of approximately $281,000 in the six months ended June 30, 1999. The other income is attributable to the licensing income due and paid under the terminated exclusive distribution agreement with Spark 1st Vision.

Net Loss. The net loss for the six months ended June 30, 2000 (approximately $3,547,000) increased by approximately $1,189,000, or approximately 25%, as compared to the net loss for the six months ended June 30, 1999 (approximately $4,736,000).

Year ended December 31, 1999 as compared to year ended December 31, 1998

Net Sales. Net Sales for the year ended December 31, 1999 increased by approximately $100,000 or 1.5% to $6,241,000 compared to $6,146,000 for year ended December 31, 1998. This increase in net sales is due to increase in the sales of Neuromate systems, service contracts and implant software libraries.

Cost of Sales. Cost of sales for 1999 was $3,564,000 or 57% of net sales as compared to $3,413,000 or 56% of net sales for the prior year.

Selling, General and Administrative. Selling, general and administrative expenses for 1999 were $6,589,000 compared to $6,348,000 for 1998. Selling, general and administrative expenses increased by 2% as a percentage of sales.

Research and Development. Expenses for research and development during 1999 decreased by 15% to $5,581,000 from $6,603,000 during 1998. During 1999, we concentrated on our core products and technologies in order to strengthen our position in the marketplace. This concentration led to the decrease in R&D expenditures in non-core areas and therefore, the lower level of expenditures in 1999.

During 1999, we amortized $839,000 of identified intangible assets acquired in the Innovative Medical Machine International transaction in 1997. This charge was equal to the amount recorded in 1998.

Interest Income and Expense. For 1999, interest income amounted to $198,000 compared to $241,000 in 1998. The difference is the result of generally lower average cash balances during the year. During the 1999 year, we also made borrowings against a revolving line of credit, and had other interest expenses which, in total, generated interest expense in the amount of $198,000.

Foreign Currency Gain (Loss). Losses incurred in connection with foreign currency transactions amounted to $183,000 in 1999 as a result of exchange rates that strengthened the U.S. Dollar relative to European currencies. In 1998, transaction gains were approximately $129,000.

Other Income and Expense. Other expense for 1999 amounted to $491,000 compared to other expense of $270,000 for the same period in 1998. As of December 31, 1999, we owned approximately 27% of the outstanding shares of Marbella High Care B.V. ("MBHC") and we accounted for our investment under the equity method. We recorded expenses relating to our investment and advances in MBHC of $480,000 and $317,000 for years ended December 31, 1999 and 1998, respectively. These charges are included in other income (expense).

Preferred Stock Accretion. During 1999, we entered into private placement agreements for the sale of our series B, C, D and E convertible preferred stock. The terms of the preferred stock include a beneficial conversion feature. The values assigned to the beneficial conversion feature, as determined using the quoted market prices of our common stock on the dates the series B, C, D and E preferred stock were sold, amounted to $176,000, $144,000, $353,000 and $529,000 respectively, which represented a discount to the values of the series B, C, D and E preferred stocks. The discounts are being accreted using the vesting terms through January 27, 2000. Approximately $1,423,000 of the discounts were accreted in 1999 including $240,000 attributable to the series A preferred issued in 1998.

Net Loss. The net loss applicable to common stockholders for 1999 increased by 8.8% from $10,644,000 in 1998 to $11,578,000 in 1999. The increase in the loss is due primarily to an increase in the foreign currency transaction loss versus a gain in 1998, the write-off of our investment in MBHC, and amounts attributable to the preferred stock accretion in connection with the private placements in 1999.

Liquidity And Capital Resources

Since inception, our expenses have exceeded net sales. Operations have been funded primarily from the issuance of debt and the sale of equity securities aggregating approximately $49.9 million.

Six months ended June 30, 2000 as compared to six months ended June 30,1999

Our use of cash in operating activities of approximately $4,163,000 in the six months ended June 30, 2000 increased by approximately $2,665,000 as compared to cash usage due to operating activities in the six months ended June 30, 1999 of approximately $1,498,000. The increase in operating cash usage in the six months ended June 30, 2000 was primarily a result of a decrease in accounts payable of approximately $1,037,000, an increase in inventory of approximately $829,000, and a decrease in customer deposits of approximately $106,000.

Cash used in investing activities of approximately $86,000 in the six months ended June 30, 2000 decreased by approximately $1,680,000 as compared to cash provided by investing activities in the six months ended June 30, 1999 of approximately $1,594,000. The investment cash proceeds in the six months ended June 30, 1999 was primarily due to liquidating short-term investments to retire loans, while little investment activity existed in the six months ended June 30, 2000.

Cash provided by financing activities in the six months ended June 30, 2000 was approximately $2,291,000 and decreased by approximately $386,000 as compared to the financing activities during the six months ended June 30, 1999. In the six months ended June 30, 2000 we received net proceeds of approximately $3,480,000 from the sale of convertible preferred stock and warrants. In the six months ended June 30, 1999 $745,000 was used to pay bank loans while in the six months ended June 30, 2000, $1,085,000 was used to redeem the outstanding series E convertible preferred stock. Such changes resulted in the decrease of cash provided by financing in the six months ended June 30, 2000.

Year ended December 31, 1999 as compared to the year ended December 31, 1998

We used cash for operating activities of approximately $8,375,000 and $8,673,000 in 1999 and 1998, respectively. Net cash used for operations in each of these periods resulted primarily from the net loss. Cash used for operations in 1998 reflected an increase in accounts receivable and inventories. Cash used for operations in 1999 reflected a decrease in accounts receivable, an increase in inventories and a decrease in value added taxes payable and other current liabilities.

Investing activities provided $1,771,000 of cash in 1999. The sale of short-term investments, purchased in 1998 provided $2,039,000 of cash in 1999. We used cash in investing activities of approximately $4,258,000 in 1998. Our other investing activities have consisted primarily of expenditures for property and equipment that totaled approximately $410,000 and $1,746,000 in 1999 and 1998, respectively.

Cash provided from financing activities from inception through 1999 is comprised principally of the net cash proceeds from the sale of a convertible note in the principal amount of $3,000,000 that, along with the accrued interest of $1,224,000, was converted into a warrant to purchase Common Stock, as part of our recapitalization in December 1995. Cash was also provided by the sale of convertible preferred stock and warrants in the amount of $14,676,000 in 1995. These were converted into common stock and warrants to purchase common stock in December 1995 and November 1996 in the amounts of $11,734,000 and $2,942,000 respectively. The sale of common stock and warrants provided an additional source of cash as a result of our initial public offering in November 1996 and our European offering of common stock in November 1997 in the amounts of $6,137,000 and $8,440,000 respectively. Furthermore, we sold five series of convertible preferred stock and warrants during 1998 and 1999 that provided additional cash. Cash provided was: $3,300,400 from series A in September, 1998, $911,000 from Series B in March 1999, $658,000 from Series C in June 1999, $1,862,000 in June 1999 from Series D and $2,819,000 from Series E in July 1999.

In December 1999, we sold 2,922,396 shares of common stock and warrants to purchase an additional 11,700,000 shares of common stock to three private investors for $3,657,000, net of offering expense. In 1998, we established a $1.5 million revolving credit facility with a bank, which has been subsequently closed.

We entered into an equity line of credit with Triton West Group for the sale of up to $12,000,000 of our common stock with the expectation that it would satisfy our cash requirements for the foreseeable future. Under that facility, after the registration statement of which this prospectus is a part is declared effective by the SEC, we may sell shares of common stock at an approximate l5% discount to the prevailing market price every fifteen trading days. The amount available under the facility depends upon the market price and trading volume of our common stock. The recent decline in the market price of our common stock limits the amount available to us under the facility. If the average closing bid price of a share of our common stock is between $0.50 and $1.00 and the average trading volume is more than 100,000 shares for the 30-day period preceding the date we deliver a purchase notice to Triton, we can sell up to $600,000 of common stock under the facility, but if the average trading volume for that 30 day period is more than 15,000 shares but not more than 100,000 shares, we only may sell up to $400,000 of common stock. If the average closing bid price is less than $0.50 for the preceding 30-day trading period, we only can sell up to $250,000 of common stock. Our monthly cash requirements since January 1, 2000 have averaged approximately $700,000. Unless we are able to generate meaningful cash flow from sales of our products, amounts available under the equity line at the current market price may not be sufficient to satisfy our cash needs. We may need additional financing if we are unable to obtain funds sufficient to satisfy our cash requirements under the equity line. Additional financing, if required, may not be available on acceptable terms, if at all. If we are unable to obtain financing on favorable terms, we may have to reduce operations, defer research and development projects and reduce staffing.

Business

We develop, assemble, market and service image-directed, computer-controlled robotic products for orthopaedic and neurosurgical applications.

Orthopaedic Business

Our principal orthopaedic product is the ROBODOC(R) Surgical Assistant System, consisting of a computer-controlled surgical robot and the ORTHODOC(R) Presurgical Planner. The ROBODOC system has been used for primary total hip replacement surgery on over 8,000 patients in Europe and the United States. We believe our "active" robotic system is the only available system that can accurately perform key segments of surgical procedures semi-autonomously with precise tolerances generally not attainable by traditional manual surgical techniques. The ROBOC System also allows the surgeon to prepare a preoperative plan specifically designed for the characteristics of the individual patient's anatomy. The technology for the ROBODOC System was initially developed at the University of California, Davis, in collaboration with IBM.

The ORTHODOC is a computer workstation that uses our proprietary software for preoperative surgical planning. The ORTHODOC is a part of the ROBODOC Surgical Assistant System. The ORTHODOC converts CT scan data of a patient's femur into three-dimensional images, and through a graphical user interface, allows the surgeon to examine the bone more thoroughly and to select the optimal implant for the patient using a built-in library of available implants. A tape of the planned surgical procedure, developed by the ORTHODOC, guides the surgical robot arm of the ROBODOC System to accurately mill a cavity in the bone, thus allowing the surgeon to properly orient and align the implant. Prior to the development of the DigiMatch(TM) Single Surgery System, two titanium locator pins were placed in the patient's femur in an outpatient procedure before the primary surgery. These locator pins were used during the primary procedure to orient the ROBODOC System to the ORTHODOC preoperative plan. With the development of the DigiMatch technology, this pre-operative outpatient procedure has been eliminated. The orientation of the patient is now accomplished using a proprietary, pinless registration system. Non-clinical scientific data published by our scientists and those from IBM demonstrate that as a result of the precise milling of a cavity, the ROBODOC System achieves over 95% bone-to-implant contact, as compared to an average of 20% bone-to-implant contact when surgery is performed manually.

Total hip replacement surgery involves the insertion of an implant into a cavity created in the patient's femur. We believe that precise fit and correct alignment of the implant within the femoral cavity are key factors in the long-term success of total hip replacement surgery. In conventional total hip replacement surgery, a bone cavity is cut in the shape of the implant manually with metal tools, and the surgical plan, including the selection of the size and shape of the implant, is generally formulated based upon patient data obtained from two-dimensional x-ray images of the patient's femur. Based upon clinical experience to date in Europe with the ROBODOC System, patients generally have become weight-bearing in a shorter period than generally experienced by patients who have had this surgery performed manually. In addition, clinical data obtained from trials in Europe and the United States indicates that intraoperative fractures have been dramatically reduced in the total hip replacement surgeries performed with the ROBODOC System (to our knowledge, no intraoperative fractures have resulted from total hip replacement surgeries performed with the ROBODOC System to date). We also believe fewer hip revision surgeries (implant replacements) may be necessary for patients who have had primary total hip replacement surgery performed with the ROBODOC System, as compared to patients who have this surgery performed manually.

In the past, a majority of implants used in total hip replacement surgeries have been held in place with acrylic cement, which fills the spaces between the implant and the bone, thereby anchoring the implant to the femoral cavity ("cemented implants"). During the 1980s, implants that did not require cement ("cementless implants") were developed with materials designed to stimulate bone ingrowth. The selection of a cemented or cementless implant generally is based upon a patient's bone condition and structure, age and activity level. Typically, cemented implants are used for older, less active patients. Furthermore, most implants require replacement within five to 20 years of the first operation. The software package we developed in collaboration with IBM and Johns Hopkins University eliminates the distortion of the x-ray images of the patient's femur used in planning hip revision surgery caused by the metal in the existing implant. A surgeon using this proprietary hip revision software will have a clearer view of the remaining bone in planning hip revision surgery and therefore will be better able to plan the surgery to have the ROBODOC remove fragmented cement without removing any of the remaining thin thigh bone.

We have developed and commenced marketing to our customers in Europe the DigiMatch Single Surgery System, that, in most cases, eliminates the need for an initial surgery to place registration pins in a patient's femur before using the ROBODOC System in total hip replacement surgery. More than 2,500 patient surgeries have been successfully performed in Europe with the DigiMatch Single Surgery System.

In March, 2000, we submitted a new investigational device exemption under the Food, Drug and Cosmetic Act, to allow us to conduct clinical trials for the ROBODOC System in the United States. Upon approval, this investigational device exemption will permit us to perform a relatively small clinical study showing a correlation between the ROBODOC System using the DigiMatch System technology and the three pin system that was used in our initial clinical evaluations. We have deferred the filing of our pre-market approval application to market the ROBODOC System in the United States so that we may incorporate the DigiMatch Single Surgery System, and possibly other technical developments, as part of our pre-market approval application. We believe, based upon discussions with representatives of the FDA, that the incorporation of the DigiMatch Single Surgery System will enhance its prospects for obtaining FDA approval. However, there can be no assurance as to when or if the FDA will approve our pre-market approval application to market the ROBODOC System or that such approval, if obtained, will not include unfavorable limitations or restrictions.

In August, 2000, we commenced marketing a software package for total knee replacement surgery using the ROBODOC System. This application module enables the ROBODOC System to select the optimal implant for the patient and make accurate cuts in the bone, thus allowing the surgeon to properly orient and align the implant. This application module is intended to provide patients with a precise and accurate fit for implants that are properly sized and placed, regardless of bone quality. We believe that total knee replacement surgery performed with the ROBODOC System will significantly improve implant longevity and the prognosis for restored biomechanics.

Neurosurgical Business

We entered the neurosurgical business through the acquisition of Innovative Medical Machines International, S.A. on September 5, 1997. Innovative Medical Machines International, S.A. was subsequently re-named Integrated Surgical Systems, SA ("ISS-SA"). Our principal neurosurgical product is the NeuroMate System, consisting of an image-guided, computer-controlled robotic arm, head stabilizer and monitor. We also offers a workstation with presurgical planning software through arrangements with original equipment manufacturers.

The NeuroMate System has been used to perform over 2,000 neurosurgical procedures in France and Japan. We believe that the NeuroMate System, which uses ISS-SA's proprietary robotic arm and control systems designed specifically for use in the operating room, is the only image-guided, computer- controlled robot currently in use to precisely position and hold critical tools used in the performance of neurosurgical procedures.

Stereotactic neurosurgery is a minimally invasive approach to operating on the brain. Because the brain is largely unexposed, it requires the surgeon to work without direct visualization of the brain itself. This is overcome by a thorough understanding of brain anatomy and by using a spatial coordinate system that allows the surgeon to "navigate" within the brain. Essentially, the coordinate space of the patient's brain is correlated to the patient's own CT scan, magnetic resonance (MR) or other images by using anatomical landmarks that are shared by the patient and the images. This is known as "registration" of the patient's coordinate space to the coordinate space of the images. Once this is accomplished, the patient's CT scan can be used to guide the surgeon to specific sites within the brain through small holes the surgeon has made in the cranium (i.e., not necessitating a craniotomy).

Potential Orthopaedic and Neurosurgical Applications

We intend to offer separate software packages supporting each new robotic application, when developed. Some of these developments may be given to our customers without charge. Customers may be required to pay for other developments, such as alternative prosthesis software. Consequently, our customers would be able to use our robotic systems as platforms to perform a variety of surgical procedures without incurring significant additional hardware costs. We plan to develop software packages for the following orthopaedic surgical and neurosurgical procedures.

- Potential Orthopaedic Applications

Acetabulum Replacement. We plan to complement the total hip replacement application with acetabular cup planning and bone preparation for hip socket replacement surgery. Currently, surgeons estimate the size of the cup-shaped cavity in hip socket surgery using x-rays, which are subject to distortion. Working in a narrow space with a limited view, the surgeon ultimately selects the final cup size through trial and error. Due to the limitations of available surgical tools, the surgeon is obliged to use a hemispheric reamer and cup, although the human acetabulum (hip socket) is an irregular shape. We believe that the application module for this application, when developed, would enable the computer-controlled robot to prepare an accurate bed for the implant, based on its specifications, and could prepare an irregularly shaped socket for a custom or anatomically-shaped acetabular component. The three-dimensional capability of the ORTHODOC would better enable it to determine and display the irregular shape of the acetabulum and instruct the robot to prepare the proper socket. This procedure potentially could solve the problem of leg-length discrepancies which often originate at the acetabulum.

Osteotomies. Osteotomies are precise cuts in bone intended to reshape or realign abnormal or deformed structures. We have generated a detailed work plan to adapt the ROBODOC System for use in performing long-bone osteotomies on femurs and tibias (i.e., shin bones). The proposed application module for this application, when developed, is intended to enable the surgeon using the views of the bone created by the ORTHODOC from CT scan data, to make trial cuts, remove bone and manipulate the remaining fragments, and experiment with the appropriate placement of plates and screws. The surgeon's final plan would be saved on a tape that would instruct the robot where to make saw cuts. The computer-controlled robot would then orient itself in space by using topographical features of the operative bone. A fixator would secure the bone to the robot. The computer-controlled robot would then pre-place screw holes to facilitate the final realignment and make the actual cuts.

- Potential Neurosurgical Applications

Spine surgery. Surgical interventions in the spine generally involve tumor biopsy/resection; vascular repair; implants of plates, rods, screws, or other implantable devices or substances; and bone fusions of various types. We believe that our image-directed, computer-controlled robotic technology is applicable in most of these interventions and will significantly enhance precision and accuracy in many of them. Spine surgery is a large segment of both neurosurgery and orthopaedic surgery, as the nature of the abnormality may involve the nervous system or the vertebral column, or both. A significant part of this application involves the insertion of vertebral pedicle screws, discussed below.

Vertebral Pedicle Screws. Pedicle screws are used to fuse vertebrae in need of repair due to trauma or herniated disc disease. The procedure involves the placement of screws straight down the center of an irregular section of a fragile bone only twice the diameter of the screw itself. Precise placement of a screw affects the outcome of the surgery. Misplacement of a screw can result in failure of the repair, trauma to the adjacent spinal cord, or rupture of nearby blood sinuses which can hemorrhage severely. We believe that when the development of the proposed application module for this surgical procedure is completed, the NeuroMate System will be capable of performing this surgical procedure more safely and effectively than surgery performed manually since the computer-controlled robot is better able to precisely orient its tool in a manner compatible with what is required for screw placement.

Marketing, Sales and Distribution

We cannot market the ROBODOC System in the United States until clearance or approval is obtained from the FDA. We have received 510(k) clearance from the FDA to sell the ORTHODOC in the United States. The NeuroMate System also has received 510(k) clearance from the FDA for marketing in the United States and from the Japanese Ministry of Health for marketing in Japan. Presentations to potential customers focus on the clinical benefits obtained by patients, and the potential financial and marketing benefits obtained by hospitals and surgeons.

We have commenced marketing the ROBODOC System to orthopaedic and trauma surgeons and hospitals in Europe through direct sales and arrangements with implant manufacturers.

To date, our products have been marketed primarily in Germany, Switzerland and Austria. Over 3,000 total hip replacement surgeries have been performed with the ROBODOC Systems at a clinic in Frankfurt, Germany since August 1994. As result of a significant increase in the number of total hip replacement surgeries

performed at the clinic with the ROBODOC System, the clinic purchased a third ROBODOC System in 1999. We have been marketing the ORTHODOC to hospitals, orthopaedic surgeons and implant manufacturers in the United States since early 1998.

We market the NeuroMate System in Japan through a Japanese distributor and in the United States through a direct sales force.

We promote our products through presentations at trade shows and advertisements in professional journals and technical and clinical publications, as well as through direct mail campaigns.

Manufacturing

Our production process consists primarily of final assembly of purchased components, testing of the products and packaging, and is conducted at our facilities in Davis, California and Lyon, France. We purchase substantially all the components for our systems from outside vendors, then we assemble these parts and install our proprietary software.

The ROBODOC System consists of the robot, base and the control cabinet, which are connected through four interface cables, and the ORTHODOC. The NeuroMate System consists of a robot arm, electronics control and base. Sankyo Seiki of Japan supplies the robot for the ROBODOC System customized to our specifications and Audemars-Piguet supplies the customized robot for the NeuroMate System. Upon delivery of a robot, we perform a series of tests to verify proper functioning. The customization and supply process for the robots currently requires approximately four months lead time. While the robots can be obtained from other suppliers with appropriate modifications and engineering effort, there can be no assurance that delays resulting from the required modifications or engineering effort to adopt alternative components would not adversely affect us. We separately assemble and test ancillary items required to perform robotic surgeries, including devices for fixing the hip and attaching it to the robot, numerous probes, cutter bearing sleeves and tool guides.

Consumables, including sterile drapes, bone screws and cutters, are also manufactured by outside vendors according to our specification and are inspected upon receipt to ensure that these specifications are consistently met. We purchases these items in quantity and distributes them on a per order basis. We also coordinate the packaging and sterilization of certain items. Our policy is to procure our consumables from vendors that we approve after ensuring that the goods comply with our sterilization requirements.

The ORTHODOC consists of a pentium-based computer workstation and associated peripherals, and includes our proprietary software. We purchase and then test the computer as a complete package. A computer board is added to interface to CT/X-ray scanner input modules and, if required, the ROBODOC System's tape output drive. The hard drive is reformatted to accept the operating system, and appropriate ORTHODOC software is installed. The unit is configured for 110 or 220 AC volt operation.

Our production facilities are subject to periodic inspection by the FDA for compliance with Good Manufacturing Practices ("GMP"). In addition, our products will be required to satisfy European manufacturing standards for sale in Europe. We believe that we are in compliance with GMP and we have obtained ISO-9001 certification, which is required for sales of our products in Europe.

Research and Development

Since inception, our research and development activities have focused on the development of innovative image-directed computer-controlled robotic products for surgical applications and operating software for these products. we incurred research and development expenses of approximately $5,581,000 and $6,603,000 in connection with the development of the ROBODOC System, the ORTHODOC and the NeuroMate System for the years ended December 31, 1999 and December 31, 1998, respectively.

We offer our customers hardware and software packages for primary and revision hip surgery and functional neurosurgery. Revision hip surgery, which we developed in collaboration with IBM and Johns Hopkins University was funded in part by a grant from the National Institute for Standards and Technology (Advanced Technology Program) of the United States Department of Commerce ("NIST"). Hip revision surgery generally is difficult, time consuming and complex. The metal in the existing implant distorts x-ray images used for planning the surgery, obstructing the remaining bone and, if a cemented implant is to be replaced, the location of the cement mantle. The removal of the cement mantle without removing any of the remaining thin bone structure is a major challenge for the surgeon. We believe that our patented hip revision application module improves surgical planning for hip revision surgery and enables the robot to remove cement more precisely than if the hip revision procedure were performed manually.

Under the terms of the NIST grant, IBM, Johns Hopkins University and Integrated Surgical Systems are entitled to reimbursement for 49% of the expenses incurred in connection with the project for a period of three years. The maximum amount of expenses subject to reimbursement under the grant is approximately $4,000,000, so that not more than $1,960,000 in expenses may be reimbursed in the aggregate to IBM, and Johns Hopkins University and us under the grant. We had incurred research and development expenses of approximately $2,471,000 in connection with the NIST project through December 31, 1998. As of December 31, 1998, we had received approximately $831,000 under the terms of the grant. All expenses related to the grant were submitted and paid through March of 1999 thereby closing the grant.

We offer a number of lines of prostheses in our software library of hip implants on our ORTHODOC. We are expanding the library to include multiple implant lines, revision stems, and custom-made prostheses. In 1999, we received orders from Howmedica (a division of Stryker Corporation), DePuy Inc. (a subsidiary of Johnson & Johnson), Aesculap, AG & Co. KG, Zimmer Inc. (a subsidiary of Bristol-Myers Squibb Company) and PLUS Endoprothetik A.G. to add their respective hip prostheses to our existing software library. When completed, the ROBODOC System will support 14 lines of popular prostheses from seven of the largest orthopaedic companies in the world. We will further expand the library of implants used at clinical sites to include multiple implant lines, revision stems, and custom-made prostheses.

We also have successfully implemented the technology for total knee replacement and are presently conducting clinical trials in Germany.

ISS-SA is the recipient of an interest-free loan from ANVAR (a national agency in France established to aid research and development projects) in the amount of approximately $153,400. This loan provided funding for the development of the NeuroMate System for spine surgery. This project is currently in its first phase of development in connection with a University hospital in Lille, France. Under certain conditions (e.g., if at the completion of the project it is not deemed a "success") there will be no requirement to repay the loan.

ISS-SA also is the recipient of a grant from ANVAR in the amount of approximately $222,000, of which they had received $174,000 as of December 31, 1998. This grant funds 50% of the cost to build and install NeuroMate Systems at two clinics in France as well as the costs to perform a clinical study at these sites over a period of fifteen months commencing March 1997.

Competition

The principal competition for the ROBODOC System is manual surgery performed by orthopaedic surgeons, using surgical power tools and manual devices. The providers of these instruments are the major orthopaedic companies, which include Howmedica, Inc. (a division of Stryker Corporation), located in New York;

Zimmer, Inc. (a subsidiary of Bristol-Myers Squibb), located in Indiana; Johnson & Johnson Orthopaedics, Inc. (a subsidiary of DePuy Inc.), located in New Jersey; DePuy, Inc., located in Indiana; Biomet, Inc. located in Indiana; and Osteonics, Inc. (a subsidiary of the Stryker Corporation), located in New Jersey. The principal competitor, Orto MAQUET, a manufacturer of operating tables located in Germany, has entered the market with a device intended to compete with ROBODOC. Orto MAQUET's system requires a preliminary surgical procedure to place locator pins prior to performing hip replacement surgery.

The principal competition for NeuroMate is from manufacturers of frame-based and frameless stereotactic systems, some of which are commonly called "navigators". Approximately twenty navigator models have been introduced, including those by Radionics, Sofamor Danek, and Ohio Medical Surgical Products, all located in the U.S.; Elekta, located in Sweden; and, Fischer Leibingher and Brain Lab, both located in Germany. In addition, there are companies in the medical products industry capable of developing and marketing computer-controlled robotic systems for surgical applications, many of whom have significantly greater financial, technical, manufacturing, marketing and distribution resources than us, and have established reputations in the medical device industry. However, we believe that we have a significant competitive advantage over such companies in view of the time required to develop an image-directed, computer controlled robotic system and to obtain the necessary regulatory approvals, including the sponsorship of clinical trials. We cannot guarantee that future competition will not have a material adverse effect on our business.

Our ROBODOC System represents a significant technological advancement with respect to the manner in which total hip replacement is performed. Our image-directed, computer-controlled, robotic technology is intended to complement surgeons in performing Total hip replacement and other orthopaedic surgeries. Although there are companies which market technologically advanced surgical tools used by surgeons in performing orthopaedic surgeries, including passive robot systems that direct the surgeon in planning and performing surgical procedures (e.g., aiming and holding devices), we believe that the ROBODOC System is the most technologically advanced active robotic system that performs a key segment of total hip replacement surgery (i.e., milling a bone cavity) under the supervision of a surgeon.

We believe the NeuroMate System is the only robotic system presently used for neurosurgery which provides superior accuracy and flexibility as compared to other techniques.

Warranty and Service

We offer a full warranty, covering parts and labor, for the first year following the purchase of our products, which warranty coverage can be extended on an annual basis by purchasing a maintenance agreement at a price negotiated on a customer by customer basis.

We train our customers with our in-house technical staff and service our customers with a direct service staff located in Europe. As needed, technical support also is provided from the U.S. engineering organization.

Patents and Proprietary Rights

We rely on a combination of patent, trade secret, copyright and trademark laws and contractual restrictions to establish and protect proprietary rights in our products and to maintain our competitive position.

We have been issued four U.S. patents, including one for revision surgery procedures and pinless total hip replacement surgery procedures. We have filed seven patent applications covering various aspects of our technology. In addition, IBM has agreed not to assert infringement claims against us with respect to an IBM patent relating to robotic medical technology, to the extent such technology is used in our products. Furthermore, significant portions of the ORTHODOC and ROBODOC System software are protected by copyrights. IBM has granted us a royalty-free license for the underlying software code for the ROBODOC System. In addition, we have registered the marks ROBODOC and ORTHODOC.

Our U.S. patents include:

-- Computer assisted software system for planning and performing hip revision surgery;

-- Computer assisted system and method for creating cavities in the femur that will accept a prosthesis;

-- Computer system and method for creating a pre-operative surgical plan for hip replacement surgery ; and

-- Method for orienting real patient anatomy to a digital image of the patient's anatomy.

Government Regulation

The medical devices to be marketed and manufactured by us are subject to extensive regulation by the FDA and by foreign and state governments. Pursuant to the Federal Food, Drug, and Cosmetic Act of 1976, as amended, and the regulations promulgated thereunder (the "FDC Act"), the FDA regulates the clinical testing, manufacturing, labeling, distribution, and promotion of medical devices. Noncompliance with applicable requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the government to grant pre-market clearance or pre-market approval for devices, withdrawal of marketing clearances or approvals, and criminal prosecution. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us.

Any products manufactured or distributed by us pursuant to the FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including quality system regulations ("QSR"), documentation and reporting of adverse experiences with the use of the device. Device manufacturers are required to register their establishments and list their devices with the FDA and with certain state agencies and are subject to periodic compliance inspections by the FDA and certain state agencies.

Until recently, based upon pre-filing meetings and other discussions with representatives of the FDA as part of the pre-submission review process, we had been advised that we would have to file a PMA application for the ROBODOC System. Although we intended to file a PMA with the FDA in the second quarter of 1998, we decided to defer the filing to incorporate our pinless DigiMatch Single Surgery System technology, and possibly other technological developments, as part of the PMA application. Our pinless DigiMatch Single Surgery System eliminated a preliminary surgical procedure in which locator pins were placed in a patient's thigh bone prior to ROBODOC hip surgery. Incorporation of the DigiMatch technology necessitated further clinical trials conducted under an FDA approved Investigational Device Exemption (IDE) to demonstrate its safety and effectiveness.

Based upon our discussions with representatives of the FDA, it was suggested that if the ROBODOC System were reclassified from a Class III to a Class II device, it could be cleared for marketing in the U. S. through the 510(k) de novo premarket notification process. Data obtained for the new clinical trials will be used to support the reclassification of the ROBODOC System as a Class II device. In order to obtain FDA clearance of approval, we must demonstrate that the DigiMatch ROBODOC System is safe and effective for its intended use as an alternative to manual total hip replacement techniques. We cannot give you any assurance that

- the FDA will, in fact, reclassify the ROBODOC System as a Class II device
- the FDA will agree that the DigiMatch ROBODOC System is safe and effective, or
- if the FDA grants us permission to market the ROBODOC System in the U. S. , that it will not include unfavorable limitations or restrictions

After receipt of "de novo" pre-market notification, if any, we expect that the FDA would consider new surgical applications for the ROBODOC System to be new indications for use, which generally would require FDA clearance prior to marketing. The FDA is also likely to require additional marketing clearance before the agency will permit us to incorporate new imaging modalities (such as ultrasound and MRI) or other different technologies in the ROBODOC System. The FDA likely will require new clinical data to support new indications and enhanced technological characteristics.

In February 1996, we filed a 510(k) submission for the ORTHODOC as a stand-alone device. This 510(k) was the first product submission filed by us with the FDA. In January 1997, the ORTHODOC received clearance from the FDA for marketing in the United States. The NeuroMate System received 510(k) clearance from the FDA for marketing in the United States in May 1997. Medical device companies may make regulatory decisions that certain non-significant modifications to a 510(k) cleared product do not require additional regulatory submissions or notifications.

Labeling and promotion activities are subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. Current FDA enforcement policy prohibits marketing approved medical devices for unapproved uses. We and our products are also subject to a variety of state laws and regulations in those states or localities where its products are or will be marketed. Any applicable state or local regulations may hinder our ability to market our products in those states or localities. Manufacturers are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. We cannot give you any assurance that we will not be required to incur significant costs to comply with such laws and regulations now or in the future or that such laws or regulations will not have a material adverse effect upon our business, financial condition or results of operations.

Exports of products subject to the 510(k) notification requirements, but not yet cleared to market, are permitted without FDA export approval provided certain requirements are met. Unapproved products subject to the pre-market approval requirements must receive prior FDA export approval unless they are approved for use by any member country of the European Union and certain other countries, including Australia, Canada, Israel, Japan, New Zealand, Switzerland and South Africa, in which case they can be exported to any country without prior FDA approval. To obtain FDA export approval, when it is required, certain requirements must be met and information must be provided to the FDA that may include documentation demonstrating that the product is approved for import into the country to which it is to be exported and, in some instances, safety data from animal or human studies.

The introduction of our products in foreign markets has subjected and will continue to subject us to foreign regulatory clearances which may impose additional substantive costs and burdens. International sales of medical devices are subject to the regulatory requirements of each country. The regulatory review process varies from country to country. Many countries also impose product standards, packaging requirements, labeling requirements and import restrictions on devices. In addition, each country has its own tariff regulations, duties and tax requirements.

The ROBODOC System satisfies international electromedical standard IEC 601-1 and the protection requirements of the Electromagnetic Compatibility Directive (89/336/EEC). As a company, we have also received ISO 9001 and EN 46001 certification and ED Directive 93/42/eec Annex II, Article 3 approval. Meeting these standards and requirements, and receiving these certifications and approvals allows us to apply the CE Mark to our products. The ROBODOC System satisfies the relevant provisions of the Medical Device Directive for a Class II b Medical Device.

The NeuroMate System satisfies the relevant provisions of the Medical Device Directive for a Class IIb Medical Device. In June 1997, the NeuroMate System received clearance from the Japanese Ministry of Health for marketing in Japan.

Product Liability

The manufacture and sale of medical products exposes us to the risk of significant damages from product liability claims. We maintain product liability insurance against product liability claims in the amount of $5 million per occurrence and $5 million in the aggregate. We cannot guarantee that the coverage limits of the Company's insurance policies will be adequate, that we will continue to be able to procure and maintain such insurance coverage, or that such insurance can be maintained at acceptable costs. Although we have not experienced any product liability claims to date, a successful claim brought against us in excess of its insurance coverage could have a materially adverse effect on our business, financial condition, and results of operations.

Employees

As of September 30, 2000, we had 77 full time employees, including 41 in research and development, 5 in manufacturing, 7 in regulatory affairs and quality assurance, 14 in sales and marketing and 10 in administration. Except for the employees of IMMI, none of our employees is covered by a collective bargaining agreement. We believe our relationship with our employees is satisfactory.

Facilities

Our executive offices and principal production facilities, comprising a total of approximately 30,500 square feet of space, are located in Davis, California. We occupy the facilities in Davis pursuant to a lease that expires in September 2004. The lease provides for rent of approximately $30,000 per month (plus real estate taxes and assessments, utilities and maintenance), subject to adjustment for cumulative increases in the cost of living index, not to exceed 4% per year.

We lease our European facility under a non-cancelable operating lease. The lease is for a term of eight years and expires in 2006. The lease provides for rent of $7,197 per month.

Legal Proceedings

We have from time to time been notified of various claims incidental to its business that are not the subject of pending litigation. While the results of claims cannot be predicted with certainty, we believe that the final outcome of all such matters will not have a materially adverse effect on our consolidated financial position, results of operations or cash flows.

Management

Our directors and executive officers are:

Name	Age	Position
Ramesh C. Trivedi	60	President, Chief Executive Officer and Director

Louis Kirchner	57	Chief Financial Officer and Secretary
Leland Witherspoon	48	Vice President, Engineering
Falah Al-Kadi	50	Chairman of the Board of Directors
John N. Kapoor	56	Director

Our Board of Directors has two standing committees, an Audit Committee and a Compensation Committee.

The Audit Committee is composed of Dr. Kapoor (Chairman) and Mr. Al-Kadi. The duties of the Audit Committee include recommending the engagement of independent auditors, reviewing and considering actions of management in matters relating to audit functions, reviewing with the independent

auditors the scope and results of its audit engagement, reviewing reports from various regulatory authorities, reviewing the system of internal controls and procedures of the Company, and reviewing the effectiveness of procedures intended to prevent violations of law and regulations.

The Compensation Committee is composed of Dr. Kapoor and Mr. Al-Kadi (Chairman). The duties of the Compensation Committee are to recommend to the Board remuneration for officers of the Company to determine the number and issuance of options pursuant to the Company's stock option plans and to recommend the establishment of and to monitor a compensation and incentive program for all executives of the Company.

Ramesh C. Trivedi, Ph.D. has been President, Chief Executive Officer and a Director of our company since November 1995, and served as a consultant to us from February 1995 until November 1995. Dr. Trivedi has over 25 years experience in the healthcare field. Dr. Trivedi founded California Biomedical Consultants in 1987, an international consulting firm. From 1985 to 1986, Dr. Trivedi was the President and Chief Executive Officer of DigiRad Corporation, a medical imaging company. From 1978 to 1984, he was the director of business development of Syva Company and the General Manager of Synaco, Inc., divisions of Syntex Corporation, a pharmaceutical company. From 1972 to 1978, Dr. Trivedi was the head of the product management group at the Worthington division of Millipore Corporation, a membrane filtration company, and the head of the chemistry group of the Diagnostic Division of Pfizer, Inc. from 1971 to 1972.

Falah Al-Kadi has been a Director of our company since December 14, 1999 and Chairman of our Board of Directors since January 2000. Since 1994, has been Vice Chairman of the Dogmoch Group of Companies, a Lebanese company that provides consulting and support services to over 20 German companies doing business in countries throughout the Middle East. From 1981 to 1993, Mr. Al-Kadi was an owner and Managing Director of the Business Advising Bureau in Abu Dhabi.

John N. Kapoor, Ph.D. has been a Director of our company since December 1995. Dr. Kapoor founded EJ Financial Enterprises, Inc., a healthcare consulting and investment company, in March 1990, of which he is currently President. Since October 1990, Dr. Kapoor has been Chairman of Option Care, Inc., a franchiser of home infusion therapy businesses. Dr. Kapoor has been the Chairman of United Pharmaceuticals, Inc., a specialty pharmaceutical company since 1990. Since May 1996, Dr. Kapoor has been Chief Executive Officer of Akorn, Inc., a manufacturer and distributor of ophthalmic products, of which Dr. Kapoor has also served as Chairman since May 1996. In addition, Dr. Kapoor has served as chairman of NeoPharm, Inc., a cancer drug research and development company. Dr. Kapoor also served as Chairman of Lyphomed, Inc., a pharmaceutical company, form 1983 to 1990, and was Director of Lunar Corp., a manufacturer and marketer of x-ray and ultrasound systems, from May 1990 to April 1996.

Louis J. Kirchner has been our Chief Financial Officer and Secretary since February 2000. Mr. Kirchner served as Vice President and Chief Financial Officer of Robroy Industries, Inc. (a manufacturer of electrical, oil field and computer electronic products) from January 1981 to January 2000. Mr. Kirchner held several positions with the Westinghouse Electric Corporation from February 1968 to December 1980.

Leland Witherspoon has been Vice President, Engineering since April 1997. Mr. Witherspoon was Director Product Research and Development for Sorin Biomedicals, Inc. (a developer and manufacturer of cardiopulmonary and cardiovascular products) from February 1992 to April 1997. He was Manager of Research and Development for Pfizer/Shiley (a developer and manufacturer of cardiopulmonary and cardiovascular equipment and disposables) from November 1990 to February 1992. Mr. Witherspoon held various technical and management positions with Xerox Medical Systems (a manufacturer and developer of diagnostic medical electronic and mechanical systems) from March 1979 to October 1990

Executive Compensation

The following table sets forth the compensation awarded to, earned by or paid to our chief executive officer and each other executive officer whose salary and bonus exceeded $100,000 for the years ended December 31, 1999, 1998, and 1997.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation
Name and Principal Position	Year	Salary ($)	Other Annual Compensation (1)	Securities Underlying Option
Ramesh C. Trivedi	1999	$279,840	$ 75,725	6,210
Chief Executive Officer and	1998	279,840	42,501	120,000
President	1997	264,000	50,400	20,000
Mark W. Winn	1999	$ 126,500	$ --	--
Chief Financial Officer	1998	118,833	- --	- --
	1997	38,333	- --	45,000

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(1) Represents cash incentive bonus

(2) Mr. Winn's employment commenced on September 2, 1997 and ended on December 31, 1999.

Employment Agreement

Dr. Ramesh Trivedi serves as our chief executive officer and president pursuant to an employment agreement terminable at will by either party. Dr. Trivedi's annual salary is $279,840 ($23,320 per month). If we terminate his employment without cause, Dr. Trivedi is entitled to receive his monthly salary for a period of eighteen months following the date of termination.

Stock Options

The following table contains information concerning the grant of stock options under our 1998 stock option plan to Dr. Trivedi and Mr. Winn during the fiscal year ended December 31, 1999.

Option Grants in Last Fiscal Year (Individual Grants)

Name	Number of Shares Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share (2)	Expiration Date
Ramesh C. Trivedi	6,210	3.7%	.10	**8/16/09**
Mark W. Winn	- -	- -	- -	- -

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(1) Stock options are granted at the discretion of the Compensation Committee of our Board of Directors. Stock options have a 10-year term and vest periodically over a period not to exceed five years.

(2) The Compensation Committee of our Board of Directors may elect to reduce the excise price of any option to the current fair market value of the common stock if the value of the common stock has declined from the date of grant.

The following table summarizes for each of Dr. Trivedi and Mr. Winn the total number of unexercised options, if any, held at December 31, 1999, and the aggregate dollar value of in-the-money, unexercised options, held at December 31, 1999. The value of the unexercised, in-the-money options at December 31, 1999, is the difference between their exercise or base price and the value of the underlying common stock on December 31, 1999. The closing sale price of the common stock on the Nasdaq SmallCap Market on December 31, 1999 was $1.6562 per share.

Aggregated Option Exercises in Last Fiscal Year and FY End Option Values

	Shares Acquired Upon Exercise of Options During Fiscal 1999		Number of Securities Underlying Unexercised Options at December 31, 1999		Value of Unexercised In-The-Money Options at December 31, 1999	
Name	Number	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Ramesh C. Trivedi	None	None	374,852	68,265	$512,431(1)	0
Mark W. Winn	None	None	15,000	30,000	0	0

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1. Represents value of options to purchase 316,907 shares at an exercise price of $0.07 per share and options to purchase 6,210 shares at an exercise price of $0.10 per share.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information concerning the beneficial ownership of common stock at September 14, 2000 by (i) each stockholder known by us to be a beneficial owner of more than five percent of our outstanding common stock, (ii) each of our directors, (iii) each of our executive officers listed in the Summary Compensation Table and (iv) all directors and officers as a group.

Name	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock Beneficially Owned(2)
International Business Machines Corporation Old Orchard Road, Armonk, N.Y. 10504	2,274,066 (3)	10.53%
EJ Financial Investments V, L.P. 225 East Deer Path Road, Suite 250 Lake Forest, IL 60045	1,039,792	5.38%
ILTAG International Licensing Holding S.A.L., a subsidiary of the Dogmach Group of Companies, Adnan Al Hakim Street	4,211,198 (4)	19.08%

Assaf Bldg.
P.O. Box 135660
Beirut, Lebanon

Ramesh C. Trivedi(5)	400,185 (6)	2.03%
John N. Kapoor(7)	1,039,792 (8)	5.38%
Falah Al-Kadi (9)	4,211,198 (10)	19.08%
Urs Wettstein	2,105,599(11)	10.18%
Bernd Herrmann	2,105,599(11)	10.18%
All directors and officers as a group (5 persons)	5,651,175	25.16%

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1. Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated, subject to community property laws, where applicable.

2. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on September 14, 2000, any security which such person or group of persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
3. Includes warrants to purchase 2,206,479 shares of common stock at an exercise price of $0.01 per share exercisable until December 31, 2005, warrants to purchase 67,587 shares of common stock at an exercise price of $0.07 per share exercisable until December 31, 2000 which warrants are presently exercisable.
4. Includes warrants to purchase 2,750,000 shares of common stock at an exercise price of $1.027 per share with 250,000 exercisable until October 4, 2000, 250,000 exercisable until November 4, 2000, 250,000 exercisable until December 4, 2000 and the balance exercisable until December 4, 2002.
5. Address is c/o our company, 1850 Research Park, Davis, California 95616-4884
6. Includes 396,185 shares that Dr. Trivedi may acquire upon exercise of stock options exercisable within 60 days - 316,907 shares at an exercise price of $0.07 per share, 73,068 shares at an exercise price of $3.00 per share and 6,210 shares at an exercise price of $0.10 per share. Dr. Trivedi may acquire additional 46,932 shares upon exercise of stock options that become exercisable over the remaining term of the options at an exercise price of $3.00 per share.
7. Address is c/o EJ Financial Enterprises, 225 E. Deer Path Road, Suite 250, Lake Forest, Illinois 60045.
8. Represents shares of common stock owned by EJ Financial Investments V, L.P., a limited partnership of which Mr. Kapoor is the managing general partner. Mr. Kapoor disclaims beneficial ownership of such shares.
9. Address is c/o Dogmoch Group of Companies, Adnan Al Hakim St., Assaf Bldg., P.O. Box 135660, Beirut, Lebanon
10. Represents shares and warrants owned by ILTAG, a subsidiary of Dogmoch of which he is Vice-Chairman.
11. Includes 1,375,000 warrants to purchase shares of common stock at $1.027 per share with 125,000 exercisable until October 4, 2000, 125,000 exercisable until November 4, 2000, 125,000 exercisable unitl December 4, 2000 and the balance of 1,000,000 exercisable until December 14, 2002.

Certain Transactions

In November 1999, we entered into a distribution agreement that gave Spark 1st Vision GmbH & Co. KG, a German company, the exclusive right to distribute our products in Europe, the Middle East and Africa through 2003. Under the agreement, Spark 1st Vision was obligated to purchase a minimum of 24 ROBODOC systems during 2000 and 32 ROBODOC systems during 2001. It also was required to pay us $200,000 per month for the first six months of 2000, $300,000 per month for the remainder of 2000, and $400,000 per month for 2001, offset by the purchase price of products purchased. Spark 1st Vision's liability to us under the agreement was limited to $1 million, exclusive of the minimum purchase obligation. Spark 1st Vision is controlled by Manfred Schmitt, a German venture capitalist. As of the date we entered into the distribution agreement, Mr. Schmitt beneficially owned slightly more than five percent of our common stock.

In May 2000, we terminated the agreement with Spark 1st Vision. We received approximately $1,000,000 from Spark 1st Vision in settlement of its obligations under the agreement.

Selling Securityholder

Triton West Group, Inc. is offering and selling shares of common stock we may sell to it from time to time under an equity line of credit agreement. We may sell up to $12,000,000 of our common stock to Triton at a purchase price of 85% of the lowest closing bid price of our common stock during the nine day trading period commencing two trading days before we deliver a purchase notice to Triton. At an assumed purchase price of $0.50 per share, we could sell up to 24,000,000 shares to Triton. However, under the terms of the agreement, the number of shares that Triton may acquire under the agreement may not exceed that number which would cause it to become the beneficial owner of more than 4.99% of the then issued and outstanding shares of common stock, or result in the issuance of more than an aggregate of 3,843,939 shares of common stock, representing 19.9% of the shares outstanding on the date of the private equity line of credit agreement, until stockholders approve the issuance of shares in excess of that number. Since there is no minimum purchase price, if the market price of the common stock declines below the assumed purchase price, the number of shares that the selling securityholder may acquire upon purchase will increase. If

following a sustained increase in the market price of the common stock sufficient to offset the 15% discount used in computing the purchase price, the purchase price is higher than the assumed purchase price, the number of shares that the selling securityholder may acquire will decrease.

Other than a warrant to purchase 35,000 shares of common stock that it acquired in connection with the equity line agreement, Triton does not own any of our securities. Sophia Harris has voting and dispositive power with respect to the shares of common stock Triton may acquire from us under the equity line. Triton's address is c/o CFS Ltd., Harbor Centre, 48th Floor, P.O. Box 613GT, Georgetown, Grand Cayman. Neither Triton, nor any of its officers, directors or affiliates has, or within the past three years has had, any position, office or other material relationship with us or any of our predecessors or affiliates.

Plan of Distribution

The selling securityholder may sell shares from time to time in public transactions, on or off The Nasdaq SmallCap Market, or private transactions, at prevailing market prices or at privately negotiated prices. They may sell their shares in the following types of transactions:

- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- a block trade in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus; and
- face-to-face transactions between sellers and purchasers without a broker-dealer.

The selling securityholder also may sell shares that qualify under Section 4(l) of the Securities Act or Rule 144. As used in this prospectus, the selling securityholder include donees, pledgees, distributees, transferees and other successors-in -interest of the selling securityholder named in this prospectus.

In effecting sales, brokers or dealers engaged by the selling securityholder may arrange for other brokers or dealers to participate in the resales. The selling securityholder may enter into hedging transactions with broker-dealers, and in connection with those transactions, broker-dealers may engage in short sales of the shares. The selling securityholder also may sell shares short and deliver the shares to close out such short positions, except that the selling securityholder has agreed that they will not enter into any put option or short position with respect to the common stock prior to the date of the delivery of a conversion notice. The selling securityholder also may enter into option or other transactions with broker-dealers which require the delivery to the broker-dealer of the shares, which the broker-dealer may resell under this prospectus. The selling securityholder also may pledge the shares to a broker or dealer and upon a default, the broker or dealer may effect sales of the pledged shares under this prospectus.

Brokers, dealers or agents may receive compensation in the form of commissions, discounts or concessions from selling securityholder in amounts to be negotiated in connection with the sale. Triton West Group is an "underwriters" within the meaning of the Securities Act of the shares of common stock offered and sold under this prospectus, and any commission, discount or concession they receive will be underwriting compensation. Any participating brokers or dealers may be deemed to be "underwriters" within the meaning of the Securities Act in connection with the distribution of shares under this prospectus, and any commission, discount or concession they receive may be deemed to be underwriting compensation.

Information as to whether the underwriters who may be selected by the selling securityholder, or any other broker-dealer, is acting as principal or agent for the selling securityholder, the compensation to be received by them, and the compensation to be received by other broker-dealers, in the event such compensation is in excess of usual and customary commissions, will, to the extent required, be set forth in a supplement to this prospectus. Any dealer or broker participating in any distribution of the shares may be required to deliver a copy of this prospectus, including a prospectus supplement, if any, to any person who purchases any of the shares from or through such dealer or broker.

We have advised the selling securityholder that during such time as they may be engaged in a distribution of the shares they are required to comply with Regulation M promulgated under the Securities Exchange Act. With certain exceptions, Regulation M precludes any selling securityholder, any affiliated purchasers and any broker-dealer or other person who participates in such distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security.

Description Of Securities

The authorized capital stock consists of 50,000,000 shares of common stock, $0.01 par value per share, and 1,000,000 shares of "blank check" preferred stock, par value $0.01 per share. As of September 14, 2000, 19,316,276 shares of common stock were issued and outstanding and 57 shares of our series F convertible preferred stock, 820 shares of our series G convertible preferred stock and 1,200 shares of our series H convertible preferred stock were outstanding.

The following are brief descriptions of our securities. The rights of the holders of shares of capital stock are established by our restated certificate of incorporation, as amended, our by-laws and Delaware law. The following statements do not purport to be complete or give full effect to statutory or common law, and are subject in all respects to the applicable provisions of the certificate of incorporation, by-laws and state law.

Common Stock

Holders of our common stock are entitled to one vote per share, and subject to the rights of holders of preferred stock, to receive dividends when, as and if declared by our Board of Directors and to share ratably in our assets legally available for distribution to holders of common stock in the event of the liquidation, dissolution or winding up of our company. Holders of the common stock do not have subscription, redemption, conversion or preemptive rights.

Each share of common stock is entitled to one vote on any matter submitted to the holders, except that holders are entitled to cumulate their votes in the election of directors. In other words, a stockholder may give one nominee a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which the stockholder's shares are normally entitled, or he may distribute his votes among as many candidates as he sees fit. The candidates receiving the highest number of votes shall be elected. If a stockholder gives notice at the meeting prior to the voting, of such stockholder's intention to cumulate his votes, all stockholders may cumulate their votes for candidates in nomination. On all other matters which may properly come before the meeting, each share has one vote. The Board is empowered to fill any vacancies on the Board created by the resignation of Directors. Except as otherwise required by the Delaware General Corporation Law, all stockholder action (other than the election of the Directors, who are elected by a plurality vote) is subject to approval by a majority of the shares of common stock present at a stockholders' meeting at which a quorum (a majority of the issued and outstanding shares of the common stock) is present in person or by proxy, or by written consent pursuant to Delaware law. All shares of common stock outstanding are fully paid and non-assessable.

Options and Warrants

Options. We have outstanding options to purchase an aggregate of 1,752,098 shares of common stock, at exercise prices ranging from $0.07 to $8.63, which expire at various dates from 2000, to 2010. See "Management - Stock Option Plan."

Warrants. We have outstanding warrants to purchase an aggregate of 17,634,911 shares of common stock, at exercise prices ranging from $0.01 to $4.39, which expire at various dates through 2005. Warrants to purchase shares of common stock were issued in our initial public offering in November 1996. Adjusted in accordance with dilution provisions, these outstanding public warrants are now convertable into 6,112,552 shares of common stock. Each of these publicly-traded warrants entitles the registered holder thereof to purchase one share of common stock at $1.54 per share on or before November 19, 2001. The exercise price and the number of shares of common stock issuable upon the exercise of each warrant is subject to adjustment in the event of a stock split, stock dividend, recapitalization, merger, consolidation or certain other events. We may redeem the warrants, at a price of $0.10 per warrant, upon not less than 30 days prior written notice at any time on or before November 19, 2001; provided the average of the closing bid quotations of our common stock, during the period of twenty (20) consecutive trading days ending on the third day prior to the date upon which the notice of redemption is given, as reported on The Nasdaq SmallCap Market (or if the common stock is not quoted thereon), the closing sale price of the common stock on the Nasdaq National Market or other principal securities exchange upon which the common stock is then quoted or listed, or such other reporting system that provides closing sale prices for the common stock has been at least 150% of the then exercise price of the warrants.

Preferred Stock

We are authorized to issue up to 1,000,000 shares of preferred stock with such designation, rights and preferences as may be determined from time to time by our Board of Directors. Accordingly, the Board of Directors is empowered, without further stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the voting power or other rights of the holders of our common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company.

Since September 1998, we have received aggregate net proceeds of approximately $14.2 million from the sale of eight series of our convertible preferred stock. Information concerning these preferred stock financings is set forth below.

Series	Date of Sale	Shares of Preferred Stock Sold	Warrants Issued	Gross Proceeds
A	September 10, 1998	3,520	44,000	$ 3,520,000
B	March 26, 1999	1,000	12,500	1,000,000
C	June 10, 1999	750	9,375	750,000
D	June 30, 1999	2,000	25,000	2,000,000
E	July 30, 1999	3,000	37,500	3,000,000
F	February 22, 2000	2,000	125,000	2,000,000
G	May 30, 2000	1,800	63,000	1,800,000
H	August 17, 2000	1,200	500,000	1,200,000

Each series of preferred stock has a stated value of $1,000 per share. All series, other than series H, were initially convertible into common stock at a conversion price equal to 85% of the lowest sale price of the common stock on the Nasdaq SmallCap Market over the five trading days preceding the date of conversion, subject to a maximum conversion price. The series H, and as a result of antidilution adjustments resulting from the issuance of the series H, since the issuance of the series H on August 17, 2000, the outstanding shares of series F and series G, are convertible into common stock at a conversion price equal to 80% of the lowest sale price of the common stock on the Nasdaq SmallCap Market over the five trading days prior to the date of conversion. The number of shares of common stock that may be acquired upon conversion is determined by dividing the stated value of the number of shares of preferred stock to be converted by the conversion price. As of September 14, 2000, 57 shares of series F preferred stock, 820 shares of series G preferred stock, and 1,200 shares of series H preferred stock were outstanding. No other shares of preferred stock are outstanding. On February 7, 2000 we redeemed the 1,085 shares of series E preferred stock outstanding for a total redemption price of $1,085,000, or $1,000 per share, the stated value of a share of series E preferred stock.

The maximum conversion prices for the outstanding preferred stocks are: series F--$1.22 per share; series G--$1.63 per share; and series H--$1.06 per share.

There is no minimum conversion price for any series of preferred stock. Consequently, there is no limit on the number of shares of common stock that may be issued upon conversion, except that the terms of each series, set forth in the certificate of designations for that series, limit:

- The number of shares of common stock that a holder of preferred stock may acquire upon conversion, together with shares beneficially owned by the holder and its affiliates, to five percent (5%) of the total outstanding shares of common stock.
- The number of shares of common stock that the holders of a series of preferred stock may acquire upon conversion to that number of shares representing 19.9% of the shares outstanding on the date upon which that series was issued, until stockholders approve the issuance upon conversion of shares in excess of that number of shares. This limitation is required by the rules of The Nasdaq Stock Market, Inc.

The number of shares of common stock issued upon conversion of each series of preferred stock as of September 14, 2000 was as follows: series A - 2,867,135; series B - - 459,831; series C - 563,497; series D - 1,605,203; series E - 1,490,101; series F: 2,015,282 series G: 1,396,705; and series H: none. The average actual conversion price for shares of each series of preferred stock converted into shares of common stock as of September 14, 2000 was as follows: series A - $1.23; Series B - $2.17; Series C - $1.33; Series D -$1.25; Series E - $1.22; Series F - $0.96; and Series G - $0.70.

The number of shares of common stock that may be acquired upon conversion of the outstanding shares of preferred stock as of September 14, 2000, based upon an assumed conversion prices of $0.50, is as follows: Series F - 113,764; Series G - 1,640,000, and Series H - 2,400,000.

The market price of the common stock on the date of issue of each series of preferred stock was as follows: series A - $3.56; series B - $1.97; series C - $1.81; series D - $2.97; series E - $3.50, series F - $2.38; series G - $1.38; and series H - $0.81.

The conversion price of each series of preferred stock on the date of issue would have been as follows: series A - $2.76; series B - $1.49; series C - $1.41; series D - $2.23; series E - $2.87; series F - $1.22; series G - $1.06; and series H - $0.65. The number of shares of common stock into which the preferred stock would have been convertible on the date of issue would have been as follows: series A - 1,274,000; series B - 672,000; series C - 533,000; series D - 896,000, series E - 1,046,000; series F - 1,639,000; series G - 1,694,000; and series H - 1,846,000.

Holders of 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 preferred stock.

We may redeem the preferred stock upon written notice to the holders of the preferred stock at any time after August 8, 2000, in the case of the series F preferred stock, January 28, 2001, in the case of the series G preferred stock, and six months after the date of a registration statement for the resale of the common stock that may be acquired upon conversion is declared effective by the SEC**,** in the case of the series H preferred stock, in each case, at a redemption price equal to the

greater of $1,500 per share and the market value of the shares of common stock into which such shares of preferred stock could have been converted on the date of the notice of redemption based upon the closing price of the common stock on that date.

The conversion price and the number of shares of common stock that may be acquired 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 February 22, 2001, in the case of the series F preferred stock, July 28, 2001 in the case of the series G preferred stock, and one year after the date a registration statement for the resale of the common stock that may be acquired upon conversion is declared effective by the SEC in the case of the series H preferred stock, in each case, at less than the then conversion price in transactions exempt from the registration requirements of the Securities Act if we grant the purchasers of such shares (or other securities) the right to demand registration of such shares.

Statutory Provisions Affecting Stockholders

We are subject to Section 203 of the Delaware General Corporation Law, the State of Delaware's "business combination" statute. In general, such statute prohibits a publicly held Delaware corporation from engaging in various "business combination" transactions with any "interested stockholder" for a period of three years after the date of the transaction in which the person became an "interested "stockholder," unless (i) the transaction in which the interested stockholder obtained such status or the "business combination" is approved by the Board of Directors prior to the date the interested stockholder obtained such status; (ii) upon consummation of the transaction which resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by (a) persons who are directors and officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or (iii) on or subsequent to such date the "business combination" is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least $66^{2/3}$ of the outstanding voting stock which is not owned by the "interested stockholder." A "business combination" includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect tour Company and, accordingly, may discourage attempts to acquire us.

Shares Eligible for Future Sale

As of September 14, 2000 we had 19,316,276 shares of common stock outstanding, of which only 14,738,992 shares of common stock are transferable without restriction under the Securities Act. The remaining 4,577,284 shares, issued in private transactions, are "restricted securities" (as that term is defined in Rule 144 promulgated under the Securities Act) which may be publicly sold only if registered under the Securities Act or if sold in accordance with an applicable exemption from registration, such as Rule 144. In general, under Rule 144 as currently in effect, subject to the satisfaction of certain other conditions, a person, including an affiliate of our company, who has beneficially owned restricted securities for at least two years, is entitled to sell (together with any person with whom such individual is required to aggregate sales), within any three-month period, a number, of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or, if the common stock is quoted on Nasdaq or a national securities exchange, the average weekly trading volume during the four calendar weeks preceding the sale. A person who has not been an affiliate of our company for at least three months, and who has beneficially owned restricted securities for at least three years is entitled to sell such restricted securities under Rule 144 without regard to any of the limitations described above.

Dividend Policy

Since we have never paid any dividends on our common stock and we do not anticipate paying such dividends in the foreseeable future. We intend to retain earnings, if any, to finance our operations.

Reports to Stockholders

We distribute to our stockholders annual reports containing financial statements audited and reported upon by our independent certified public accountants after the end of each fiscal year, and makes available such other periodic reports as we deem to be appropriate or as may be required by law or by the rules or regulations of any stock exchange o which our common stock is listed. Our fiscal year end is December 31.

Transfer Agent and Warrant Agent

American Stock Transfer and Trust Company is the Transfer Agent for our common stock and Warrant Agent for our publicly-traded warrants

Where You Can Find More Information

We file reports, proxy statements and other information with the SEC. You may read and copy any document we file at the Public Reference Room of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Regional Offices of the SEC at Seven World Trade Center, Suite 1300, New York, New York 10048 and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Please call 1-800-SEC-0330 for further information concerning the Public Reference Room. Our filings also are available to the public from the SEC's website at w,%A,w.sec.gov. We distribute to our stockholders annual reports containing audited financial statements.

Legal Matters

The validity of the shares of common stock offered hereby has been passed upon by Snow Becker Krauss P.C., 605 Third Avenue, New York, New York 10158.

Experts

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements at December 31, 1999 and 1998, and for the years ended December 31, 1999, and 1998 as set forth in their report (which contains an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 1 to the consolidated financial statements). We've included our consolidated financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

Part II

Information Not Required in the Prospectus

Item 24. Indemnification of Directors and Officers

Article VI of the Registrant's by-laws provides that a director or officer shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (provided such settlement is approved in advance by the Registrant) in connection with certain actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation - a "derivative action" if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A similar standard of care is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such an action, except that no person who has been adjudged to be liable to the Registrant shall be entitled to indemnification unless a court determines that despite such adjudication of liability but in view of all of the circumstances of the case, the person seeking indemnification is fairly and reasonably entitled to be indemnified for such expenses as the court deems proper.

Article 6.5 of the Registrant's by-laws further provides that directors and officers are entitled to be paid by the Registrant the expenses incurred in defending the proceedings specified above in advance of their final disposition. provided that such payment will only be made upon delivery to the Registrant by the indemnified party of an undertaking to repay all amounts so advanced if it is ultimately determined that the person receiving such payments is not entitled to be indemnified.

Article 6.4 of the Registrant's by-laws provides that a person indemnified under Article VI of the bylaws may contest any determination that a director, officer, employee or agent has not met the applicable standard of conduct set forth in the by-laws by petitioning a court of competent jurisdiction.

Article 6.6 of the Registrant's by-laws provides that the right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in the Article will not be exclusive of any other right which any person may have or acquire under the by-laws, or any statute or agreement. or otherwise.

Finally, Article 6.7 of the Registrant's by-laws provides that the Registrant may maintain insurance, at its expense, to reimburse itself and directors and officers of the Registrant and of its direct and indirect subsidiaries against any expense, liability or loss, whether or not the Registrant would have the power to indemnify such persons against such expense, liability or loss under the provisions of Article VI of the by-laws. The Registrant maintains and has in effect such insurance.

Article I I of the Registrant's certificate of incorporation eliminates the personal liability of the Registrant's directors to the Registrant or its stockholders for monetary damages for breach of their fiduciary duties as a director to the fullest extent provided by Delaware law. Section 102 (b) (7) of the DGCL provides for the elimination off such personal liability, except for liability (i) for any breach of the director's duty of loyalty to the Registrant 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 DGCL or (iv) for any transaction from which the director derived any improper personal benefit.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act" may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 25. Other Expenses of Issuance and Distribution

The expenses payable by the Company in connection with the issuance and distribution of the securities being registered are estimated below:

SEC registration fee	$ 3,200
Listing fees	7,500
Legal fees and expenses	10,000
Printing expenses	10,000
Accounting fees	15,000
Advisory fees	210,000
Escrow Agent fees	16,000
Miscellaneous	5,000
Total	$276,700

Item 26. Recent Sale of Unregistered Securities

During the past three years, the Registrant has sold securities to a limited number of persons, as described below. Except as indicated, there were no underwriters involved in the transactions and there were no underwriting discounts or commissions paid in connection therewith. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the certificates for the securities issued in such transactions. All purchasers of securities in each such transaction had adequate access to information about the Registrant, and in the case of transactions exempt form registration under Section 4(2) of the Securities Act, were sophisticated investors.

1. On September 5, 1997, the Registrant issued 619,355 shares of common stock to the former shareholders of Innovative Medical Machines International ("IMMI") in connection with the acquisition of IMMI. The issuance of these shares was exempt form registration pursuant to Section 4(2) of the Securities Act and Regulation S.
2. On September 10, 1998, the Registrant issued and sold to two accredited investors a total of 3,520 shares of its series A convertible preferred stock and warrants to purchase 44,000 shares of common stock. The total purchase price for these securities was $3,520,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
3. On March 26, 1999, the Registrant issued and sold to four accredited investors a total of 1,000 shares of its series B convertible preferred stock and warrants to purchase 12,500 shares of common stock. The total purchase price for these securities was $1,000,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
4. On June 10, 1999, the Registrant issued and sold to two accredited investors a total of 750 shares of its series C convertible preferred stock and warrants to purchase 9,375 shares of common stock. The total purchase price for these securities was $750,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
5. On June 30, 1999, the Registrant issued and sold to one accredited investor a total of 2,000 shares of its series D convertible preferred stock and warrants to purchase 25,000 shares of common stock. The total purchase price for these securities was $2,000,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
6. On July 30, 1999, the Registrant issued and sold to nine accredited investors a total of 3,000 shares of its series E convertible preferred stock and warrants to purchase 37,500 shares of common stock. The total purchase price for these securities was $3,000,000. The issuance and sale of these securities was

exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.

7. On February 8, 2000, the Registrant issued and sold to four accredited investors a total of 2,000 shares of its series F convertible preferred stock and warrants to purchase 125,000 shares of common stock. The total purchase price for these securities was $2,000,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
8. On May 30, 2000, the Registrant issued and sold to four accredited investors a total of 1,800 shares of its series G convertible preferred stock and warrants to purchase 63,000 shares of common stock. The total purchase price for these securities was $1,800,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
9. On August 17, 2000, the Registrant issued and sold to four accredited investors a total of 1,200 shares of its series H convertible preferred stock and warrants to purchase 500,000 shares of common stock. The total purchase price for these securities was $1,200,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
10. On August 17, 2000, the Registrant issued to two holders of its series G convertible preferred stock, warrants to purchase 100,000 shares of common stock in consideration for their consent to the issuance of the series H convertible preferred stock. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act.
11. From September 10, 1998 to May 30, 2000, the Registrant issued a total of 44,640 shares of common stock to a financial advisory firm for services rendered in connection with the Registrant's convertible preferred stock financings. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act.
12. From September 10, 1998 to September 14, 2000, the Registrant issued a total of 10,397,754 shares of common stock to 14 accredited investors upon conversion of its preferred stock. The issuance and sale of these shares was exempt from registration under Section 3(a)(9) of the Securities Act.
13. On August 17, 2000, the Registrant issued warrants to purchase 50,000 shares of common stock to a registered broker-dealer for financial advisory services rendered in connection with the series H convertible preferred stock financing. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act.
14. On September 15, 2000, the Registrant issued 5,000 shares of common stock and warrants to purchase an additional 35,000 shares of common stock to an accredited investor in connection with an equity line of credit agreement. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
15. On December 14, 1999, the Registrant issued and sold to ILTAG International Licensing Holding S.A.L., Bernd Hermann and Urs Wettstein an aggregate of 2,922,396 shares of common stock and warrants to purchase an additional 11,700,000 shares of common stock for a total purchase price of $4,000,000. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D.
16. On November 17, 1999, the Registrant issued a total of 30,351 shares of common stock to two individuals, one of whom was a director of the registrant, as compensation for management consulting services. The issuance and sale of these securities was exempt from registration under Section 4(2) of the Securities Act.
17. On April 26, 2000, the Registrant issued 9,412 shares of common stock to a financial advisory firm as compensation for investor services. The issuance and sale of these shares was exempt from registration under Section 4(2) of the Securities Act.
18. On March 6, 2000, the Registrant issued 12,480 shares of common stock to an investor relations firm as compensation for investor relations services. The issuance and sale of these shares was exempt from registration under Section 4(2) of the Securities Act.
19. On June 12, 2000, the Registrant issued 20,798 shares of common stock to a supplier of the Registrant in payment for goods and services. The issuance of the shares was exempt from registration under Section 4(2) of the Securities Act.
20. On February 19, 1999 the Registrant sold and issued 110 shares of common stock to an employee for a total purchase price of $412. The issuance and sale of these shares was exempt from registration under Section 4(2) of the Securities Act

Item 27. Exhibits

EXHIBIT	DESCRIPTION
3.1	Form of Certificate of Incorporation of the Registrant, as amended.(1)
3.2	By-laws of the Registrant, as amended.
3.3	Certificate of Designations for Series F Convertible Preferred Stock.(4)
3.3	Certificate of Designations for Series G Convertible Preferred Stock.(11)
3.4	Certificate of Designations for Series H Convertible Preferred Stock.(12)
4.1	Form of warrant issued to the underwriters for the Registrant's initial public offering in November 1996.(2)
4.2	Form of Warrant Agreement relating to the Registrant's Redeemable Common Stock Purchase Warrants.(2)
4.3	Specimen Common Stock Certificate.(2)
4.4	Specimen Warrant Certificate (included as Exhibit A to Exhibit 4.2 herein).(2)
4.5	1998 Stock Option Plan.(5)
4.6	Employee Stock Purchase Plan.(5)
4.7	Common Stock Purchase Warrant issued by the Registrant to International Business Machines Corporation ("IBM"), dated February 6, 1991, as amended (included as Exhibit J to Exhibit 10.5 herein).(2)
4.8	Stockholders' Agreement between the Founders of the Registrant and IBM, dated February 6, 1991, as amended.(2)
4.9	Common Stock Purchase Warrant issued by the Registrant to IBM, dated December 21, 1995 (included as Exhibit I to Exhibit 10.5 herein).(2)
4.10	Series D Preferred Stock Purchase Warrant issued by the Company to IBM, dated December 21, 1995 (included as Exhibit H to Exhibit 10.5 herein).(2)
4.11	Warrant issued by the Registrant to Sutter Health, Sutter Health Venture Partners ("Sutter Health VP") and Keystone Financial Corporation ("Keystone"), dated December 21, 1995 (included as Exhibits K, L and M, respectively, to Exhibit

	10.5 herein).(2)
4.12	Registration Rights Agreement among the Registrant, IBM, John N. Kapoor Trust ("Kapoor"), EJ Financial Investments V, L.P. ("EJ Financial"), Keystone, Sutter Health and Sutter Health VP, dated as of December 21, 1995 (included as Exhibit G to Exhibit 10.5 herein).(2)
4.13	1995 Stock Option Plan, as amended.(2)
4.14	Series D Preferred Stock Purchase Warrant issued by the Registrant to IBM, dated February 29, 1996 (together with the warrant referred to in Exhibit 4.10, the "Series D Warrants").(2)
4.15	Letter Agreement between the Registrant and IBM dated October 29, 1997, amending the Series D Warrants and the Series D Preferred Stock and Warrant Purchase Agreement among the Registrant, IBM and EJ Financial, dated December 21, 1995.(6)
4.16	Form of warrant issued to CA IB Investmentbank Aktiengesellschaft and Value Management & Research GmbH.(6)
4.17	Form of warrant issued to purchasers of Series A Convertible Preferred Stock.(7)
4.18	Form of warrant issued to purchasers of Series B Convertible Preferred Stock.(8)
4.19	Form of warrant issued to purchasers of Series C Convertible Preferred Stock.(3)
4.20	Form of warrant issued to purchasers of Series D Convertible Preferred Stock.(3)
4.21	Form of warrant issued to purchasers of Series E Convertible Preferred Stock.(9)
4.22	Form of warrant issued to purchasers of Series F Convertible Preferred Stock.(4)
4.23	Form of warrant issued to purchasers of Series G Convertible Preferred Stock.(11)
4.24	Form of warrant issued to purchasers of Series H Convertible Preferred Stock.(12)
4.25	Form of Registration Rights Agreement for Series A Convertible Preferred Stock financing.(7)
4.26	Form of Registration Rights Agreement for Series B Convertible Preferred Stock financing.(8)
4.27	Form of Registration Rights Agreement for Series C Convertible Preferred Stock financing.(3)
4.28	Form of Registration Rights Agreement for Series D Convertible Preferred Stock financing.(3)
4.29	Form of Registration Rights Agreement for Series E Convertible Preferred Stock financing.(9)
4.30	Form of Registration Rights Agreement for Series F Convertible Preferred Stock financing.(4)
4.31	Form of Registration Rights Agreement for Series G Convertible Preferred Stock financing.(11)
4.32	Form of Registration Rights Agreement for Series H Convertible Preferred Stock financing.(12)
4.33	Form of warrant dated December 14, 1999 issued to ILTAG International Licensing Holding S.A.L., Bernd Herrmann and Urs Wettstein.(10)
4.34	Form of Registration Rights Agreement dated December 14, 1999 among the Registrant, ILTAG International Licensing Holding S.A.L., Bernd Herrmann and Urs Wettstein.(10)
4.35	Registration Rights Agreement for the purchasers of Stock under the Equity Line of Credit Agreement (included as Exhibit C to Exhibit 10.26).
4.36	Form of warrant issued under the Equity Line of Credit Agreement (included as Exhibit D to Exhibit 10.26).
4.37	2000 Stock Award Plan.
4.38	2000 Long Term Performance Plan.
5.1	Opinion of Snow Becker Krauss P.C.. (14)
10.1	Loan and Warrant Purchase Agreement between the Registrant and IBM, dated as of February 6, 1991.(2)
10.2	License Agreement between the Registrant and IBM, dated February 4, 1991.(2)
10.3	Series B Preferred Stock Purchase Agreement among the Registrant, Sutter Health and The John N. Kapoor Trust, dated as of April 10, 1992.(2)
10.4	Series C Preferred Stock Purchase Agreement among the Registrant, Sutter Health and Keystone, dated as of November 13, 1992, as amended December 13, 1995.(2)
10.5	Series D Preferred Stock and Warrant Purchase Agreement among the Registrant, IBM and EJ Financial, dated December 21, 1995.(2)
10.6	Investors Agreement among the Registrant, IBM, Wendy Shelton-Paul Trust, William Bargar, Brent Mittelstadt, Peter

	Kazanzides, Kapoor, Sutter Health, Sutter Health VP and EJ Financial, dated as of December 21, 1995.(2)
10.7	Employment Agreement between the Registrant and Ramesh Trivedi, dated December 8, 1995.(2)
10.8	License Agreement between the Registrant and IBM, dated February 4, 1991.(2)
10.9	Agreement for the Purchase and Use of Sankyo Industrial Products between the Registrant and Sankyo Seiki (American) Inc. dated November 1, 1992.(2)
10.10	Stock Purchase Agreement dated as of September 5, 1997 between the Registrant and the holders of the outstanding capital stock of Innovative Medical Machines International, S.A.(6)
10.11	Registration Rights Agreement dated September 5, 1997 by and among the Registrant and the holders of the outstanding capital stock of Innovative Medical Machines International, S.A.(6)
10.12	Preferred Stock Purchase Agreement for Series A Convertible Preferred Stock.(7)
10.13	Preferred Stock Purchase Agreement for Series B Convertible Preferred Stock.(8)
10.14	Preferred Stock Purchase Agreement for Series C Convertible Preferred Stock.(3)
10.15	Preferred Stock Purchase Agreement for Series D Convertible Preferred Stock.(3)
10.16	Preferred Stock Purchase Agreement for Series E Convertible Preferred Stock.(9)
10.17	Preferred Stock Purchase Agreement for Series F Convertible Preferred Stock.(4)
10.18	Preferred Stock Purchase Agreement for Series G Convertible Preferred Stock.(11)
10.19	Preferred Stock Purchase Agreement for Series H Convertible Preferred Stock.(12)
10.20	Stock and Warrant Purchase Agreement dated as of October 1, 1999 among the Registrant, ILTAG International Licensing Holding S.A.L., Bernd Herrmann and Urs Wettstein. (10)
10.21	Distribution Agreement dated November 12, 1999 between the Registrant and Spark 1st Vision GmbH & Co. KG. (13)
10.22	Mutual Termination Agreement dated May 9, 2000 between the Registrant and Spark 1st Vision GmbH & Co. KG.
10.23	Personal Undertaking dated May 30, 200 by ILTAG International Licensing Holding S.A.L. towards the Registrant.
10.24	Personal Undertaking dated May 21, 2000 of Urs Wettstein.
10.25	Personal Undertaking dated May 16, 2000 of Bernd Herrmann.
10.26	Private Equity Line of Credit Agreement dated September 15, 2000 with Triton West Group, Inc.
10.27	Escrow Agreement dated September 15, 2000 for the Equity Line of Credit Agreement (included as Exhibit A to Exhibit 10.26).
10.28	Letter Agreement dated October 6, 2000 amending the Private Equity Line of Credit Agreement dated September 15, 2000.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
23.2	Consent of Snow Becker Krauss P.C. (included in Exhibit 5.1)

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(1) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998.

(2) Incorporated by reference to the Registrant's Registration Statement on Form SB-2 (Registration No. 333-9207), declared effective on November 20, 1996.

(3) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (Registration No. 333-83067), declared effective on October 14, 1999.

(4) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (Registration No. 333-30422), declared effective on February 22, 2000.

(5) Incorporated by reference to the Registrant's Annual Report on Form 10- KSB for the fiscal year ended December 31, 1997.

(6) Incorporated by reference to the Registrant's Registration Statement on Form SB-2 (Registration No. 333-31481), declared effective on November 14, 1997.

(7) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (Registration No. 333-66133), declared effective on January 14, 1999.

(8) Incorporated by reference to the Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 1999.

(9) Incorporated by reference to the Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 1999.

(10) Incorporated by reference to the Registrant's proxy statement dated October 5, 1999.

(11) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (Registration No. 333-40710), declared effective on July 28, 2000.

(12) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (Registration No. 333-45706), declared effective on September 28, 2000.

(13) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999.

(14) To be filed in a future amendment to this SB-2.

Item 28. Undertakings

(a) Rule 415 Offering

The undersigned small business issuer hereby undertakes that it will:

(I) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by section 10(a) (3) of the Securities Act.

(ii) Reflect in the prospectus any facts or events which, individually or in the aggregate, represent a fundamental change in the information set forth in the registrant statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) Include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in 9 the registration.

(2) For determining any liability under the Securities Act, each such post-effective amendment shall be deemed a new registration statement relating to the securities offered therein, and the offering of such securities at that time to be the initial bona fide offering thereof.

(3) Remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(e) Request for Acceleration of Effective Date

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or other-wise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of the expenses incurred or paid by a director, officer, or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, hereunto duly authorized, in the City of Davis, State of California, on October 4, 2000.

INTEGRATED SURGICAL SYSTEMS, INC.

By: /s/ Ramesh C. Trivedi

Ramesh C. Trivedi
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Louis Kirchner

Louis Kirchner
Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Ramesh C. Trivedi and Louis Kirchner, or either of them, as his true and lawful attorney-in- fact and agent, with power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying all that said attorney-in-fact and agent or his substitute or substitutes, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on September 22, 2000.

Signatures	Title
/s/ Ramesh C. Trivedi	Chief Executive Officer and President and a Director *(Principal Executive Officer)*
Ramesh C. Trivedi	
	Director
Falah Al-Kadi	

/s/ John N. Kapoor — Director

John N. Kapoor

INTEGRATED SURGICAL SYSTEMS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Integrated Surgical Systems, Inc.

We have audited the accompanying consolidated balance sheet of Integrated Surgical Systems, Inc. as of December 31, 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1999 and 1998. 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 Integrated Surgical Systems, Inc. at December 31, 1999, and the consolidated results of its operations and its cash flows for the years ended December 31, 1999 and 1998 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that Integrated Surgical Systems, Inc. will continue as a going concern. As more fully described in Note 1, the Company has incurred recurring operating losses and has an accumulated deficit of $45,800,979 as of December 31, 1999. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

ERNST & YOUNG LLP

Sacramento, California
March 10, 2000

INTEGRATED SURGICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1999

ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,918,016
Accounts receivable less allowance for doubtful accounts of $345,466	634,216
Inventory	3,332,191
Other current assets	526,927
Total current assets	7,411,350
Net property and equipment	905,001
Leased equipment, net	638,357
Long-term net investment in sales-type leases	433,985
Intangible assets, net	2,175,938
Other assets	12,558
	$ 11,577,189
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 1,648,124
Value added taxes payable	78,408
Accrued payroll and related expenses	386,418
Customer deposits	1,047,066
Accrued product retrofit costs	207,953
Current portion of bank loans	114,433
Other current liabilities	485,893
Total current liabilities	3,968,295
Note payable	153,400
Commitments and contingencies (Notes 1, 10 and 11)	
Stockholders' equity:	
Convertible preferred stock, $0.01 par value, 1,000,000 shares authorized, 2,925 shares issued and outstanding ($2,925,000 aggregate liquidation value)	29
Common stock, $0.01 par value, 50,000,000 shares authorized; 14,291,915 shares issued and outstanding	142,919
Additional paid-in capital	53,631,218
Deferred stock compensation	(10,513)
Preferred stock discount	(19,853)
Accumulated other comprehensive loss	(487,327)
Accumulated deficit	(45,800,979)
Total stockholders' equity	7,455,494
	$ 11,577,189

See accompanying notes.

INTEGRATED SURGICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,	
	1999	1998
Net sales	$ 6,240,842	$ 6,146,434
Cost of sales	3,563,943	3,413,221
	2,676,899	2,733,213
Operating expenses:		
Selling, general and administrative	6,589,222	6,347,592
Research and development	5,580,648	6,602,550
	12,169,870	12,950,142
Other income (expense):		
Interest income	197,551	240,959
Interest expense	(198,479)	(124,095)
Foreign currency gain (loss)	(183,197)	129,158
Other, net	(491,480)	(269,737)
Loss before provision for income taxes	(10,168,576)	(10,240,644)
Provision for income taxes	(13,155)	27,235
Net loss	(10,155,421)	(10,267,879)
Preferred stock accretion	(1,422,500)	(376,264)
Net loss applicable to common stockholders	$(11,577,921)	$(10,644,143)
Basic and diluted net loss per share	$ (1.47)	$ (1.91)

Shares used in computing basic net loss per share.....	7,896,171	5,584,639

See accompanying notes.

INTEGRATED SURGICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	DEFERRED STOCK	PREFERRED STOCK
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	COMPENSATION	DISCOUNT
Balance at December 31, 1997.....	--	--	5,503,390	55,034	$38,219,836	$(239,530)	--
Exercise of stock options.....	--	--	142,010	1,420	14,313	--	--
Issuance of stock options to consultant...	--	--	--	--	208,386	--	--
Sale of common stock warrants.....	--	--	--	--	6,930	--	--
Sale of convertible preferred stock and warrants, net of offering expenses.....	3,520	35	5,000	50	3,300,362	--	--
Stock compensation expense.....	--	--	--	--	(22,540)	153,892	--
Preferred stock discount.....	--	--	--	--	616,000	--	(616,000)
Preferred stock accretion.....	--	--	--	--	--	--	376,264
Comprehensive loss:							
Net loss.....	--	--	--	--	--	--	--
Unrealized gains of securities.....	--	--	--	--	--	--	--
Foreign currency translation adjustments.....	--	--	--	--	--	--	--
Comprehensive loss.....	--	--	--	--	--	--	--
Balance at December 31, 1998.....	3,520	35	5,650,400	$ 56,504	$42,343,287	$ (85,638)	$ (239,736)
Exercise of stock options.....	--	--	80,546	806	4,982	--	--
Stock compensation, non-employees.....	--	--	30,351	304	204,123	--	--
Stock compensation, employees.....	--	--	10,335	103	48,175	75,125	--
Sale of common stock and warrants.....	--	--	2,922,396	29,224	3,627,865	--	--
Sale of convertible preferred stock and warrants, net of offering expenses.....	6,750	67	9,640	96	6,255,978	--	--
Conversions of preferred stock.....	(7,345)	(73)	5,588,247	55,882	(55,809)	--	--
Preferred stock discount.....	--	--	--	--	1,202,617	--	(1,202,617)
Preferred stock accretion.....	--	--	--	--	--	--	1,422,500
Comprehensive loss:							
Net loss.....	--	--	--	--	--	--	--
Adjustment to unrealized gains on available-for-sale securities.....	--	--	--	--	--	--	--
Foreign currency translation adjustments.....	--	--	--	--	--	--	--
Comprehensive loss.....	--	--	--	--	--	--	--
Balance at December 31, 1999.....	2,925	$29	14,291,915	$142,919	$53,631,218	$ (10,513)	$ (19,853)

	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS EQUITY
Balance at December 31, 1997.....	$ 26,272	$(23,578,915)	$ 14,482,697
Exercise of stock options.....	--	--	15,733
Issuance of stock options to consultant...	--	--	208,386
Sale of common stock warrants.....	--	--	6,930
Sale of convertible preferred stock and warrants, net of offering expenses.....	--	--	3,300,447
Stock compensation expense.....	--	--	131,352
Preferred stock discount.....	--	--	--
Preferred stock accretion.....		(376,264)	--
Comprehensive loss:			
Net loss.....	--	(10,267,879)	(10,267,879)
Unrealized gains of securities.....	50,626	--	50,626
Foreign currency translation adjustments.....	130,318	--	130,318
Comprehensive loss.....	--	--	(10,086,935)
Balance at December 31, 1998.....	$ 207,216	$(34,223,058)	$ 8,058,610
Exercise of stock options.....	--	--	5,788
Stock compensation, non-employees.....	--	--	204,427
Stock compensation, employees.....	--	--	123,403
Sale of common stock and warrants.....	--	--	3,657,089
Sale of convertible preferred stock and warrants, net of offering expenses.....	--	--	6,256,141
Conversions of preferred stock.....	--	--	--
Preferred stock discount.....	--	--	--
Preferred stock accretion.....	--	(1,422,500)	--
Comprehensive loss:			
Net loss.....	--	(10,155,421)	(10,155,421)
Adjustment to unrealized gains on available-for-sale securities.....	(50,626)	--	(50,626)
Foreign currency translation adjustments.....	(643,917)	--	(643,917)
Comprehensive loss.....	--	--	(10,849,964)
Balance at December 31, 1999.....	$ (487,327)	$(45,800,979)	$ 7,455,494

See accompanying notes.

INTEGRATED SURGICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	YEARS ENDED DECEMBER 31,	
	1999	1998
Cash flows from operating activities:		
Net loss	$(10,155,421)	$(10,267,879)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	576,812	579,666
Amortization of intangible assets	839,040	839,040
Stock compensation, employees	123,403	131,352
Stock compensation, non-employees	204,427	208,386
Gain on short-term investments	(65,309)	50,626
Equity in net loss of Marbella High Care B.V.	--	317,000
Changes in operating assets and liabilities:		
Accounts receivable	1,214,882	(478,596)
Inventory	(996,248)	(1,110,320)
Other current assets	(96,260)	9,188
Accounts payable	234,703	65,539
Value added taxes payable	(242,733)	(91,098)
Accrued payroll and related expenses	(54,996)	54,655
Customer deposits	109,418	757,604
Accrued product retrofit costs	72,605	--
Other current liabilities	(139,482)	262,217
Note payable	--	(203)
Net cash used in operating activities	(8,375,159)	(8,672,823)
Cash flows from investing activities:		
Purchase of short-term investments	--	(2,024,278)
Proceeds from sale of short-term investments	2,038,961	--
Investment in Marbella High Care B.V.	--	(563,273)
Principal payments received on sales-type lease	92,489	88,425
Purchases of property and equipment	(410,384)	(1,746,127)
Proceeds from sale of property and equipment	50,367	--
Decrease (increase) in other assets	--	(12,868)
Net cash provided (used) in investing activities	1,771,433	(4,258,121)
Cash flows from financing activities:		
Proceeds from bank loans	32,600	678,447
Payments on bank loans	(762,723)	(69,138)
Proceeds from sale of preferred stock and warrants	6,256,141	3,300,447
Net proceeds from sale of common stock and warrants	3,657,089	6,930
Proceeds from exercise of stock options	5,788	15,733
Net cash provided by financing activities	9,188,895	3,932,419
Effect of exchange rate changes on cash and cash equivalents	109,266	130,318
Net increase (decrease) in cash and cash equivalents	2,694,435	(8,868,207)
Cash and cash equivalents at beginning of year	223,581	9,091,788
Cash and cash equivalents at end of year	$ 2,918,016	$ 223,581
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 70,856	$ 118,925

See accompanying notes.

INTEGRATED SURGICAL SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Integrated Surgical Systems, Inc. (the "Company") was incorporated on October 1, 1990 in Delaware. The Company develops, manufactures, markets and services computer-controlled, image-directed robotic products for surgical applications. The Company's principal product is the ROBODOC(R) Surgical Assistant System (ROBODOC(R)), which is designed for orthopedic applications. ROBODOC(R) is currently marketed in Europe and the Middle East.

On September 5, 1997, the Company acquired all of Innovative Medical Machines International, S.A.'s issued and outstanding capital stock, stock warrants and convertible debt in a transaction accounted for as a purchase. In April 1999 Innovotive Medical Machines International S.A. was renamed Integrated Surgical Systems, S.A. (ISS-SA). ISS-SA develops, manufactures and markets image guided robotic devices for surgical applications. Its principal product is the NeuroMate(R), a computer controlled surgical robot supporting neurosurgical procedures.

On June 1, 1994, the Company acquired all shares of Gasfabriek Thijssen Holding BV (later renamed Integrated Surgical Systems BV), a non-operating Netherlands corporation, for approximately $4,000. The acquisition was accounted for as a purchase. Integrated Surgical Systems BV (ISS-BV) purchases and licenses products and technology from Integrated Surgical Systems, Inc. for distribution in Europe and other markets.

The Company has incurred recurring operating losses and has an accumulated deficit of $45,800,979 as of December 31, 1999. The report of independent auditors on the Company's December 31, 1999 financial statements includes an explanatory paragraph indicating there is substantial doubt about the Company's ability to continue as a going concern. The Company believes that it has developed a viable plan to address these issues and that its plan will enable the Company to continue as a going concern through the end of 2000. This plan includes the expansion of the geographical markets in which its products are sold, new applications for its products, the consummation of equity financings in amounts sufficient to fund further growth, attain its product development and marketing objectives and meet its working capital demands, and the reduction of certain operating expenses as necessary. Although the Company believes that its plan will be realized, there is no assurance that these events will occur. The financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from the inability of the Company to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The 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.

FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of ISS-SA and ISS-BV are measured using their respective local currencies. The subsidiary balance sheet accounts are translated at the year-end exchange rate and statement of operations amounts are translated at the average exchange rate for the period. Translation adjustments are recorded as a separate component of stockholders' equity. Foreign currency transaction gain (loss) was ($183,197) and $129,158 during the years ended December 31, 1999 and December 31, 1998, respectively.

REVENUE RECOGNITION

Revenues from sales without significant Company obligations beyond delivery are recognized upon delivery of the products and transfer of title. Revenues pursuant to agreements which include significant Company obligations beyond delivery are deferred until the Company's remaining obligations are insignificant. Revenues are recognized net of any deferrals for estimated future contractual liabilities. Estimated future product retrofit costs for ROBODOC(R) sold for clinical trials have been accrued in the accompanying financial statements. Future retrofit costs are those expected to be required to update ROBODOC(R) to the equivalent level of performance expected to be approved by the Food and Drug Administration ("FDA").

RESEARCH AND DEVELOPMENT

Software development costs incurred subsequent to the determination of the product's technological feasibility and prior to the product's general release to customers are not material to the Company's financial position or results of operations, and have been charged to research and development expense in the accompanying consolidated statements of operations. Grants received from third parties for research and development activities are recorded as reductions of expense over the term of the agreement as the related activities are conducted. Research and development costs are expensed as incurred.

CONCENTRATION OF CREDIT RISK AND SIGNIFICANT DISTRIBUTOR (SEE NOTE 15)

The Company sells its products to companies in the healthcare industry and performs periodic credit evaluations of its customers and generally does not require collateral. The Company believes that adequate provision for uncollectible accounts receivable has been made in the accompanying financial statements. The Company maintains substantially all of its cash at four financial institutions.

FINANCIAL STATEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company invests its excess cash in various investment grade, interest-bearing securities. As of December 31, 1999, cash equivalents and short-term investments consisted of money market mutual funds. The Company has not experienced any losses on such investments.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. At December 31, 1999, the Company's entire portfolio of investments is classified as available-for-sale. These securities are stated at fair market value, determined based on quoted market prices, with the unrealized gains and losses reported in a separate component of stockholders' equity.

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, over the estimated life of the security. Such amortization is included in interest income. Realized gains are included in other income (expense) in the statement of operations. The cost of securities sold is based on the specific identification method.

For purposes of reporting cash flows, the Company considers highly liquid investments with original maturities of three months or less as cash equivalents.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of the bank loans approximate their fair values as of December 31, 1999, based on current incremental borrowing rates for similar types of borrowing arrangements.

Active markets for the Company's other financial instruments that are subject to the fair value disclosure requirements of Statement of Financial Accounting Standards No. 107, which consist of long-term lease receivables and notes payable, do not exist and there are no quoted market prices for these assets and liabilities. Accordingly, it is not practicable to estimate the fair values of such financial instruments because of the limited information available to the Company and because of the significance of the cost to obtain independent appraisals for this purpose.

INTANGIBLE ASSETS

The Company continually evaluates the value and future benefits of its intangible assets. The Company assesses recoverability from future operations using cash flows and income from operations of the related acquired business as measures. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, the carrying value would be reduced to estimated net realizable value if it becomes probable that the Company's best estimate for expected future cash flows

of the related business would be less than the carrying amount of the related intangible assets. There have been no adjustments to the carrying amounts of intangible assets resulting from these evaluations as of December 31, 1999.

Intangible assets consist primarily of developed technology relating to the NeuroMate(R) system. In the opinion of the Company's management the developed technology was completed and had alternative future uses. Accumulated amortization on intangible assets was $1,957,760 on December 31, 1999. The estimated useful lives range from 3 to 5 years.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 5 years, or the lease term, whichever is shorter.

NET INVESTMENT IN SALES-TYPE LEASES

The net investment in sales-type leases consists of the following at December 31, 1999:

Total minimum lease payments receivable.....	$ 686,444
Less unearned interest.....	(78,062)
Net investment in sales type leases.....	608,382
Less current portion (included in other current assets).....	(174,397)
Long-term net investment in sales-type leases.....	$ 433,985

The following represents future minimum lease payments to be received by the Company under its net investment in sales-type leases as of December 31, 1999:

2000.....	240,667
2001.....	240,667
2002.....	205,111
	$686,444

OPERATING LEASES

The Company leases certain of its ROBODOC systems to customers under cancelable operating leases. The typical lease period is 5 years and certain of the leases contain purchase options. The cost of equipment under operating leases as of December 31, 1999 was $774,029 and the related accumulated amortization thereon was $135,672.

INVENTORY

Inventory is recorded at the lower of cost (first-in, first-out method) or market and consists of materials and supplies used in the manufacture and service support of the ROBODOC(R) and NeuroMate(TM) Systems. Inventory consists of the following at December 31, 1999:

Raw materials.....	$1,766,365
Work-in process.....	742,663
Finished goods.....	823,163
	$3,332,191

STOCK-BASED COMPENSATION

As permitted under the provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company has elected to account for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). Under the intrinsic value method, compensation cost is the excess, if any, of the quoted market price or fair value of the stock at the grant date or other measurement date over the amount an employee must pay to acquire the stock.

INCOME TAXES

The liability method is used to account for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are scheduled to be in effect when the differences are expected to reverse.

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 earnings per share amounts have been presented on the basis set forth in Statement 128 (Note 9).

SIGNIFICANT CUSTOMERS AND FOREIGN SALES

The Company recognized approximately 15% of its revenues from one customer during the year ended December 31, 1999 and 64% of its revenue from five customers each representing at least 10% of the Company's total revenue, during the year ended December 31, 1998. Foreign sales, substantially all to Western European countries, were approximately $5,794,000 and $6,005,000 for the years ended December 31, 1999 and December 31, 1998, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"), SFAS 133 establishes accounting and reporting standards of derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In July 1999, the Financial Accounting Standards Board issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133". SFAS 137 deferred the effective date until the first fiscal quarter of the fiscal year beginning after June 15, 2000. The Company will adopt SFAS 133 in its quarter ending March 31, 2001 and has not yet determined whether such adoption will have a material impact on the Company's financial statements.

In December, 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. The SAB states that all registrants are expected to apply the accounting and disclosures described it in. The SEC staff, however, will not object if registrants that have not applied this accounting do not restate prior financial statements provided they report a change in accounting principle in accordance with APB Opinion No. 20, Accounting Changes, by cumulative catch-up adjustment no later than the second fiscal quarter of the fiscal year beginning after December 15, 1999. The Company is currently evaluating the impact, if any, of SAB 101 on its financial statements.

RECLASSIFICATIONS

Certain amounts reported in prior years financial statements have been reclassified to conform with the 1999 presentation.

3. SHORT-TERM INVESTMENTS

The company held no marketable securities on December 31, 1999. As of December 31, 1998 marketable debt securities were all classified as available for sale and consisted of 1,849,000 shares of U.S. Treasury Strips and a 1-year certificate of deposit. The treasury strips had an original cost of $1,767,773 on August 11, 1998. The net unrealized holding gain as of December 31, 1998 of $50,626 was included as a separate component of stockholders' equity. The certificate of deposit had an original cost of $200,000.

All of these marketable securities were sold during 1999 and all remaining income was realized as interest income in the Statement of Operations.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 1999:

ROBODOC and NeuroMate System equipment	$ 937,201
Other equipment	1,722,089
Furniture and fixtures	308,107
Leasehold improvements	45,418
	3,012,815
Less accumulated depreciation	(2,107,814)
	$ 905,001

5. INVESTMENT IN MARBELLA HIGH CARE B.V.

As of December 31, 1999 the Company owned approximately 27% of the outstanding shares of Marbella High Care B.V. ("MBHC") and accounts for its investment under the equity method. The Company recorded expenses relating to its investment and advances in MBHC of $480,000 and $317,000 for years ended December 31, 1999 and 1998, respectively. These charges are included in other income (expense).

6. BANK LOANS AND NOTE PAYABLE

Bank loans consist of the following at December 31, 1999:

Revolving line of credit established in July 1996 for five years with an available amount of $107,380 at December 31, 1999, with interest accruing at 7.15% per annum. The amount available decreases quarterly by 5% of the original amount beginning October 1996	107,380
Bank term loan with monthly principal and interest payments of approximately $1,762 over three years from May 1997, with interest accruing at 5.75% per annum	7,053
	114,433
Less current portion	114,433
Long-term bank loans	$ 0

The bank term loan is secured by substantially all of IMMI's tangible assets (with a net book value of approximately $1,041,000 at December 31, 1999) and is guaranteed by the Company.

The Company received an interest free loan with a balance of $153,400 at December 31, 1999 from a grant organization for the development of a new system. In the case of failure of the project, the Company will have to repay approximately $38,000 of the loan. 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 December 31, 1999.

7. STOCKHOLDERS' EQUITY

COMMON STOCK

As of December 31, 1999 the Company has reserved a total of 22,587,445 shares of common stock pursuant to Series D&E Convertible Preferred Stock, warrants and options outstanding and reserved for future issuance.

INITIAL PUBLIC OFFERING

In November 1996, the Company sold in its initial public offering, a total of 1,525,000 shares of common stock at $5.00 per share and 3,272,754 warrants at $0.10 per warrant. In addition, the Company sold to its underwriter warrants to purchase an additional 343,281 shares for total consideration of $10.00. The net proceeds after underwriters' commissions and fees and other costs associated with the offering were approximately $6,137,000.

The Company issued 708,540 warrents to underwirters to purchase Common Stock or warrents. Each warrant entitles the holder to purchase one share of Common Stock or warrents at an adjusted exercise price of $2.87 per share as of December 31, 1999, subject to future adjustment in certain events, at any time during the period commencing November 20, 1997, and thereafter for a period of four years. The warrants are subject to redemption by the Company at $0.10 per warrant at any time during the exercise period on not less than 30 days prior written notice to the holders of the warrants provided certain criteria regarding the price performance of the Company's common stock are met.

EUROPEAN OFFERING

On November 20, 1997, the Company sold 1,500,000 shares of Common Stock at approximately $7.00 per share in an offering to European investors (the "European Offering"). In addition, the Company sold to its underwriters in the European Offering warrants to purchase an additional 338,412 shares for nominal consideration. The net proceeds of the European Offering were approximately $8,440,000.

Each of the warrants issued to the European Offering underwriters entitles the holder to purchase one share of common stock at an adjusted exercise price of $3.70 per share as of December 31, 1999, subject to future adjustments in certain events, at any time during the period commencing November 21, 1998, and thereafter for a period of four years.

PREFERRED STOCK

As part of a Stock Purchase Agreement in December 1995 the Company sold a warrant for $1,333,333 to purchase 1,386,390 shares of Series D Preferred Stock at $0.01 per share, and in February 1996 sold a warrant for $666,667 to purchase 693,194 shares of Series D Preferred Stock at $0.01 to per share. On October 29, 1997, the Company and IBM executed an amendment to the Stock Purchase Agreement pursuant to which the Company and IBM agreed that these combined warrants to purchase 2,274,066 shares of Series D Preferred Stock would be exercisable only for 2,274,066 shares of Common Stock at $0.01 to $0.07 per share. The warrants expire on December 31, 2005 and have not been exercised as of December 31, 1999. Also on October 29, 1997, the Company delivered to CA IB Investmentbank AG ("CA IB") an agreement not to issue any shares of Common Stock, or any warrants, options or other rights to subscribe for or purchase shares of Series D Preferred Stock, or any other securities convertible into or exercisable or exchangeable for, Series D Preferred Stock, without the consent of CA IB. In addition, the Company's management caused the Board of Directors to present a resolution at the annual meeting of the Company's stockholders to amend the Company's Restated Certificate of Incorporation to eliminate the Series D Preferred Stock therefrom. On April 28, 1998 elimination of Series D Preferred Stock was adopted by the Company's stockholders.

In November 1996, the Board of Directors amended, and the stockholders subsequently approved, the Company's Articles of Incorporation to authorize 1,000,000 shares of undesignated preferred stock. Preferred stock may be issued from time to time in one or more series. The Board of Directors is authorized to determine the rights, preferences, privileges and restrictions granted to and imposed upon any wholly unissued series of preferred stock and designation of any such series without any vote or action by the Company's stockholders.

CONVERTIBLE PREFERRED STOCK

Since September 1998, we have received aggregate net proceeds of approximately $11.4 million from the sale of six series of our convertible preferred stock. Information concerning these convertible preferred stock financings is set forth below.

SERIES	DATE OF SALE	SHARES OF PREFERRED STOCK SOLD	NET PROCEEDS
A	September 10, 1998	3,520	$3,300,447
B	March 26, 1999	1,000	916,918
C	June 10, 1999	750	658,190
D	June 30, 1999	2,000	1,861,549
E	July 30, 1999	3,000	2,819,484
F	February 22, 2000	2,000	1,880,000

Each series of convertible preferred stock has a stated value of $1,000 per share and is convertible into common stock at a conversion price equal to 85% of the lowest sale price of the Common Stock on the Nasdaq SmallCap Market over the five trading days preceding the date of conversion (the "Market Price") subject to a maximum conversion price. The number of shares of common stock that may be acquired upon conversion is determined by dividing the stated value of the number of shares of convertible preferred stock to be converted by the conversion price. As of December 31, 1999, 1,725 shares of series D convertible preferred stock and 1,200 shares of Series E convertible preferred stock were outstanding. No other shares of preferred stock were outstanding. On February 7, 2000 the Company redeemed the remaining outstanding shares of series E convertible preferred stock for a total redemption price of $1,185,000, or $1,000 per share, the stated value of a share of series E convertible preferred stock.

The maximum conversion price for the series D and series F preferred stock is $1.22 per share. There is no minimum conversion price for any series of convertible preferred stock.

Holders of series D convertible preferred stock may convert 25% of their shares commencing September 29, 1999, 50% of their shares commencing October 28, 1999, 75% of their shares commencing November 27, 1999 and 100% of their shares commencing December 27, 1999. The Company may require holders to convert all (but not less than all) of the Series D convertible preferred stock at any time after June 30, 2002, or buy out all outstanding shares, at the then conversion price.

The number of shares of Common Stock issued upon conversion of each series of convertible preferred stock as of December 31, 1999 was as follows: series A -- 2,867,135; series B -- 459,831; series C -- 563,497; series D -- 219,961; series E -- 1,477,823. The average actual conversion price for shares of each series of convertible preferred stock converted into shares of Common Stock as of December 31, 1999 was as follows: series A -- $2.23; Series B -- $2.17; Series C -- $1.33; Series D -- $1.61; Series E -- $1.22.

The value assigned to the beneficial conversion feature is based upon the quoted market price of the Company's Common Stock on the date the convertible preferred stock was sold which represents a discount to the value of each series of convertible preferred stock (the "Discount"). The Discount is being accreted using the straightline method over certain conversion periods. The following table sets forth information pertaining to the beneficial conversion feature for each series of convertible preferred stock.

SERIES	VALUE ASSIGNED TO BENEFICIAL CONVERSION FEATURES AT DATE OF SALE	ACCRETION 1998	ACCRETION 1999
A	$616,000	$376,264	$ 239,736
B	176,471	--	176,471
C	143,793	--	143,793
D	352,941	--	352,941
E	529,559	--	509,559
	1,818,764	376,264	1,422,500

No series of convertible preferred stock entitles holders to dividends or voting rights, unless required by law or with respect to certain matters relating to a particular series of convertible preferred stock.

The Company may redeem the series D convertible preferred stock upon written notice to the holders of the series D convertible preferred stock at any time after the earlier of December 30, 1999 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 D convertible preferred stock could have been converted on the date of the notice of redemption. All other series of convertible preferred stock have been converted as of December 31, 1999 except series E which was subsequently converted and redeemed in February, 2000.

The following table summarizes information about warrants issued in connection with each series of convertible preferred stock and outstanding as of December 31, 1999:

SERIES	ISSUE DATE	WARRANTS ISSUED	EXERCISE PRICE
A	September 10, 1998	44,000	$2.00
B	March 26, 1999	12,500	2.28
C	June 10, 1999	9,375	2.15
D	June 30, 1999	25,000	3.41
E	July 30, 1999	37,500	4.39

The warrants are exercisable upon vesting and expire between March 5, 2002 and February 11, 2003. The exercise price and the number of shares of Common Stock issuable upon conversion are subject to adjustment based upon certain future events. None of the warrants had been exercised as of December 31, 1999.

ISSUANCE OF STOCK AND STOCK WARRANTS

In September 1997, the Company issued 4,500 shares of Common Stock and warrants to purchase 55,132 shares of Common Stock (with an aggregate estimated fair value of $93,885) to Rickel & Associates, Inc. for services performed in connection with the acquisition of IMMI. The warrants have an exercise price of $7.50 per share and expire in September 2002.

The Company issued shares of Common Stock to Trinity Capital Advisors, Inc. for financial advisory services performed in connection with each series of convertible preferred stock as follows:

SERIES	DATE ISSUED	NUMBER OF SHARES	AGGREGATE ESTIMATED FAIR VALUE AT DATE OF ISSUE
A	September 1998	5,000	$20,625
B	March 1999	1,429	2,903
C	June 1999	1,071	1,941
D	June 1999	2,856	8,479
E	August 1999	4,284	13,923

On December 14, 1999 the Company issued and sold to ILTAG International Licensing Holding S.A.L., Bernd Herrmann and Urs Wettstein an aggregate of 2,922,396 shares of Common Stock and three-year warrants to purchase an additional 11,700,000 shares of common stock under a Stock and Warrant Purchase Agreement dated as of October 1, 1999. The purchase price for the shares and warrants was $4 million. The warrants vest immediately, are exercisable at $1.02656 per share and expire in December, 2002. The warrants are exercisable for three years after the date of issue. None of the warrants have been exercised as of December 31, 1999.

STOCK OPTION PLANS

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options.

The Company established a stock option plan in 1991 (the "1991 Plan") and on December 13, 1995, it established a new stock option plan (the "1995 Plan"). The Company adopted a third plan on April 28, 1998 (the "1998 Plan"). Certain employees of the Company surrendered their options under the 1991 Plan in return for new and additional options granted under the 1995 Plan. During the year ended December 31, 1998, the Company reduced the exercise prices of certain outstanding stock options with exercise prices ranging from $4.31 to $8.63 (377,752 options) to $3.00 per share which was the fair market value of common stock as determined by the Company's Board of Directors on the date of repricing. Officers, employees, directors and consultants to the Company may participate in the Plans. Options granted under the Plans may be incentive stock options or non-statutory stock options. 1,876,624 shares of the Company's common stock have been reserved for issuance under the Plans. Options granted generally have a term of ten years from the date of the grant. The exercise price of incentive stock options granted under the Plans may not be less than 100% of the fair market value of the Company's common stock on the date of the grant. The exercise price of non-statutory stock options granted under the Plans may not be less than 85% of the fair market value of the Company's common stock on the date of the grant. For a person who, at the time of the grant, owns stock representing 10% of the voting power of all classes of Company stock, the exercise price of the incentive stock options or the non-statutory stock options granted under the Plans may not be less than 110% of the fair market value of the common stock on the date of the grant.

Pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS No. 123, which also requires that the information be determined as if the Company has accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1999 and 1998, respectively: risk-free interest rates of 6.0% and 5.0%; dividend yield of 0%; volatility factors of the expected market price of the Company's common stock of 0.91 and 0.77; and an expected life of the option of 4 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. 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 single measure of the fair value of its employee stock options. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period. The Company's pro forma information follows:

	1999	1998
Pro forma net loss	$(11,908,599)	$(10,997,076)
Pro forma basic net loss per share	$ (1.51)	$ (1.97)

The following summarizes activity under the Plans for the years ended December 31, 1998 and 1999:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1997 (at $0.07 to $8.88 per share)	1,203,373	$1.97
Granted (at $2.84 to $6.06 per share)	724,252	3.23
Canceled (at $.07 to $8.88 per share)	(456,356)	5.33
Exercised (at $.07 to $2.07 per share)	(142,010)	0.11
Outstanding at December 31, 1998 (at $0.07 to $8.88 per share)	1,329,259	$1.93
Granted (at .01 to 3.94 per share)	167,288	2.41
Canceled (at .01 to 8.63 per share)	(46,767)	4.43
Exercised (at .01 to 0.10 per share)	(80,436)	0.07
Outstanding at December 31, 1999 (at .07 to 8.63 per share)	1,369,344	$1.40

All options granted in 1998 were granted with option prices equal to the fair market value of the Company's stock on the grant date. The weighted average exercise price of options granted in 1998 was $3.23 and the weighted average grant date fair value of these options was $1.47.

The weighted average exercise price of options granted in 1999 with option prices equal to the fair market value of the Company's stock on the grant date was $3.13 and the weighted average grant date fair value of these options was $2.08.

The weighted average exercise price of options granted in 1999 with option prices less than the fair market value of the company's stock on the date of grant was 1.50 and the weighted average grant date fair value of these options was 2.33.

The following summarizes information related to options outstanding and options exercisable at December 31, 1999:

EXERCISE PRICE	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$0 - $ .99	639,531	$0.07	5.9	625,703	$0.07
$1 - $1.99	48,000	$1.74	9.6	4,000	$1.88
$2 - $2.99	45,056	$2.72	9.2	12,234	$2.65
$3 - $3.99	447,648	$3.12	8.7	162,161	$3.11
$4 - $4.99	40,500	$4.71	8.4	15,865	$4.73
$5 - $6.99	102,109	$5.33	7.0	73,722	$5.29
$7 - $8.88	46,500	$7.88	7.7	30,884	$7.91
	1,369,344	$2.01	7.3	924,569	$1.40

Of the options outstanding at December 31, 1999, options to purchase 924,569 shares of common stock were immediately exercisable at a weighted-average exercise price of $1.40 per share. A total of 216,926 shares were still available for grant under the 1995 Plan at December 31, 1999. A total of 290,354 shares were still available for grant under the 1998 Plan at December 31, 1999.

During the year ended December 31, 1996, the Company recorded deferred stock compensation of $783,666 relating to stock options granted during the period 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. The deferred stock compensation is being amortized into expense over the vesting period of the stock options which generally range from 3 to 5 years. Deferred compensation relating to stock options which vested immediately was expensed on the date of grant. The Company recorded a reduction of $5,675 and $22,540 in deferred stock compensation relating to canceled options in 1999 and 1998, respectively. Compensation expense of $69,450 and $131,352 was recorded during the years ended December 31, 1999 and 1998, respectively, relating to these options. The remaining $10,513 will be amortized into expense in future periods.

8. INCOME TAXES

The income tax provisions for the years ended December 31, 1999 and 1998 are comprised of currently payable state franchise taxes and currently payable foreign income taxes.

Deferred taxes result from temporary differences in the recognition of certain revenue and expense items for income tax and financial reporting purposes. The significant components of the Company's deferred taxes as of December 31, 1999 and 1998 are as follows:

	1999	1998
Deferred tax assets:		
Net operating loss carryover	$ 8,085,000	$ 5,842,000
Research and Development Credit	1,261,000	559,000
Research and development	417,000	285,000
Accrued product retrofit costs	83,000	54,000
Inventory	192,000	330,000
Depreciation	224,000	109,000
Stock compensation	285,000	256,000
Loss on investment	319,000	230,000
Deferred income	506,000	358,000
Other	100,000	(311,000)
	11,472,000	7,712,000
Less: Valuation allowance	(11,472,000)	(7,712,000)
Net deferred taxes	$ --	$ --

The Company expects the carryforward amounts will not be utilized prior to the expiration of the carryforward periods.

The principal reasons for the difference between the effective income tax rate and the federal statutory income tax rate are as follows:

	YEARS ENDED DECEMBER 31,	
	1999	1998

Federal benefit expected at statutory rates	$(3,445,977)	$(3,481,777)
Domestic net operating loss with no current benefit	2,978,323	3,012,575
Effect of foreign loss with no current benefit	467,654	469,202
Other taxes	(13,155)	14,000
Foreign income taxes	--	13,235
	$ (13,155)	$ 27,235

As a result of stock sales a change of ownership (as defined in Section 382 of the Internal Revenue Code of 1986, as amended) has occurred. As a result of this change, the Company's federal and state net operating loss carryforwards will be subject to a total annual limitation in the amount of approximately $400,000.

The Company has at December 31, 1999 a net operating loss carryover of approximately $22,712,000 for federal income tax purposes which expires between 2005 and 2014, a net operating loss carryforward of approximately $6,110,000 for state income tax purposes which expires through 2004, and a net operating loss carryforward of approximately $1,615,000 for foreign income tax purposes of which approximately $769,000 expires between 2000 and 2004. The Company has at December 31, 1999 research and development credit carryovers of approximately $572,000 and $689,000 for federal and state income tax purposes, respectively.

The Company paid $800 for income and franchise taxes during each of the two years ended December 31, 1999 and 1998. The valuation allowance increased by $2,194,000 in 1998 and $1,718,000 in 1997.

9. NET LOSS PER SHARE INFORMATION

As of December 31, 1999, outstanding options to purchase 1,369,344 shares of common stock (with exercise prices ranging from $0.01 to $8.88), outstanding warrants to purchase 18,820,560 shares of common stock (with exercise prices from $0.07 to $8.26) and 2,397,541 shares of common stock issuable upon conversion of Series D and E Preferred Stock 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.

10. COMMITMENTS

The Company leases its U.S. facility under a non-cancelable operating lease. The lease is for a term of seven years and expires on June 2, 2005. The lease provides for rent of $29,229 per month during the first year of the lease (plus real estate taxes and assessments, utilities and maintenance), subject to adjustment in subsequent years for cumulative increases in the cost of living index, not to exceed 4% per year.

The Company leases its European facility under a non-cancelable operating lease. The lease is for a term of eight years and expires on 2006. The lease provides for rent of $7,197 per month.

Future payments under non-cancelable facility operating leases are approximately as follows:

2000	440,000
2001	450,000
2002	457,000
2003	465,000
2004	242,000
Thereafter	182,000
	$2,236,000

Aggregate rental expense under these leases amounted to $422,000 and $309,000 during the years ended December 31, 1999 and 1998, respectively.

Future minimum payments under non-cancelable equipment operating leases are approximately as follows:

2000	11,000
2001	11,000
2002	11,000
2003	11,000
	$44,000

Rental expense for these non-cancelable equipment operating leases during the years ended December 31, 1999 and 1998 was approximately $11,000 and $41,000, respectively.

11. CONTINGENCIES

The Company has from time to time been notified of various claims incidental to its business that are not the subject of pending litigation. While the results of claims cannot be predicted with certainty, the Company believes that the final outcome of all such matters will not have a materially adverse effect on its consolidated financial position, results of operations or cash flows.

12. NIST GRANT

During 1994, the Company received notification it was awarded a $1,960,000 National Institute of Science and Technology ("NIST") grant from the U.S. Department of Commerce ("USDC"). The grant is shared by the Company and two strategic partners to fund approximately 49% of a $4 million joint development project to adapt the ROBODOC System for use in hip revision surgery. The development project and related NIST Grant began in 1995 and ended in 1999. The Company received approximately $129,000 and $514,000 in proceeds under this grant during the years ended December 31, 1999, and 1998, respectively.

13. ANVAR GRANT

During 1996, IMMI received notification it was awarded a $222,492 grant from the French agency Agence Nationale de Valorisation de la Recherche ("ANVAR") which is a French national agency established to aid research and development projects. The grant is to fund the clinical tests to be performed at two university hospitals on the NeuroMate system over a period of fifteen months commencing March 1997. IMMI received $173,595 in proceeds under this grant during the year ended December 31, 1997. The grant income is being recognized ratably over the project period.

14. EMPLOYEE STOCK PURCHASE PLAN

Shareholders approved and the Board of Directors adopted the Company's Employee Stock Purchase Plan (the "Purchase Plan") at the annual Shareholders meeting held April 28, 1998. The Purchase Plan provides all eligible employees an opportunity to acquire a proprietary interest in the Company on a payroll deduction or other compensation basis at a 15% discount. The Purchase Plan is intended to qualify as an employee stock purchase plan under Section 423 of the Code. The Purchase Plan covers an aggregate of 300,000 shares of the Company's Common Stock. As of December 31, 1999, no offerings have been made to employees.

15. DISTRIBUTION AGREEMENT

The Company has entered into a distribution agreement, dated November 12, 1999, with Spark 1st Vision GmbH & Co. KG, a German company, that gives the distributor the exclusive right to distribute the Company's products in Europe, the Middle East and Africa through 2003. The distributor is obligated to purchase a minimum of 24 ROBODOC systems during 2000 and 32 ROBODOC systems during 2001. The distributor is required to pay the Company advance payments of $200,000 per month for the first six months of 2000, $300,000 per month for the remainder of 2000, and $400,000 per month for 2001, to be applied as a credit against the products purchased. However, the distributor has no minimum purchase or advance payment obligation after 2001, even though it will retain exclusive rights to distribute the Company's products in Europe, the Middle East and Africa through 2003. The distributor's only obligation to the Company after 2001 is to pay for products that it purchases. The distributor's liability to the Company under the distribution agreement is limited to $1 million, exclusive of the minimum purchase obligation. The Company will continue to receive service contract revenues and bear the cost of maintenance, training and customer support. The distribution agreement will eliminate marketing; sales and administrative expenses associated with the Company's European activities and provide the Company with a more predictable source of revenues based upon the minimum purchase commitments of the distributor. The Company believes that the terms of the distribution agreement are as fair to the Company as those that could have been obtained from an unaffiliated party.

As of March 30, 2000 the Company had only received the advance payments from the distributor for January , and had not received any orders for the Company's products from the distributor.

INTEGRATED SURGICAL SYSTEMS, INC.
Condensed Consolidated Balance Sheet
(Unaudited)

	June 30, 2000
ASSETS	
Current Assets:	
Cash and cash equivalents	$1,055,615
Accounts receivable less allowance for doubtful accounts of $327,765	345,008
Inventory	4,090,794
Other current assets	802,493
Total current assets	6,293,910
Property and equipment, net	863,557
Leased equipment, net	495,692
Long-term net investment in sales type leases	277,118
Intangible assets, net	1,758,980
Other assets	12,340
Total Assets	$9,701,597
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$583,682
Value-added taxes payable	110,582
Accrued payroll and related expenses	411,726
Customer deposits	1,330,700
Accrued product retrofit costs	207,953
Current portion of bank loans	73,529
Other current liabilities	453,868
Total current liabilities	3,172,040
Bank loans, long-term	52,187
Note payable	145,600
Commitments and Contingencies	
Stockholders' equity:	
Convertible preferred stock, $0.01 par value 1,000,000 shares authorized; 2,529 shares issued and outstanding ($2,528,750 aggregate liquidation value)	25
Common stock, $0.01 par value, 50,000,000 shares authorized; 16,929,965 shares issued and outstanding	169,299
Additional paid-in capital	59,095,104
Deferred stock compensation	(5,256)
Accumulated other comprehensive loss	(589,569)
Accumulated deficit	(52,337,833)
Total stockholders' equity	6,331,770
Total liabilities and stockholder's equity	$9,701,597

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Net sales	$1,310,882	$629,236	$2,041,026	$2,915,959
Cost of sales	556,153	446,238	898,493	1,551,617
Gross margin	754,729	182,998	1,142,533	1,364,342
Operating expenses:				
Selling, general and administrative	1,283,047	1,510,643	2,397,866	3,102,543
Research and development	1,285,020	1,196,240	3,032,413	2,825,946
Total operating expenses	2,568,067	2,706,883	5,430,279	5,928,489
Other income (expense):				
Interest income	18,632	103,088	38,182	140,216
Other	893,746	6,718	717,347	(281,469)
Loss before provision for income taxes	(900,960)	(2,414,079)	(3,532,217)	(4,705,400)
Provision for income taxes	6,000	15,565	15,000	30,259
Net loss	(906,960)	(2,429,644)	(3,547,217)	(4,735,659)
Preferred stock accretion	(317,647)	(263,969)	(2,989,640)	(508,607)
Net loss applicable to common stockholders	($1,224,607)	($2,693,613)	($6,536,857)	($5,244,266)
Basic net loss per common share	($0.07)	($0.40)	($0.40)	($0.84)
Shares used in computing basic net loss per-share	16,905,473	6,713,469	16,241,648	6,220,227

See notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	($3,547,217)	($4,735,659)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	293,240	358,817
Amortization of intangible assets	416,958	419,520
Unrealized gain on securities	--	(50,626)
Stock compensation	199,835	79,984
Changes in operating assets and liabilities:		
Accounts Receivable	66,582	993,179
Inventory	(828,790)	(884,543)
Other current assets	(89,379)	56,623
Accounts payable	(1,037,461)	1,299,435
Value added taxes payable	54,559	39,280
Accrued payroll and related expenses	13,337	(21,162)
Customer deposits	(106,147)	648,714
Other current liabilities	401,091	284,611
Note Payable	--	13,800
Net cash used in operating activities	(4,163,392)	(1,498,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in marketable securities	--	1,978,582
Net investments in sales type leases	--	(319,753)
Principal payments received on sales type lease	147,503	--
Purchases of property and equipment	(233,047)	(64,726)
Decrease in other assets	--	218
Net cash provided by (used in) investing activities	(85,544)	1,594,321

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) bank loans	(35,278)	(744,953)
Proceeds from issuance of preferred stock	3,480,096	3,405,912
Redemption of Series E preferred stock	(1,185,000)	--
Proceeds from exercise of stock options	30,801	16,330
Net cash provided by financing activities	2,290,619	2,677,289
Effect of exchange rate changes on cash and cash equivalents	95,916	(644,089)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,862,401)	2,129,494
Cash and cash equivalents at beginning of period	2,918,016	223,581
Cash and cash equivalents at end of period	$1,055,615	$2,353,075

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

June 30, 2000

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 six-month period ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. 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 and Form 10-KSB/A for the year ended December 31, 1999.

In December, 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. The SAB states that all registrants are expected to apply the accounting and disclosures described in it. The SEC staff, however, will not object if registrants that have not applied this accounting do not restate prior financial statements provided they report a change in accounting principle in accordance with APB Opinion No. 20, Accounting Changes, by cumulative catch-up adjustment no later than the fourth fiscal quarter of the fiscal year beginning after December 15, 1999. The Company is currently evaluating the impact, if any, of SAB 101 on its financial statements.

NOTE B - INVENTORIES

The components of inventory consist of the following:

	June 30, 2000
Raw materials	$ 2,763,624
Work in process	905,602
Finished goods	421,568
	$ 4,090,794

NOTE C - CONVERTIBLE PREFERRED STOCK

In February, 2000, the Company received net proceeds of approximately $1,880,000 from the sale of 2,000 shares of Series F Convertible Preferred Stock ("Series F Preferred Stock") and warrants ("Warrants") to purchase 12,500 shares of common stock ("Common Stock"), par value $.01 per share.

The Series F Preferred Stock is convertible into shares of Common Stock, at the option of the holder, subject to certain limitations, discussed below. The number of shares of Common Stock issuable upon conversion of the Series F Preferred Stock is equal to the quotient of (x) the product of $1,000 (the stated value of each share of Series F Preferred Stock) and the number of shares of Series F 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 $1.22 (the "Conversion Price").

The Company may require holders to convert all (but not less than all) of the Series F Preferred Stock at any time after February 8, 2003, or buy out all outstanding shares, at the then Conversion Price.

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 F Preferred Stock was sold, amounted to approximately $2,652,000, which represents a discount to the value of the Series F Preferred Stock (the "Discount".) The Discount was charged against income in February 2000.

Holders of Series F 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 F Preferred Stock.

The Company may redeem the Series F Preferred Stock upon written notice to the holders of the Series F Preferred Stock at any time after the earlier of August 8, 2000 and the closing of a registered 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 F 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 August 8, 2000 and ending August 8, 2003, at an exercise price of $2.375, 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.

On May 30, 2000, the Company received net proceeds of $1,649,000 from the sale of 1,800 shares of Series G Convertible Preferred Stock ("Series G Preferred Stock") and warrants ("Warrants") to purchase 63,000 shares of common stock ("Common Stock"), par value $.01 per share.

The Series G Preferred Stock is convertible into shares of Common Stock, at the option of the holder, subject to certain limitations, discussed below. The number of shares of Common Stock issuable upon conversion of the Series G Preferred Stock is equal to the quotient of (x) the product of $1,000 (the stated value of each share of Series G Preferred Stock) and the number of shares of Series G 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 $1.63 (the "Conversion Price").

The Company may require holders to convert all (but not less than all) of the Series G Preferred Stock at any time after November 30, 2003, or buy out all outstanding shares, at the then Conversion Price.

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 G Preferred Stock was sold, amounted to $318,000, which represents a discount to the value of the Series G Preferred Stock (the "Discount".) The Discount was accreted during the month of June, 2000.

Holders of Series G 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 G Preferred Stock.

The Company may redeem the Series G Preferred Stock upon written notice to the holders of the Series G Preferred Stock at any time after the earlier of November 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 G 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 November 30, 2000 and ending November 30, 2003**,** at an exercise price of $1.625, 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

As of June 30, 2000, outstanding options to purchase 1,762,098 shares of Common Stock (with exercise prices ranging from $0.07 to $8.63) and outstanding warrants to purchase 13,518,277 shares of Common Stock (with exercise prices ranging from $0.01 to $4.39) 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 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 this computation of comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Net loss.....	($906,960)	($2,429,644)	($3,547,217)	($4,735,659)
Other comprehensive income (loss):				
Unrealized gain (loss) on available for sale securities.....	0	0	0	14,683
Foreign currency translation.....	(19,374)	(377,270)	(102,239)	(709,398)
Comprehensive loss.....	($926,334)	($2,806,914)	($3,649,456)	($5,430,374)

NOTE F - TERMINATION OF DISTRIBUTION AGREEMENT

On May 9, 2000 we entered into an agreement with Spark 1st Vision GmbH and Co. KG terminating the agreement that granted Spark 1st Vision exclusive distribution rights for our products in Europe, the Middle East and Africa. We received approximately $1,000,000 from Spark 1st Vision in connection with the termination in settlement of its obligations under the distribution agreement.

EXHIBIT 3.2

BYLAWS

OF

INTEGRATED SURGICAL SYSTEMS, INC.

TABLE OF CONTENTS

BYLAWS

OF

INTEGRATED SURGICAL SYSTEMS, INC.

ARTICLE I CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be hold at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be hold at the registered office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation the annual meeting of shareholders shall be hold on the second Monday of May of each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding business day. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent of the votes at that meeting.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and 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, the president or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than ten (10) nor more than sixty (60) days after the receipt of the request. Nothing contained in this paragraph of this Section 2.3 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.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws 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. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 MANNER OF GIVING NOTICE: AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the Chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, 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 that 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.

2.8 CONDUCT OF BUSINESS

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as provided in the last paragraph of this Section 2.9, or as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

At a stockholders' meeting at which directors are to be elected, each stockholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such stockholder normally is entitled to cast) if the candidates names have been properly placed in nomination (in accordance with these bylaws) prior to commencement of the voting and the stockholder requesting cumulative voting or any other stockholder voting at the meeting in person or by proxy has given notice prior to commencement of the voting of the stockholder's intention to cumulate votes. If cumulative voting is properly requested, each holder of stock, or of any class or classes or of a series or series thereof, who elects to cumulate votes shall be entitled to as many votes as equals the number of votes which (absent this provision as to cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected by him, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them, as he may see fit.

2.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person 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. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.11 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action required by this chapter to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such 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, is 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.

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

2.12 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

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, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or 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 shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the board of directors does not so fix a record date:

(i) 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.

(ii) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed.

(iii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

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 .

2.13 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.14 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and 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 hold, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be hold. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE III DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of not more than seven nor less than three directors, as fixed from time to time by resolution of the board, except that the number of directors constituting the board may be less than three provided the number of directors is not less than the number of stockholders. The number of directors may be changed by a resolution of a majority of the directors then in office or by the stockholders, but no reduction in the number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. When one or more directors so resigns and the resignation is 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 as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent 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 hold to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office an aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person 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. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.10 BOARD ACTION BY WRITTEN CONSENT 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 or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.11 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.12 APPROVAL OF 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 subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, so long as shareholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board 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. In the absence or disqualification of a 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. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws of the corporation, 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 that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in section 151(a) of the General Corporation Law of Delaware, fix the designations and

any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees nay also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be appointed by the board of directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

5.6 CHAIRMAN OF THE BOARD

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no president, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these bylaws.

5.7 PRESIDENT

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, 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 the officers of the corporation. He shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

5.8 VICE PRESIDENTS

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

5.9 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

The chief financial officer shall be the treasurer of the corporation.

5.11 ASSISTANT SECRETARY

The assistant secretary, or, if there is more than one, the assistant secretaries in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as may be prescribed by the board of directors or these bylaws.

5.12 ASSISTANT TREASURER

The assistant treasurer, or, if there is more than one, the assistant treasurers, in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the chief financial officer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as may be prescribed by the board of directors or these bylaws.

5.13 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.14 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI INDEMNITY

6.1 THIRD PARTY ACTIONS

The corporation shall indemnify 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 (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the corporation, which approval shall not be unreasonably withheld) actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6.2 ACTIONS BY OR IN THE RIGHT OF

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of corporation-, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) and amounts paid in settlement (if such settlement is approved in advance by the corporation, which approval shall not be unreasonably withheld) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court

shall deem proper. Notwithstanding any other provision of this Article VI, no person shall be indemnified hereunder for any expenses or amounts paid in settlement with respect to any action to recover short-swing profits under Section 16(b) of the Securities Exchange Act of 1934, as amended.

6.3 SUCCESSFUL DEFENSE

To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.1 and 6.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

6.4 DETERMINATION OF CONDUCT

Any indemnification under Sections 6.1 and 6.2 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that the indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 6.1 and 6.2. Such determination shall be made (1) by the Board of Directors or the Executive Committee by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding or (2) or 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, or (3) by the stockholders. Notwithstanding the foregoing, a director, officer, employee or agent of the Corporation shall be entitled to contest any determination that the director, officer, employee or agent has not met the applicable standard of conduct set forth in Sections 6.1 and 6.2 by petitioning a court of competent jurisdiction.

6.5 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending a civil or criminal action, suit or proceeding, by an individual who may be entitled to indemnification pursuant to Section 6.1 or 6.2, shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article V1.

6.6 INDEMNITY NOT EXCLUSIVE

The indemnification and advancement of expenses provided by or granted pursuant to the other sections of this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, 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 such office.

6.7 INSURANCE INDEMNIFICATION

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.8 THE CORPORATION

For purposes of this Article VI, references to "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 and subject to the provisions of this Article VI (including, without limitation the provisions of Section 6.4) with respect to the resulting or surviving corporation an he would have with respect to such constituent corporation if its separate existence had continued.

6.9 EMPLOYEE BENEFIT PLANS

For purposes of this Article VI, 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 Article VI.

6.10 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive officer or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the 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 ton (10) days prior to the meeting, either at a place within the city where the meeting is to be hold, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be hold. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE VIII GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in tie nano of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so 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 mount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the sane effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the 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 shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the 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.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in (i) the General Corporation Law of Delaware or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 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, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX AMENDMENTS

The bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

EXHIBIT 4.37

INTEGRATED SURGICAL SYSTEMS, INC.

2000 Stock Award Plan

1. Purpose of the Plan. The INTEGRATED SURGICAL SYSTEMS, INC. 2000 Stock Award Plan (the "Plan") is intended to attract, retain, motivate and reward employees of, and consultants to, INTEGRATED SURGICAL SYSTEMS, INC. (the "Company") and its Subsidiaries who are and will be contributing to the success of the Company's business; to provide competitive incentive compensation opportunities; and to further opportunities for stock ownership by such employees and consultants in order to increase their proprietary interest in the Company; provided, however, that officers and directors who are employees of the Company and independent contractors who perform services related to obtaining financing for the Company or its Subsidiaries or promoting the Company's common stock shall not be eligible to participate in and receive shares under this Plan. As used herein, "Subsidiary" shall mean any corporation or other business organization in which the Company owns, directly or indirectly, 50% or more of the voting stock or capital at the time of the granting of or award under this Plan. Accordingly, the Company may from time to time grant to selected employees or consultants ("participants") awards ("awards") of shares of common stock of the Company $.01 par value ("Stock"), together with, to the extent determined by the Company in its sole discretion at the time of the grant of the award, reimbursement by the Company of amounts payable by the recipient of the award as a consequence of any such award ("Cash Amount"), subject to the terms and conditions hereinafter provided.

2. Administration of the Plan. The Plan shall be administered by the Board of Directors of the Company as such Board of Directors may be composed from time to time and/or by the Compensation Committee (the "Committee") which shall be comprised of solely of at least two Outside Directors (as such term is defined in regulations promulgated from time to time with respect to Section 162(m)(4)(C)(i) of the Code) appointed by such Board of Directors of the Company. As and to the extent authorized by the Board of Directors of the Company, the Committee may exercise the power and authority vested in the Board of Directors under the Plan. The Board of Directors, or the Committee to the extent authorized by the Board of Directors, is authorized to interpret the Plan and may from time to time adopt such rules and regulations for carrying out the Plan as it deems appropriate. Decisions of the Board of Directors and/or the Committee in connection with the administration of the Plan shall be final, conclusive, and binding upon all parties including the Company, stockholders and employees.

In addition to such other rights of indemnification as they have as directors or as members of the Committee, the members of the Board of Directors and the Committee shall be indemnified by the Company against reasonable expenses (including, without limitation, attorneys' fees) actually and necessary incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any awards granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved to the extent required by and in the manner provided by the Certificate of Incorporation and Bylaws of the Company relating to indemnification of directors) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Director or Committee member or members did not act in good faith and in a manner he, she or they reasonably believed to be in or not opposed to the best interest of the Company.

Subject to the terms, provisions, and conditions of the Plan as set forth herein, the Board of Directors and the Committee, to the extent authorized by the Board of directors, shall have sole discretion and authority:

(a) to select the employees and consultants to be awarded Stock (it being understood that more than one award may be granted to the same person);

(b) to determine the number of shares to be awarded to each recipient and whether or not to grant any Cash Amount which may be granted in tandem therewith;

(c) to determine the time or times when the awards may be granted; and

(d) to prescribe the form of stock legend for the certificates of shares of Stock or other instruments, if any, evidencing any awards granted under this Plan.

3. Stock Subject to the Plan. The aggregate number of shares of Stock which may be awarded under the Plan shall not exceed 500,000 shares of Stock of the Company. In the event that the outstanding shares of Common Stock are hereafter changed by reason of recapitalization, reclassification, stock split-up, combination or exchange of shares of Common Stock or the like, or by the issuance of dividends payable in shares of Common Stock, an appropriate adjustment shall be made by the Board of Directors, as determined by the Board of Directors and/or the Committee, in the aggregate number of shares of Common Stock available under the Plan. Shares to be awarded under the Plan shall be made available, at the discretion of the Committee, either from the authorized but unissued shares of Stock of the Company or from shares of Stock reacquired by the Company, including shares purchased in the open market.

4. Eligibility. Stock shall be awarded only to employees of the Company (the term "employees" shall not include employees who are officers or directors of the Company) and consultants to the Company, except that Awards shall not be made to consultants who perform services related to obtaining financing for the Company or its Subsidiaries or promoting the Company's common stock.

5. Awards and Certificates. (a) Each recipient shall be issued a certificate in respect of shares of Stock awarded under the Plan. Each certificate shall be registered in the name of the participant, and shall bear an appropriate restrictive legend on its face, which legend shall be subject to removal pursuant to an effective registration statement or an opinion of counsel satisfactory to the Company that such registration is not required. The Company may register, on behalf of the recipients, shares issued pursuant to the Plan. Notwithstanding anything contained herein to the contrary, no recipient shall be entitled to more than 20% of the aggregate number of shares of Common Stock issuable pursuant to awards under the Plan.

(b) The Board of Directors or Committee may, in its sole discretion, grant to a recipient of an award, a Cash Amount not to exceed the federal, state and local taxes the recipient must pay as a result of the fair market value of the award being included in income for federal, state and local income tax purposes. The grant of a Cash Amount to one recipient shall in no way require the Board of Directors or the Committee to grant a Cash Amount to any other recipient of an award.

6. Termination and Amendment. The Committee may amend, suspend, or terminate the Plan at any time provided that no such modification without the approval of stockholders shall:

(a) increase the maximum number of shares of Stock which are available for awards under the Plan;

(b) extend the period during which awards may be granted under the Plan beyond February 28, 2010; or

(c) impair the rights of any recipient under any award.

7. Miscellaneous.

(a) Nothing in the Plan shall require the Company to issue or transfer any shares pursuant to an award if such issuance or transfer would, in the opinion of the Committee, constitute or result in a violation of any applicable statute or regulation of any jurisdiction relating to the disposition of securities.

(b) Notwithstanding any other provision of the Plan, the Committee may at any time make or provide for such adjustment to the Plan, to the number of shares available thereunder, or to any awards of Stock as it shall deem appropriate, to prevent dilution or enlargement of rights, including adjustments in the event of changes in the number or outstanding shares of Stock by reason of stock dividends or distributions, stock splits or other combinations or subdivisions of stock, recapitalization, issuances by reclassification, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations, or other similar corporate changes. Any such determination by the Committee shall be conclusive.

(c) No employee or consultant shall have any claim or right to be granted shares of Stock under the Plan, and neither the Plan nor any action taken thereunder shall be construed as giving only employee any right to be retained in the employ by the Company and/or a subsidiary or as giving any contractor any right to continue to provide consulting services to the Company or a Subsidiary.

(d) A recipient who receives an award shall have rights as a share owner with respect to the Stock covered by such award to receive dividends in cash or other property or other distributions or rights in respect of such stock and to vote the Stock as the record owner thereof.

(e) Income realized as a result of an award of stock shall not be included in the recipient's earnings for the purpose of any benefit plan in which the recipient may be enrolled or for which the recipient may become eligible unless otherwise specifically provided for in such plan.

(f) If and when a recipient is required to pay the Company an amount required to be withheld under any federal, state or local income tax laws in connection with an award of stock under the Plan, the Committee may, in its sole discretion and subject to such rules as it may adopt, permit the participant to satisfy the obligation, in whole or in part, by electing to have the Company withhold shares of Common Stock having a fair market value equal to the amount required to be withheld. The election to have shares withheld must be made on or before the date the amount of tax to be withheld is determined.

(g) The Plan and all determinations made and actions taken pursuant thereto shall be governed by the laws of the State of California and construed in accordance therewith.

8. Effective Date and Term of the Plan. The effective date of the Plan shall be March 1, 2000. No awards of Stock may be made under the Plan after February 28, 2010.

EXHIBIT 4.38

INTEGRATED SURGICAL SYSTEMS, INC.

2000 LONG-TERM PERFORMANCE PLAN

1. Objectives.

The Integrated Surgical Systems, Inc. 2000 Long-Term Performance Plan (the "Plan") is designed to attract, motivate and retain selected employees of, and other individuals providing services to, Integrated Surgical Systems, Inc. (the "Company"). These objectives are accomplished by making long-term incentive and other awards under the Plan, thereby providing Participants with a proprietary interest in the growth and performance of the Company.

2. Definitions.

(a) "Awards" - The grant of any form of stock option, stock appreciation right, stock or cash award, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions, performance requirements, limitations and restrictions as the Committee may establish in order to fulfill the objectives of the Plan.

(b) "Award Agreement" - An agreement between the Company and a Participant that sets forth the terms, conditions, performance requirements, limitations and restrictions applicable to an Award.

(c) "Board" - The Board of Directors of Integrated Surgical Systems, Inc.

(d) "Capital Stock" or "stock" - Authorized and issued or unissued Capital Stock of the Company, at such par value as may be established from time to time.

(e) "Code" - The Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" - The committee designated by the Board to administer the Plan.

(g) "Company" - Integrated Surgical Systems, Inc. and its subsidiaries.

(h) "Fair Market Value" - The average of the high and low prices of Capital Stock on the Nasdaq SmallCap Market or other principal stock exchange or automated quotation service (including the OTC Bulletin Board) on which the Capital Stock is then listed or quoted for the date in question, provided that, if no sales of Capital Stock were made on said exchange or automated quotation service on that date, the average of the high and low prices of Capital Stock as reported for the most recent preceding day on which sales of Capital Stock were made on said exchange or quotation service.

(i) "Participant" - An individual to whom an Award has been made under the Plan. Awards may be made to any employee of, or any other individual or entity providing services to, the Company. However, incentive stock options may be granted only to individuals who are employed by the Company or by a subsidiary corporation (within the meaning of section 424(f) of the Code) of the Company, including a subsidiary that becomes such after the adoption of the Plan.

(j) "Performance Period" - A multi-year period of no more than five consecutive calendar years over which one or more of the performance criteria listed in Section 6 shall be measured pursuant to the grant of Long-Term Performance Incentive Awards (whether such Awards take the form of stock, stock units or equivalents or cash). Performance Periods may overlap one another, but no two Performance Periods may consist solely of the same calendar years.

3. Capital Stock Available for Awards.

The number of shares that may be issued under the Plan for Awards granted wholly or partly in stock during the term of the Plan is 1,000,000. Shares of Capital Stock may be made available from the authorized but unissued shares of the Company or from shares held in the Company's treasury and not reserved for some other purpose. For purposes of determining the number of shares of Capital Stock issued under the Plan, no shares shall be deemed issued until they are actually delivered to a Participant, or such other person in accordance with Section 10. Shares covered by Awards that either wholly or in part are not earned, or that expire or are forfeited, terminated, canceled, settled in cash, payable solely in cash or exchanged for other awards, shall be available for future issuance under Awards. Further, shares tendered to or withheld by the Company in connection with the exercise of stock options, or the payment of tax withholding on any Award, shall also be available for future issuance under Awards.

4. Administration.

The Plan shall be administered by the Committee, which shall have full power to select Participants, to interpret the Plan, to grant waivers of Award restrictions, to continue, accelerate or suspend exercisability, vesting or payment of an Award and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper. These powers include, but are not limited to, the adoption of modifications, amendments, procedures, subplans and the like as necessary to comply with provisions of the laws and regulations of the countries in which the Company operates in order to assure the viability of Awards granted under the Plan and to enable Participants regardless of where employed to receive advantages and benefits under the Plan and such laws and regulations.

5. Delegation of Authority.

The Committee may delegate to officers of the Company its duties, power and authority under the Plan pursuant to such conditions or limitations as the Committee may establish, except that only the Committee or the Board may select, and grant Awards to, Participants who are subject to Section 16 of the Securities Exchange Act of 1934.

6. Awards.

The Committee shall determine the type or types of Award(s) to be made to each Participant and shall set forth in the related Award Agreement the terms, conditions, performance requirements, and limitations applicable to each Award. Awards may include but are not limited to those listed in this Section 6. Awards may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement or payment of, or as alternatives to, grants, rights or compensation earned under any other plan of the Company, including the plan of any acquired entity.

(a) Stock Option - A grant of a right to purchase a specified number of shares of Capital Stock the exercise price of which shall be not less than 100% of Fair Market Value on the date of grant of such right, as determined by the Committee, provided that, in the case of a stock option granted retroactively in tandem with or as substitution for another award granted under any plan of the Company, the exercise price may be the same as the purchase or designated price of such other award. A stock option may be in the form of an incentive stock option ("ISO") which, in addition to being subject to applicable terms, conditions and limitations established by the Committee, complies with section 422 of the Code. All of the shares that may be issued under the Plan are available for issuance under ISOs granted under the Plan.

(b) Stock Appreciation Right - A right to receive a payment, in cash and/or Capital Stock, equal in value to the excess of the Fair Market Value of a specified number of shares of Capital Stock on the date the stock appreciation right (SAR) is exercised over the grant price of the SAR, which shall not be less than 100% of the Fair Market Value on the date of grant of such SAR, as determined by the Committee, provided that, in the case of a SAR granted retroactively in tandem with or as substitution for another award granted under any plan of the Company, the grant price may be the same as the exercise or designated price of such other award.

(c) Stock Award - An Award made in stock and denominated in units of stock.. All or part of any stock award may be subject to conditions established by the Committee, and set forth in the Award Agreement, which may include, but are not limited to, continuous service with Company, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other comparable measurements of Company performance. An Award made in stock or denominated in units of stock that is subject to restrictions on transfer and/or forfeiture provisions may be referred to as an Award of "Restricted Stock," "Restricted Stock Units" or "Long-Term Performance Incentive" units.

(d) Cash Award - An Award denominated in cash with the eventual payment amount subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the Award Agreement, including, but not limited to, continuous service with the Company, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other comparable measurements of Company performance.

(e) Performance Criteria under section 162(m) of the Code for Long-Term Performance Incentive Awards - The performance criteria for Long-Term Performance Incentive Awards (whether such Awards take the form of stock, stock units or equivalents or cash) made to any "covered employee" (as defined by section 162(m) of the Code) shall consist of objective tests based on one or more of the following: earnings, cash flow, customer satisfaction, revenues, financial return ratios, market performance, shareholder return and/or value, operating profits (including EBITDA), net profits, earnings per share, profit returns and margins, stock price and working capital. Performance criteria may be measured solely on a corporate, subsidiary or business unit basis, or a combination thereof. Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance criteria. The formula for any Award may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss. Nothing herein shall preclude the Committee from making any payments or granting any Awards whether or not such payments or Awards qualify for tax deductibility under section 162(m) of the Code.

7. Payment of Awards.

Payment of Awards may be made in the form of cash, stock or combinations thereof and may include such restrictions as the Committee shall determine. Further, with Committee approval, payments may be deferred, either in the form of installments or as a future lump-sum payment, in accordance with such procedures as may be established from time to time by the Committee. Any deferred payment, whether elected by the Participant or specified by the Award Agreement or the Committee, may require the payment to be forfeited in accordance with the provisions of Section 13. Dividends or dividend equivalent rights may be extended to and made part of any Award denominated in stock or units of stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents for deferred payments denominated in stock or units of stock. At the discretion of the Committee, a Participant may be offered an election to substitute an Award for another Award or Awards of the same or different type.

8. Stock Option Exercise.

The price at which shares of Capital Stock may be purchased under a stock option shall be paid in full in cash at the time of the exercise or, if permitted by the Committee, by means of tendering Capital Stock or surrendering another Award or any combination thereof. The Committee shall determine acceptable methods of tendering Capital Stock or other Awards and may impose such conditions on the use of Capital Stock or other Awards to exercise a stock option as it deems appropriate.

9. Tax Withholding.

Prior to the payment or settlement of any Award, the Participant must pay, or make arrangements acceptable to the Company for the payment of, any and all federal, state and local tax withholding and employment taxes that in the opinion of the Company is required by law. The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of shares under the Plan, an appropriate number of shares for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes or for payment of employment taxes.

10. Transferability.

No Award shall be transferable or assignable, or payable to or exercisable by, anyone other than the Participant to whom it was granted, except (i) by law, will or the laws of descent and distribution, (ii) as a result of the disability of a Participant or (iii) that the Committee (in the form of an Award Agreement or otherwise) may permit transfers of Awards by gift or otherwise to a member of a Participant's immediate family and/or trusts whose beneficiaries are members of the Participant's immediate family, or to such other persons or entities as may be approved by the Committee. Notwithstanding the foregoing, in no event shall ISOs be transferable or assignable other than by will or by the laws of descent and distribution.

11. Amendment, Modification, Suspension or Discontinuance of the Plan.

The Board may amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law. Subject to changes in law or other legal requirements that would permit otherwise, the Plan may not be amended without the consent of the holders of a majority of the shares of Capital Stock then outstanding, to (i) increase the aggregate number of shares of Capital Stock that may be issued under the Plan (except for adjustments pursuant to Section 14 of the Plan), or (ii) permit the granting of stock options or SARs with exercise or grant prices lower than those specified in Section 6.

12. Termination of Employment.

If the employment of a Participant terminates, other than as a result of the death or disability of a Participant, all unexercised, deferred and unpaid Awards shall be canceled immediately, unless the Award Agreement provides otherwise. In the event of the death of a Participant or in the event a Participant is deemed by the Company to be disabled and eligible for benefits under the terms of any long-term disability plan or policy maintained by the Company, the Participant's estate, beneficiaries or representative, as the case may be, shall have the rights and duties of the Participant under the applicable Award Agreement.

13. Cancellation and Rescission of Awards.

(a) Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Awards at any time if the Participant is not in compliance with all applicable provisions of the Award Agreement and the Plan, or if the Participant engages in any "Detrimental Activity." For purposes of this Section 13, "Detrimental Activity" shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company or the failure or refusal to do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in other countries; (iv) activity that results in termination of the Participant's employment for cause; (v) a violation of any rules, policies, procedures or guidelines of the Company; (vi) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company; (vii) the Participant being convicted of, or entering a guilty plea with respect to, a crime, whether or not connected with the Company; or (viii) any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company .

(b) Upon exercise, payment or delivery pursuant to an Award, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan. In the event a Participant fails to comply with the provisions of paragraphs (a)(i)-(viii) of this Section 13 prior to, or during the six months after, any exercise, payment or delivery pursuant to an Award, such exercise, payment or delivery may be rescinded within two years thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company.

14. Adjustments.

In the event of any change in the outstanding Capital Stock of the Company by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, merger, or similar event, the Committee may adjust proportionately: (a) the number of shares of Capital Stock (i) available for issuance under the Plan, (ii) available for issuance under ISOs, (iii) for which Awards may be granted to an individual Participant set forth in Section 6, and (iv) covered by outstanding Awards denominated in stock or units of stock; (b) the exercise and grant prices related to outstanding Awards; and (c) the appropriate Fair Market Value and other price determinations for such Awards. In the event of any other change affecting the Capital Stock or any distribution (other than normal cash dividends) to holders of Capital Stock, including a spin-off of the capital stock of a subsidiary, such adjustments in the number and kind of shares and the exercise, grant and conversion prices of the affected Awards as may be deemed equitable by the Committee, including adjustments to avoid fractional shares, shall be made to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Company or its successor shall issue or assume stock options, whether or not in a transaction to which section 424(a) of the Code applies, by means of substitution of new stock options for previously issued stock options or an assumption of previously issued stock options. In such event, the aggregate number of shares of Capital Stock available for issuance under Awards under Section 3, including the individual Participant maximums set forth in Section 6 will be increased to reflect such substitution or assumption.

15. Miscellaneous.

(a) Any notice to the Company required by any of the provisions of the Plan shall be addressed to the chief financial officer of the Company in writing, and shall become effective when it is received.

(b) The Plan shall be unfunded and the Company shall not be required to establish any special account or fund or to otherwise segregate or encumber assets to ensure payment of any Award.

(c) Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation arrangements or plans, subject to shareholder approval if such approval is required, and such arrangements or plans may be either generally applicable or applicable only in specific cases.

(d) No Participant shall have any claim or right to be granted an Award under the Plan and nothing contained in the Plan shall be deemed or be construed to give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any Participant at any time without regard to the effect such discharge may have upon the Participant under the Plan. Except to the extent otherwise provided in any plan or in an Award Agreement, no Award under the Plan shall be deemed compensation for purposes of computing benefits or contributions under any other plan of the Company.

(e) Except as may otherwise be required by federal law, the Plan and each Award Agreement shall be governed by the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of California, County of _____, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

(f) In the event that a Participant or the Company brings an action to enforce the terms of the Plan or any Award Agreement and the Company prevails, the Participant shall pay all costs and expenses incurred by the Company in connection with that action, including reasonable attorneys' fees, and all further costs and fees, including reasonable attorneys' fees incurred by the Company in connection with collection.

(g) The Committee and any officers to whom it may delegate authority under Section 5 shall have full power and authority to interpret the Plan and to make any determinations thereunder, including determinations under Section 13, and the Committee's or such officer's determinations shall be binding and conclusive. Determinations made by the Committee or any such officer under the Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.

(h) If any provision of the Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(i) The Plan shall become effective upon adoption by the Board of Directors of the Company. The Plan shall be subject to approval by the affirmative vote of the holders of a majority of the outstanding shares of Capital Stock entitled to vote thereon within one year before or after adoption of the Plan by the Board of Directors.

16. Not a Contract of Employment or for Services.

Nothing contained in the Plan or in any option agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ of the Company or of a subsidiary or parent of the Company or in any way limit the right of the Company, or of any parent or subsidiary thereof, to terminate the employment of any employee.

EXHIBIT 10.22

Mutual Termination Agreement

("Agreement")

with regard to the Master Distribution and Off Take Agreement

("Master Distribution Agreement")

between

Integrated Surgical Systems, Inc.

1850 Research Park Drive

Davis, CA 95616

USA

acting for itself as well as on behalf of ISS B.V., The Netherlands

("ISS")

and

SPARK 1st Vision GmbH & Co. KG

Große Bockenheimer Str. 5) 60313 Frankfurt

Germany

("Distributor")

both hereinafter individually and jointly referred to as "Party" or "Parties"-

with regard to the mutual termination of the above Master Distribution Agreement.

WHEREAS, ISS is a prestigious medical robotics company and the world leader in image-directed, semi-autonomous software and robotic products for surgical applications; and

WHEREAS, ISS has entered into the Master Distribution Agreement with the Distributor with regard to the marketing of ISS services and products on November 12, 1999; and

WHEREAS, the Parties deem it advantageous to both Parties to mutually terminate the Master Distribution Agreement as set forth herein,

NOW, THEREFORE, the Parties agree as follows:

1. In consideration of the release of Distributor from its payment, off-take and other obligations under the Master Distribution Agreement. the Distributor undertakes to pay the sum of DEM 2 million net and without deduction to an account to be designated by ISS until May 11, 2000 at the latest. Such payment shall be in lieu of and in full satisfaction of any outstanding invoices and claims regarding license payments, off-take obligations and reimbursement of sales, marketing and other expenses and cost obligations of the Distributor under the Master Distribution Agreement, currently amounting to EUR 835.390. Upon payment of such amount of DEM 2 million, the Distributor shall be released from and discharged from all payment and off-take obligations under the Master Distribution Agreement and the Master Distribution Agreement including any changes thereof and amendments thereto, if any, shall be mutually terminated in its entirety. ISS shall invoice SPARK accordingly.

2. In consideration of the release under 2 above, the Distributor herewith waives any claims and rights it may have with regard to any commission claims it may have against ISS under the Master Distribution Agreement, irrespective of whether such claims have already become due and payable or not.

3. As of May 1, 2000 the Distributor sha1l refrain from any further marketing activities as set forth in the Master Distribution Agreement and ISS shall be free to organize and pursue any further marketing activities with regard to any products or services of ISS or any subsidiaries of ISS as it deems appropriate. The Distributor shall reasonably assist ISS and any customers so as to ascertain a smooth transition of the services previously rendered by the Distributor towards any customers to ISS at its own cast. Such obligation shall automatically expire upon June 30, 2000, unless the Parties agree upon an extension in writing. The Distributor shall in due course change its firm name to any other firm name that will not create any misunderstanding or confusion.

4. As of May 1, 2000, the Distributor shall be released from all obligations with regard to any employees of ISS B.V. The Netherlands and ISS shall indemnify and hold harmless the Distributor from all claims of such employees or third parties related thereto.

5. The Parties agree that except where expressly set forth otherwise herein, upon payment of the sum of 2 million DEM as above all mutual rights, licenses, obligations and liabilities under the Master Distribution Agreement shall automatically terminate. The parties expressly waive any rights or claims that they may have toward each other under the Master Distribution Agreement, whether oral or in writing, including but not limited to warranty claims, and release each other from any obligations or liabilities in connection therewith.

6. This Agreement shall be governed by the laws of Germany without regard to its conflict of law provisions. Exclusive place of jurisdiction shall be Frankfurt am Main, Germany.

7. This Agreement constitutes the entire understanding and agreement of the parties with regard to the subject matter hereof and supersedes all prior agreements, negotiations, correspondence and understanding between the Parties.

8. Any changes to or amendments to this Agreement shall require written form. This Agreement may not be assigned by either Party without the prior written consent of the other Party.

9. In case any provision of this Agreement is either invalid or not enforceable the validity of the remaining provisions of this Agreement shall not be affected thereby. The Parties undertake to replace the invalid or unenforceable provision by a provision coming as close as possible to the intended commercial purpose of the replaced provision.

Davis, this 9th day of May, 2000

_____

ISS

Frankfurt, this 9th day of May, 2000

_____

DISTRIBUTOR

EXHIBIT 10.23

ILTAG International Licensing Holding S.A.L.

Adnan Al-Hakim Street, Jnah District

Beirut, Lebanon

Personal Undertaking

("Undertaking")

towards

Integrated Surgical Systems, Inc.

1850 Research Park Drive

Davis, CA 95616

USA

WHEREAS, the undersigned has purchased a warrant to purchase 5.850.000 shares of Common Stock of Integrated Surgical Systems, Inc., Davis, CA, USA ("ISS") on December 14,1999 (the "Warrant"); and

WHEREAS, in view of the fact that the undersigned has declined to participate in the next round of financing in ISS; and

NOW, THEREFORE, the undersigned herewith irrevocably makes the following Undertaking:

1. The undersigned herewith irrevocably and unconditionally waives any rights and claims he may have under the Warrant with regard to the purchase of an aggregate of 2.850.000 shares of Common Stock of ISS. The undersigned directs ISS to cancel the Warrant delivered with this Undertaking as to 2.850.000 shares and to reissue to the undersigned until June 30, 2000 at the latest, new warrants ("New Warrants") to purchase the remaining 3 million shares as follows:

- one warrant to purchase 2 million shares;
- four warrants, each to purchase 250.000 shares.

The New Warrants shall have the same terms and conditions as the Warrant except as

set forth in para 2. below.

2. The undersigned further irrevocably undertakes to exercise his right to purchase the following amount of shares of Common Stock of ISS under the New Warrants at any time prior to the respective following dates at a purchase price of 1.02656 USD provided, that the quoted 5-day-average NASDAQ stock price for ISS Common Stock is at least 1.03 USD per share of Common Stock prior to exercise of the New Warrants:

By not later than September 5, 2000 - 250.000 shares of Common Stock

By not later than October 5,2000 - an additional 250.000 shares of Common Stock

By not later than November 5, 2000 - an additional 250.000 shares of Common Stock

By not later than December 5, 2000 - an additional 250.000 shares of Common Stock.

Any New Warrants that are to be exercised as above shall automatically expire in case they are not exercised upon the respective above dates.

With regard to the balance of 2.000.000 shares of Common Stock of ISS the terms and conditions of the New Warrants shall fully apply and the undersigned shall not be subject to any further restrictions or obligations except those set forth in the New Warrants.

3. This Undertaking shall be subject to German law without regard to its conflict of laws provisions. Exclusive place of jurisdiction shall be Zurich, Switzerland. This Undertaking constitutes the entire Undertaking of the undersigned regarding the subject matter hereof.

Beirut, May 30, 2000

ILTAG

EXHIBIT 10.24

Urs Wettstein

Seedammstrasse 58

CH-8640 Hurden

Personal Undertaking

("Undertaking")

towards

Integrated Surgical Systems, Inc.

1850 Research Park Drive

Davis, CA 95616

USA

WHEREAS, the undersigned has purchased a warrant to purchase 2.925.000 shares of Common Stock of Integrated Surgical Systems, Inc., Davis, CA, USA ("ISS") on December 14,1999 (the "Warrant"); and

WHEREAS, in view of the fact that the undersigned has declined to participate in the next round of financing in ISS; and

WHEREAS, the undersigned intends to resign from the Board of ISS effective June 10, 2000 and will reduce his personal attention and contributions to ISS to that of a mere financial investor;

NOW, THEREFORE, the undersigned herewith irrevocably makes the following Undertaking:

1. The undersigned herewith irrevocably and unconditionally waives any rights and claims he may have under the Warrant with regard to the purchase of an aggregate of 1.425.000 shares of Common Stock of ISS. The undersigned directs ISS to cancel the Warrant delivered with this Undertaking as to 1.425.000 shares and to reissue to the undersigned until June 30, 2000 at the latest, new warrants ("New Warrants") to purchase the remaining 1.5 million shares as follows:

- one warrant to purchase 1 million shares;

- four warrants, each to purchase 125.000 shares.

The New Warrants shall have the same terms and conditions as the Warrant except as

set forth in para 2. below.

2. The undersigned further irrevocably undertakes to exercise his right to purchase the following amount of shares of Common Stock of ISS under the New Warrants at any time prior to the respective following dates at a purchase price of 1.02656 USD provided, that the quoted 5-day-average NASDAQ stock price for ISS Common Stock is at least 1.03 USD per share of Common Stock prior to exercise of the New Warrants:

By not later than September 5, 2000 - 125.000 shares of Common Stock

By not later than October 5,2000 - an additional 125.000 shares of Common Stock

By not later than November 5, 2000 - an additional 125.000 shares of Common Stock

By not later than December 5, 2000 - an additional 125.000 shares of Common Stock.

Any New Warrants that are to be exercised as above shall automatically expire in case they are not exercised upon the respective above dates.

With regard to the balance of 1.000.000 shares of Common Stock of ISS the terms and conditions of the New Warrants shall fully apply and the undersigned shall not be subject to any further restrictions or obligations except those set forth in the New Warrants.

3. This Undertaking shall be subject to German law without regard to its conflict of laws provisions. Exclusive place of jurisdiction shall be Zurich, Switzerland. This Undertaking constitutes the entire Undertaking of the undersigned regarding the subject matter hereof.

Hurden, May 21, 2000

Urs Wettstein

EXHIBIT 10.25

Bernd Thomas Herrmann

371 Avenue des Papalins

MC -98000 Monaco

Personal Undertaking ("Undertaking")

towards

Integrated Surgical Systems, Inc.

1850 Research Park Drive

Davis, CA 95616

USA

WHEREAS, the undersigned has purchased a warrant to purchase 2.925.000 shares of Common Stock of Integrated Surgical Systems, Inc., Davis, CA, USA ("ISS") on December 14,1999 (the "Warrant"); and

WHEREAS, in view of the fact that the undersigned has declined to participate in the next round of financing in ISS; and

WHEREAS, the undersigned intends to resign from the Board of ISS effective June 10, 2000 and will reduce his personal attention and contributions to ISS to that of a mere financial investor;

NOW, THEREFORE, the undersigned herewith irrevocably makes the following Undertaking:

1. The undersigned herewith irrevocably and unconditionally waives any rights and claims

he may have under the Warrant with regard to the purchase of an aggregate of 1.425.000 shares of Common Stock of ISS. The undersigned directs ISS to cancel the Warrant delivered with this Undertaking as to 1.425.000 shares and to reissue to the undersigned until June 30, 2000 at the latest, new warrants ("New Warrants") to purchase the remaining 1.5 million shares as follows:

one warrant to purchase 1 million shares;

four warrants, each to purchase 125.000 shares.

The New Warrants shall have the same terms and conditions as the Warrant except as

set forth in para 2. below.

2. The undersigned further irrevocably undertakes to exercise his right to purchase the following amount of shares of Common Stock of ISS under the New Warrants at any time prior to the respective following dates at a purchase price of 1.02656 USD provided, that the quoted 5-day-average NASDAQ stock price for ISS Common Stock is at least 1.03 USD per share of Common Stock prior to exercise of the New Warrants:

By not later than September 5, 2000 - 125.000 shares of Common Stock

By not later than October 5,2000 - an additional 125.000 shares of Common Stock

By not later than November 5, 2000 - an additional 125.000 shares of Common Stock

By not later than December 5, 2000 - an additional 125.000 shares of Common Stock.

Any New Warrants that are to be exercised as above shall automatically expire in case they are not exercised upon the respective above dates.

With regard to the balance of 1.000.000 shares of Common Stock of ISS the terms and conditions of the New Warrants shall fully apply and the undersigned shall not be subject to any further restrictions or obligations except those set forth in the New Warrants.

3. This Undertaking shall be subject to Californian law without regard to its conflict of laws provisions. Exclusive place of jurisdiction shall be Zurich, Switzerland. This Undertaking constitutes the entire Undertaking of the undersigned regarding the subject matter hereof.

Monaco, May l6, 2000

Bernd Thomas Herrmann

EXHIBIT 10.26

PRIVATE EQUITY LINE OF CREDIT AGREEMENT

between

Integrated Surgical Systems, Inc.

and

Triton West Group, Inc.

PRIVATE EQUITY LINE OF CREDIT AGREEMENT dated as of September 15, 2000 (the "Agreement"), between Integrated Surgical Systems, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), and Triton West Group, Inc., a corporation organized and existing under the laws of the Cayman Islands (the "Investor").

WHEREAS, the Investor desires to purchase from the Company, and the Company is willing to sell to the Investor, from time to time, up to $12,000,000 (the "Aggregate Purchase Price") of the Company's common stock, par value $.01 per share (the "Common Stock"), on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, such investments will be made by the Investor as a statutory underwriter of a registered indirect primary offering of such Common Stock by the Company;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
Certain Definitions

Section 1.1 "Bid Price" shall mean the closing bid price (as reported by Bloomberg L.P.) of the Common Stock on the Principal Market.

Section 1.2 "Capital Shares" shall mean the Common Stock and any shares of any other class of common stock whether now or hereafter authorized, having the right to participate in the distribution of earnings and assets of the Company.

Section 1.3 "Capital Shares Equivalents" shall mean any securities, rights, or obligations that are convertible into or exchangeable for or give any right to subscribe for any Capital Shares of the Company or any warrants, options or other rights to subscribe for or purchase Capital Shares or any such convertible or exchangeable securities.

Section 1.4 "Closing" shall mean one of the closings of a purchase and sale of the Common Stock pursuant to Section 2.1.

Section 1.5 "Closing Date" shall mean, with respect to a Closing, the seventh Trading Day following the Put Date related to such Closing, provided all conditions to such Closing have been satisfied on or before such Trading Day.

Section 1.6 "Commitment Amount" shall mean the $12,000,000 up to which the Investor has agreed to provide to the Company in order to purchase the Put Shares pursuant to the terms and conditions of this Agreement.

Section 1.7 "Commitment Period" shall mean the period commencing on the Effective Date and expiring on the earliest to occur of (x) the date on which the Investor shall have purchased Put Shares pursuant to this Agreement for an aggregate Purchase Price of $12,000,000, (y) the date this Agreement is terminated pursuant to Section 2.4, or (z) the date occurring three years from the date of commencement of the Commitment Period.

Section 1.8 "Common Stock" shall mean the Company's common stock, par value $.01 per share.

Section 1.9 "Condition Satisfaction Date" shall have the meaning set forth in Section 7.2.

Section 1.10 "Effective Date" shall mean the date on which the SEC first declares effective a Registration Statement registering the sale by the Company and resale by the Investor of the Registrable Securities as set forth in Section 7.2(e).

Section 1.11 "Escrow Agent" shall mean the escrow agent designated in the Escrow Agreement.

Section 1.12 "Escrow Agreement" shall mean the escrow agreement in the form attached hereto as Exhibit A.

Section 1.13"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Section 1.14 "Investment Amount" shall mean the total dollar amount to be invested by the Investor to purchase Put Shares with respect to any Put Date as notified by the Company to the Investor, all in accordance with Section 2.2 hereof.

Section 1.15 "Market Price" on any given date shall mean the lowest Bid Price (as reported by Bloomberg L.P.) of the Common Stock during the Valuation Period relating to such date.

Section 1.16 "Material Adverse Effect" shall mean any effect on the business, operations, properties, prospects, or financial condition of the Company that is material and adverse to the Company and its subsidiaries and affiliates, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement, the Registration Rights Agreement or the Escrow Agreement in any material respect.

Section 1.17 "Maximum Put Amount" shall mean the amount indicated by the following table:

Stock Bid Price	15,000-50,000 Avg. 30 Trading Day Volume	50,001-100,000 Avg. 30 Trading Day Volume	100,001-150,000 Avg. 30 Trading Day Volume	150,001-Above Avg. 30 Trading Day Volume
$0.50-1.00	$400,000	$400,000	$600,000	$600,000

1.00-3.00	$500,000	$500,000	$750,000	$750,000
3.01-4.50	$500,000	$750,000	$750,000	$1,000,000
4.51-6.00	$750,000	$750,000	$1,000,000	$1,000,000
6.01-7.50	$750,000	$1,000,000	$1,000,000	$1,250,000
7.51-9.00	$1,000,000	$1,000,000	$1,250,000	$1,250,000
9.01-Above	$1,000,000	$1,250,000	$1,250,000	$1,500,000

If the Bid Price or the thirty-day average trading volumes shall be less than the parameters set forth in the foregoing table, the Maximum Put Amount shall be $250,000.

Section 1.18 "NASD" shall mean the National Association of Securities Dealers, Inc.

Section 1.19 "Outstanding" when used with reference to shares of Common Stock or Capital Shares (collectively the "Shares"), shall mean, at any date as of which the number of such Shares is to be determined, all issued and outstanding Shares, and shall include all such Shares issuable in respect of outstanding scrip or any certificates representing fractional interests in such Shares; provided, however, that "Outstanding" shall not mean any such Shares then directly or indirectly owned or held by or for the account of the Company.

Section 1.20 "Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Section 1.21 "Principal Market" shall mean the NASDAQ National Market, the NASDAQ SmallCap Market, the American Stock Exchange, the New York Stock Exchange or the OTC Bulletin Board, whichever is at the time the principal trading exchange or market for the Common Stock.

Section 1.22 "Purchase Price" shall mean with respect to Put Shares, eight-eight percent (88%) of the Market Price for the Valuation Period applicable to a Put Date (or such other date on which the Purchase Price is calculated in accordance with the terms and conditions of this Agreement).

Section 1.23 "Put" shall mean each occasion the Company elects to exercise its right to tender a Put Notice requiring the Investor to purchase shares of Common Stock, subject to the terms of this Agreement.

Section 1.24 "Put Date" shall mean the Trading Day during the Commitment Period that a Put Notice to sell Common Stock to the Investor is deemed delivered pursuant to Section 2.2(b) hereof.

Section 1.25 "Put Notice" shall mean a written notice to the Investor setting forth the Investment Amount that the Company intends to sell to the Investor in the form attached hereto as Exhibit B.

Section 1.26 "Put Shares" shall mean all shares of Common Stock or other securities issued or issuable pursuant to a Put that has occurred or may occur in accordance with the terms and conditions of this Agreement.

Section 1.27 "Registrable Securities" shall mean the Put Shares and Warrant Shares until (i) all Put Shares and Warrant Shares have been disposed of pursuant to the Registration Statement, (ii) all Put Shares and Warrant Shares have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act ("Rule 144") are met, (iii) all Put Shares and Warrant Shares have been otherwise transferred to persons who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend or (iv) such time as, in the opinion of counsel to the Company, all Put Shares and Warrant Shares may be sold without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the Securities Act.

Section 1.28 "Registration Rights Agreement" shall mean the registration rights Agreement between the Company and the Investor in the form of Exhibit D attached hereto.

Section 1.29 "Registration Statement" shall mean the Company's registration statement on Form SB-2, and any subsequent Form SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC, for which the Company then qualifies and which counsel for the Company shall deem appropriate, and which form shall be available for the resale by the Investor of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement, and in accordance with the intended method of distribution of such securities), for the registration of the resale by the Investor of the Registrable Securities under the Securities Act.

Section 1.30 "SEC" shall mean the Securities and Exchange Commission.

Section 1.31 "Securities Act" shall have the meaning set forth in the recitals of this Agreement.

Section 1.32 "SEC Documents" shall mean the Company's latest Form 10-K or 10-KSB as of the time in question, all Forms 10-Q or 10-QSB and 8-K filed thereafter, and the Proxy Statement for its latest fiscal year as of the time in question until such time as the Company no longer has an obligation to maintain the effectiveness of a Registration Statement.

Section 1.33 Trading Cushion" shall mean the mandatory fifteen (15) Trading Days between Put Dates.

Section 1.34 "Trading Day" shall mean any day during which the Principal Market shall be open for business.

Section 1.35 "Valuation Event" shall mean an event in which the Company at any time after the date of this Agreement and prior to the end of the Commitment Period takes any of the following actions:

a. subdivides or combines its Common Stock;

b. pays a dividend in its Capital Stock or makes any other distribution of its Capital Shares;

c. issues any additional Capital Shares ("Additional Capital Shares"), otherwise than as provided in the foregoing Subsections (a) and (b) above or (d) and (e) below, at a price per share less, or for other consideration lower, than the Bid Price in effect immediately prior to such issuance, or without consideration (other than pursuant to this Agreement);

d. issues any warrants, options or other rights to subscribe for or purchase any Additional Capital Shares and the price per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to such warrants, options or other rights shall be less than the Bid Price in effect immediately prior to such issuance;

e. issues any securities convertible into or exchangeable for Capital Shares and the consideration per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to the terms of such convertible or exchangeable securities shall be less than the Bid Price in effect immediately prior to such issuance;

f. makes a distribution of its assets or evidences of indebtedness to the holders of its Capital Shares as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law or any distribution to such holders made in respect of the sale of all or substantially all of the Company's assets (other than under the circumstances provided for in the foregoing subsections (a) through (e); or

g. takes any action affecting the number of Outstanding Capital Shares, other than an action described in any of the foregoing Subsections (a) through (f) hereof, inclusive, which in the opinion of the Company's Board of Directors, determined in good faith, would have a Material Adverse Effect upon the rights of the Investor at the time of a Put.

Section 1.36 "Valuation Period" shall mean the period of nine (9) Trading Days during which the Purchase Price of the Common Stock is valued, which period shall be with respect to the Purchase Price on any Put Date, the two (2) Trading Days immediately preceding and the six (6) Trading Days following the Trading Day on which a Put Notice is deemed to be delivered, as well as the Trading Day on which such notice is deemed to be delivered; provided, however, that if a Valuation Event occurs during a Valuation Period, a new Valuation Period shall begin on the Trading Day immediately after the occurrence of such Valuation Event and end on the sixth Trading Day thereafter.

Section 1.37 "Warrants" shall mean warrants to purchase up to 35,000 shares of Common Stock to be issued to Triton upon execution of this Agreement, in the form of Exhibit D hereto. The Warrants shall be exercisable for a period of three years commencing six months after the date of this Agreement at an initial exercise price equal to 125% of the Market Price determined as of the date of this Agreement.

Section 1.38 "Warrant Shares" shall mean the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II
Purchase and Sale of Common Stock

1. Investments.

   a. Puts. Upon the terms and conditions set forth herein (including, without limitation, the provisions of Article VII hereof), on any Put Date the Company may make a Put by the delivery of a Put Notice. The number of Put Shares that the Investor shall purchase pursuant to such Put shall be determined by dividing the Investment Amount specified in the Put Notice by the Purchase Price on such Put Date, which amount shall not exceed the Maximum Put Amount on such date.

   b. Maximum Aggregate Amount of Puts. Anything in this Agreement to the contrary notwithstanding, (i) at no time will the Company request a Put which would result in the issuance of an aggregate number of shares of Common Stock pursuant to this Agreement which exceeds 19.9% of the number of shares of Common Stock issued and outstanding on any Closing Date without obtaining stockholder approval of such excess issuance, and (ii) the Company may not make a Put to the extent that, after such purchase by the Investor, the sum of the number of shares of Common Stock and Warrants beneficially owned by the Investor and its affiliates would result in beneficial ownership by such Investor and its affiliates of more than 4.9% of the then outstanding shares of Common Stock. For purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act.

2. Mechanics.

   a. Put Notice. At any time during the Commitment Period, the Company may deliver a Put Notice to the Investor, subject to the conditions set forth in Section 7.2; provided, however, that the Investment Amount for each Put as designated by the Company in the applicable Put Notice shall be neither less than $100,000 nor more than the Maximum Put Amount.

   b. Date of Delivery of Put Notice. A Put Notice shall be deemed delivered on (i) the Trading Day it is received by facsimile or otherwise by the Investor if such notice is received prior to 12:00 noon Eastern Time, or (ii) the immediately succeeding Trading Day if it is received by facsimile or otherwise after 12:00 noon Eastern Time on a Trading Day or at any time on a day which is not a Trading Day. No Put Notice may be deemed delivered on a day that is not a Trading Day.

3. Closings. On or before each Closing Date for a Put (i) the Company shall arrange for its transfer agent to deliver the Put Shares to be purchased by the Investor pursuant to Section 2.1 herein to the Depository Trust Company ("DTC") brokerage account specified by the Investor if the Company has been notified in writing that the Investment Amount is held by the Escrow Agent and (ii) the Investor shall deliver the Investment Amount specified in the Put Notice by wire transfer of immediately available funds to the Escrow Agent on or before the Closing Date. In addition, on or prior to each Closing Date, each of the Company and the Investor shall deliver to the Escrow Agent all documents, instruments and writings required to be delivered or reasonably requested by either of them pursuant to this Agreement in order to implement and effect the transactions contemplated herein. Payment of funds to the Company shall occur out of escrow in accordance with the Escrow Agreement; provided, however, that to the extent the Company has not paid the fees, expenses, and disbursements of the Investor's counsel in accordance with Section 14.7, the amount of such fees, expenses, and disbursements shall be paid in immediately available funds, at the direction of the Investor, to Investor's counsel with no reduction in the number of Put Shares issuable to the Investor on such Closing Date.

4. Termination of Investment Obligation. The obligation of the Investor to purchase shares of Common Stock shall terminate permanently (including with respect to a Closing Date that has not yet occurred) in the event that (i) there shall occur any stop order or suspension of the effectiveness of the Registration Statement for an aggregate of twenty (20) Trading Days during the Commitment Period, for any reason other than deferrals or suspensions in accordance with the Registration Rights Agreement as a result of corporate developments subsequent to the Effective Date that would require such Registration Statement to be amended to reflect such event in order to maintain its compliance with the disclosure requirements of the Securities Act or (ii) the Company shall at any time fail to comply with the requirements of Section 6.3, 6.4 or 6.6.

5. Additional Shares. In the event that (a) within five Trading Days of any Closing Date, the Company gives notice to the Investor of an impending "blackout period" during which the use of the Registration Statement is not permitted due to the Company's non-disclosure of material information, and (b) the Bid Price on the Trading Day immediately preceding such "blackout period" (the "Old Bid Price") is greater than the Bid Price on the first Trading Day following such "blackout period" (the "New Bid Price") the Company shall issue to the Investor a number of additional shares (the "Blackout Shares") equal to the difference between (y) the product of the number of Registrable Securities held by the Investor during such "blackout period" that are not otherwise freely tradable during such "blackout period" and the Old Bid Price, divided by the New Bid Price and (z) the number of Registrable Securities held by the Investor during such "blackout period" that are not otherwise freely tradable during such "blackout period". If any such issuance would result in the issuance of a number of shares which exceeds the number set forth in Section 2.1(b), then in lieu of such issuance, the Company shall pay the Investor the closing bid price of the Blackout Shares on the first Trading Day following the end of the blackout period in cash within five Trading Days.

ARTICLE III

Representations and Warranties of Investor

The Investor represents and warrants to the Company that:

1. Intent. The Investor is entering into this Agreement for its own account and the Investor has no present arrangement (whether or not legally binding) at any time to sell the Common Stock to or through any person or entity; provided, however, that by making the representations herein, the Investor does not agree to hold the Common Stock for any minimum or other specific term and reserves the right to dispose of the Common Stock at any time in accordance with federal and state securities laws applicable to such disposition.

2. Sophisticated Investor. The Investor is a sophisticated investor (as described in Rule 506(b)(2)(ii) of Regulation D) and an accredited investor (as defined in Rule 501 of Regulation D), and Investor has such experience in business and financial matters that it has the capacity to protect its own interests in connection with this transaction and is capable of evaluating the merits and risks of an investment in Common Stock. The Investor acknowledges that an investment in the Common Stock is speculative and involves a high degree of risk.

3. Authority. This Agreement has been duly authorized and validly executed and delivered by the Investor and is a valid and binding agreement of the Investor enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

4. Not an Affiliate. Investor is not an officer, director or "affiliate" (as that term is defined in Rule 405 of the Securities Act) of the Company.

5. Organization and Standing. Investor is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation.

6. Absence of Conflicts. The execution and delivery of this Agreement and any other document or instrument executed in connection herewith, and the consummation of the transactions contemplated thereby, and compliance with the requirements thereof, will not violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Investor, or, to the Investor's knowledge, (a) violate any provision of any indenture, instrument or agreement to which Investor is a party or is subject, or by which Investor or any of its assets is bound; (b) conflict with or constitute a material default thereunder; (c) result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement, or constitute a breach of any fiduciary duty owed by Investor to any third party; or (d) require the approval of any third-party (which has not been obtained) pursuant to any material contract, agreement, instrument, relationship or legal obligation to which Investor is subject or to which any of its assets, operations or management may be subject.

7. Disclosure; Access to Information. Investor has received and reviewed all documents, records, books and other publicly available information pertaining to Investor's investment in the Company that have been requested by Investor. The Company is subject to the periodic reporting requirements of the Exchange Act, and Investor has reviewed copies of any such reports that have been requested by it.

8. Manner of Sale. At no time was Investor presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.

9. Financial Capacity. Investor currently has the financial capacity to meet its obligations to the Company hereunder, and the Investor has no present knowledge of any circumstances which could cause it to become unable to meet such obligations in the future.

10. Underwriter Liability. Investor understands that it is the position of the SEC that the Investor is an underwriter within the meaning of Section 2(11) of the Securities Act and that the Investor will be identified as an underwriter of the Put Shares in the Registration Statement.

ARTICLE IV
Representations and Warranties of the Company

The Company represents and warrants to the Investor that, except as set forth on the Schedule of Exceptions attached hereto:

1. Organization of the Company. The Company is a corporation duly incorporated and existing in good standing under the laws of the State of Delaware and has all requisite corporate authority to own its properties and to carry on its business as now being conducted. The Company does not have any subsidiaries and does not own more that fifty percent (50%) of or control any other business entity, except as set forth in the SEC Documents. The Company is duly qualified and is in good standing as a foreign corporation to do business in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, other than those in which the failure so to qualify would not have a Material Adverse Effect.

2. Authority. (i) The Company has the requisite corporate power and corporate authority to enter into and perform its obligations under this Agreement, the Registration Rights Agreement, the Warrants and the Escrow Agreement and to issue the Put Shares, the Warrant and the Warrant Shares, (ii) the execution, issuance and delivery of this Agreement, the Registration Rights Agreement, the Warrants and the Escrow Agreement and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required (except as provided in Section 2.1(b)), and (iii) this Agreement, the Registration Rights Agreement, the Warrants and the Escrow Agreement have been duly executed and delivered by the Company and constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application. The Company has duly and validly authorized and reserved for issuance shares of Common Stock sufficient in number for the issuance of the

Put Shares at the Floor Price. The Company understands and acknowledges the potentially dilutive effect to the Common Stock of the issuance of the Put Shares.

3. Capitalization. The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, $.01 par value per share, and 987,930 shares of preferred stock, par value $.01 per share, 2,000 of which have been designated as Series F Convertible Preferred Stock, 1,800 of which have been designated as Series G Convertible Preferred Stock and 1,200 have been designated as Series H Convertible Preferred Stock. As of August 18, 2000, 17,559,040 shares of Common Stock and 3,188 shares of preferred stock were issued and outstanding. Except as set forth in the Schedule of Exceptions or in the SEC Documents, there are no outstanding Capital Shares Equivalents nor any agreement or understandings pursuant to which any Capital Shares Equivalents may become outstanding. Except as set forth in the Schedule of Exceptions, the Company is not a party to any agreement granting registration or anti-dilution rights to any person with respect to any of its equity or debt securities. All of the outstanding shares of Common Stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

4. Common Stock. The Company has registered its Common Stock pursuant to Section 12(b) or (g) of the Exchange Act and is in full compliance with all reporting requirements of the Exchange Act. As of the date of this Agreement, the Common Stock is quoted on the Nasdaq SmallCap Market.

5. SEC Documents. The Company has delivered or made available to the Investor true and complete copies of the SEC Documents. The Company has not provided to the Investor any information that, according to applicable law, rule or regulation, should have been disclosed publicly prior to the date hereof by the Company, but which has not been so disclosed. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, and rules and regulations of the SEC promulgated thereunder and the SEC Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto at the time of such inclusion. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments). Neither the Company nor any of its subsidiaries has any material indebtedness, obligations or liabilities of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due) that would have been required to be reflected in, reserved against or otherwise described in the financial statements or in the notes thereto in accordance with GAAP, which was not fully reflected in, reserved against or otherwise described in the financial statements or the notes thereto included in the SEC Documents or was not incurred in the ordinary course of business consistent with the Company's past practices since the last date of such financial statements.

6. Valid Issuances. When issued and paid for in accordance with a Put, the Put Shares will be registered for sale to the Investor by the Company and by the Investor to the public, and will be duly and validly issued, fully paid, and non-assessable. When issued and paid for upon exercise of the Warrants, the Warrant Shares will be registered for sale to the Investor by the Company and will be duly and validly issued, fully paid, and non-assessable. Neither the sales of the Put Shares nor the Company's performance of its obligations under this Agreement, the Registration Rights Agreement, the Warrants or the Escrow Agreement will (i) result in the creation or imposition by the Company of any liens, charges, claims or other encumbrances upon the Put Shares or Warrant Shares or, except as contemplated herein, any of the assets of the Company, or (ii) entitle the holders of Outstanding Capital Shares to preemptive or other rights to subscribe to or acquire the Capital Shares or other securities of the Company. The Put Shares, the Warrants and the Warrant Shares shall not subject the Investor to personal liability to the Company or its creditors by reason of the possession thereof.

7. No Conflicts. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including without limitation the issuance of the Put Shares, the Warrants or the Warrant Shares, do not and will not (i) result in a violation of the Company's Restated Certificate of Incorporation or By-Laws, each as amended as of the date of this Agreement, or (ii) conflict with, or constitute a material default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument, or any "lock-up" or similar provision of any underwriting or similar agreement to which the Company is a party, or (iii) result in a violation of any federal, state or local law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or by which any material property or asset of the Company is bound or affected, nor is the Company otherwise in violation of, conflict with or default under any of the foregoing (except in each case for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not have, individually or in the aggregate, a Material Adverse Effect). The business of the Company is not being conducted in violation of any law, ordinance or regulation of any governmental entity, except for possible violations that either singly or in the aggregate would not have a Material Adverse Effect. The Company is not required under federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or issue and sell the Put Shares, the Warrants or the Warrant Shares in accordance with the terms hereof (other than any SEC, Nasdaq or state securities filings that may be required to be made by the Company subsequent to Closing, any registration statement that may be filed pursuant hereto, and any shareholder approval required by the rules applicable to companies whose common stock trades on the Nasdaq Stock Market); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Investor herein.

8. No Material Adverse Change. Since December 31, 1999, no Material Adverse Effect has occurred or exists with respect to the Company, except as disclosed in the SEC Documents.

9. No Undisclosed Events or Circumstances. Since December 31, 1999, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, prospects, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the SEC Documents.

10. Litigation and Other Proceedings. Except as disclosed in the SEC Documents, there are no lawsuits or proceedings pending or, to the knowledge of the Company, threatened, against the Company, nor has the Company received any written or oral notice of any such action, suit, proceeding or investigation, which could reasonably be expected to have a Material Adverse Effect. Except as set forth in the SEC Documents, no judgment, order, writ, injunction or decree or award has been issued by or, to the knowledge of the Company, requested of any court, arbitrator or governmental agency which could result in a Material Adverse Effect.

11. No Misleading or Untrue Communication. The Company and, to the knowledge of the Company, any person representing the Company, or any other person selling or offering to sell the Put Shares or the Warrants in connection with the transaction contemplated by this Agreement, have not made, at any time, any oral communication in connection with the offer or sale of the same which contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

12. Material Non-Public Information. The Company has not disclosed to the Investor any material non-public information that (i) if disclosed, would reasonably be expected to have a material effect on the price of the Common Stock or (ii) according to applicable law, rule or regulation, should have been disclosed publicly by the Company prior to the date hereof but which has not been so disclosed.

13. Insurance. The Company maintains property and casualty, general liability, workers' compensation, environmental hazard, personal injury and other similar types of insurance with financially sound and reputable insurers that is adequate, consistent with industry standards and the Company's historical claims experience. The Company has not received notice from, and has no knowledge of any threat by, any insurer (that has issued any insurance policy to the Company) that such insurer intends to deny coverage under or cancel, discontinue or not renew any insurance policy presently in force.

14. Tax Matters.

    a. The Company has filed all Tax Returns which it is required to file under applicable laws, or has requested extensions for filing such Tax Returns; all such Tax Returns are true and accurate and have been prepared in compliance with all applicable laws; the Company has paid all Taxes due and owing by it (whether or not such Taxes are required to be shown on a Tax Return) and have withheld and paid over to the appropriate taxing authorities all Taxes which it is required to withhold from amounts paid or owing to any employee, stockholder, creditor or other third parties; and since December 31, 1999, the charges, accruals and reserves for Taxes with respect to the Company (including any provisions for deferred income taxes) reflected on the books of the Company are adequate to cover any Tax liabilities of the Company if its current tax year were treated as ending on the date hereof.

    b. No claim has been made by a taxing authority in a jurisdiction where the Company does not file tax returns that such corporation is or may be subject to taxation by that jurisdiction. There are no foreign, federal, state or local tax audits or administrative or judicial proceedings pending or being conducted with respect to the Company; no information related to Tax matters has been requested by any foreign, federal, state or local taxing authority; and, except as disclosed above, no written notice indicating an intent to open an audit or other review has been received by the Company from any foreign, federal, state or local taxing authority. There are no material unresolved questions or claims concerning the Company's Tax liability. The Company (A) has not executed or entered into a closing agreement pursuant to 7121 of the Internal Revenue Code or any predecessor provision thereof or any similar provision of state, local or foreign law; or (B) has not agreed to or is required to make any adjustments pursuant to 481 (a) of the Internal Revenue Code or any similar provision of state, local or foreign law by reason of a change in accounting method initiated by the Company or any of its subsidiaries or has any knowledge that the IRS has proposed any such adjustment or change in accounting method, or has any application pending with any taxing authority requesting permission for any changes in accounting methods that relate to the business or operations of the Company. The Company has not been a United States real property holding corporation within the meaning of 897(c)(2) of the Internal Revenue Code during the applicable period specified in 897(c)(1)(A)(ii) of the Internal Revenue Code.

    c. The Company has not made an election under 341(f) of the Internal Revenue Code. The Company is not liable for the Taxes of another person that is not a subsidiary of the Company under (A) Treas. Reg. 1.1502-6 (or comparable provisions of state, local or foreign law), (B) as a transferee or successor, (C) by contract or indemnity or (D) otherwise. The Company is not a party to any tax sharing agreement. The Company has not made any payments, is obligated to make payments or is a party to an agreement that could obligate it to make any payments that would not be deductible under 280G of the Internal Revenue Code.

    d. For purposes of this Section 4.14:

"IRS" means the United States Internal Revenue Service.

"Tax" or "Taxes" means federal, state, county, local, foreign, or other income, gross receipts, ad valorem, franchise, profits, sales or use, transfer, registration, excise, utility, environmental, communications, real or personal property, capital stock, license, payroll, wage or other withholding, employment, social security, severance, stamp, occupation, alternative or add-on minimum, estimated and other taxes of any kind whatsoever (including, without limitation, deficiencies, penalties, additions to tax, and interest attributable thereto) whether disputed or not.

"Tax Return" means any return, information report or filing with respect to Taxes, including any schedules attached thereto and including any amendment thereof.

15. Property. Neither the Company nor any of its subsidiaries owns any real property except as set forth in the SEC Documents. Each of the Company and its subsidiaries has good and marketable title to all personal property owned by it, free and clear of all liens, encumbrances and defects except such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company; and to the Company's knowledge any real property and buildings held under lease by the Company as tenant are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and intended to be made of such property and buildings by the Company.

16. Licensing and Permits. The Company holds all necessary licenses and permits for the conduct of its business. All of such licenses and permits are in good standing and the Company is not in material default of any of the conditions thereof.

17. Intellectual Property. Each of the Company and its subsidiaries owns or possesses adequate and enforceable rights to use all patents, patent applications, trademarks, trademark applications, trade names, service marks, copyrights, copyright applications, licenses, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other similar rights and proprietary knowledge (collectively, "Intangibles") necessary for the conduct of its business as now being conducted. To the Company's knowledge, except as disclosed in the SEC Documents neither the Company nor any of its subsidiaries is infringing upon or in conflict with any right of any other person with respect to any Intangibles. Except as disclosed in the SEC Documents, no claims have been asserted by any person to the ownership or use of any Intangibles and the Company has no knowledge of any basis for such claim.

18. Internal Controls and Procedures. The Company maintains books and records and internal accounting controls which provide reasonable assurance that (i) all transactions to which the Company is a party or by which its properties are bound are executed with management's authorization; (ii) the recorded accounting of the Company's assets is compared with existing assets at regular intervals; (iii) access to the Company's assets is permitted only in accordance with management's authorization; and (iv) all transactions to which the Company is a party or by which its properties are bound are recorded as necessary to permit preparation of the financial statements of the Company in accordance with U.S. generally accepted accounting principles.

19. Payments and Contributions. Neither the Company nor any of its directors, officers or, to its knowledge, other employees has (i) used any Company funds for any unlawful contribution, endorsement, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment of Company funds to any foreign or domestic government official or employee; (iii) violated or is in violation of any provision of the

Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other similar payment to any person with respect to Company matters.

20. No Misrepresentation. Except as set forth in the Disclosure Schedule, the representations and warranties of the Company contained in this Agreement, any schedule, annex or exhibit hereto and any agreement, instrument or certificate furnished by the Company to the Investor pursuant to this Agreement, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ARTICLE V
Covenants of the Investor

Investor covenants with the Company that:

1. Compliance with Law. The Investor's trading activities with respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and rules and regulations of the Principal Market on which the Company's Common Stock is listed. Without limiting the generality of the foregoing, the Investor agrees that it will, whenever required by federal securities laws, deliver the prospectus included in the Registration Statement to any purchaser of Put Shares from the Investor.

2. Short Sales. The Investor and its affiliates shall not engage in short sales of the Company's Common Stock; provided, however, that the Investor may enter into any short sale or other hedging or similar arrangement it deems appropriate (collectively, a "short sale") with respect to the Put Shares, so long as such Shares or arrangements do not involve more than the number of such Put Shares (determined as of the date of such Put Notice) and are otherwise in compliance with Regulation M under the Securities Act.

ARTICLE VI
Covenants of the Company

1. Registration Rights. The Company shall cause the Registration Statement to become and then remain effective throughout the term of this Agreement, or until all shares of Common Stock registered thereunder have been sold, in which event the Company shall file a further Registration Statement permitting the sale of additional Put Shares and the Warrant Shares, which such additional Registration Statement shall be effective within one hundred twenty (120) days of the termination or withdrawal of the present Registration Statement, or the Investor's obligations under this Agreement shall terminate.

2. Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, shares of Common Stock for the purpose of enabling the Company issue the Put Shares. The number of shares so reserved from time to time, as theretofore increased or reduced as hereinafter provided, may be reduced by the number of shares actually delivered hereunder.

3. Listing of Common Stock. The Company hereby agrees to maintain the listing of the Common Stock on a Principal Market, and as soon as practicable (but in any event prior to the commencement of the Commitment Period) to list the Put Shares and the Warrant Shares. The Company further agrees, if the Company applies to have the Common Stock traded on any other Principal Market, it will include in such application the Put Shares and the Warrant Shares and will take such other action as is necessary or desirable in the opinion of the Investor to cause the Common Stock to be listed on such other Principal Market as promptly as possible. The Company will take all action to continue the listing and trading of its Common Stock on the Principal Market (including, without limitation, maintaining sufficient net tangible assets) and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market and shall provide the Investor with copies of any correspondence to or from such Principal Market which questions or threatens delisting of the Common Stock, within one Trading Day of the Company's receipt thereof.

4. Exchange Act Registration. The Company will cause its Common Stock to continue to be registered under Section 12(g) or 12(b) of the Exchange Act, will use its best efforts to comply in all respects with its reporting and filing obligations under the Exchange Act, and will not take any action or file any document (whether or not permitted by Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Act.

5. Legends. The certificates evidencing the Common Stock to be sold to the Investor shall be free of restrictive legends.

6. Corporate Existence. The Company will take all steps necessary to preserve and continue the corporate existence of the Company.

7. . Notice of Certain Events Affecting Registration; Suspension of Right to Make a Put. The Company will immediately notify the Investor upon the occurrence of any of the following events in respect of a registration statement or related prospectus in respect of an offering of Registrable Securities: (i) receipt of any request for additional information from the SEC or any other federal or state governmental authority during the period of effectiveness of the Registration Statement the response to which would require any amendments or supplements to the registration statement or related prospectus; (ii) the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; (iv) the happening of any event that makes any statement made in the Registration Statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, related prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the Company's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate; and the Company will promptly make available to the Investor any such supplement or amendment to the related prospectus. The Company shall not deliver to the Investor any Put Notice during the continuation of any of the foregoing events.

8. Expectations Regarding Put Notices. Within ten (10) days after the commencement of each calendar quarter occurring subsequent to the commencement of the Commitment Period, the Company must notify the Investor, in writing, as to its reasonable expectations as to the dollar amount it intends to raise during such calendar quarter, if any, through the issuance of Put Notices. Such notification shall constitute only the Company's good faith estimate and shall in no way obligate the Company to raise such amount, or any amount, or otherwise limit its ability to deliver Put Notices. The failure by the Company to comply with this provision can be cured by the Company's notifying the Investor, in writing, at any time as to its reasonable expectations with respect to the current calendar quarter.

9. Consolidation; Merger. The Company shall not, at any time after the date hereof, effect any merger or consolidation of the Company with or into, or a transfer of all or substantially all of the assets of the Company to, another entity (a "Consolidation Event") unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument or by operation of law the obligation to deliver to the Investor such shares of stock and/or securities as the Investor is entitled to receive pursuant to this Agreement.

10. Minimum Issuance of Put Shares. The Company shall issue Put Notices in the minimum amount of $100,000 during the Commitment Period.

11. Limitation on Similar Financing. The Company agrees that it will not enter into any other equity line of credit type of agreement or other private financing at a price below the then-current bid price of the Common Stock during the Commitment Period without the prior written consent of the Investor.

ARTICLE VII
Conditions to Delivery of Puts
and Conditions to Closing

1. Conditions Precedent to the Obligation of the Company to Issue and Sell Common Stock. The obligation hereunder of the Company to issue and sell the Put Shares to the Investor incident to each Closing is subject to the satisfaction, at or before each such Closing, of each of the conditions set forth below.

    a. Accuracy of the Investor; Representation and Warranties. The representations and warranties of the Investor shall be true and correct in all material respects as of the date of this Agreement and as of the date of each such Closing as though made at each such time.

    b. Performance by the Investor. The Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Investor at or prior to such Closing.

2. Conditions Precedent to the Right of the Company to Deliver a Put Notice and the Obligation of the Investor to Purchase Put Shares. The right of the Company to deliver a Put Notice and the obligation of the Investor to acquire and pay for the Put Shares incident to a Closing is subject to the satisfaction, on both (i) the date of delivery of such Put Notice and (ii) the applicable Closing Date (each a "Condition Satisfaction Date"), of each of the following conditions:

    a. Closing Certificate. All representations and warranties of the Company contained herein shall remain true and correct as of the Closing Date as though made as of such date (other than warranties which speak as of a specific date) and the Company shall have delivered into escrow an Officer's Certificate signed by its Chief Executive Officer certifying that all of the Company's representations and warranties herein remain true and correct as of the Closing Date and that the Company has performed all covenants and satisfied all conditions to be performed or satisfied by the Company prior to such Closing;

    b. Blue Sky. The Company shall have obtained all permits and qualifications required by any state for the offer and sale of the Common Stock to the Investor and by the Investor as set forth in the Registration Rights Agreement or shall have the availability of exemptions therefrom;

    c. Delivery of Put Shares and Warrants. Delivery to the Depository Trust Company DWAC account specified by the Investor of the Put Shares;

    d. Opinion of Counsel. Receipt by the Investor of an opinion of counsel to the Company, in the form of Exhibit E attached hereto; and

    e. Registration of the Common Stock with the SEC. The Registration Statement shall remain effective (or, if a further Registration Statement shall be necessary, shall have previously become effective) and shall be available for making resales of the Put Shares by the Investor on each Condition Satisfaction Date and (i) neither the Company nor the Investor shall have received notice that the SEC has issued or intends to issue a stop order with respect to the Registration Statement or that the SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened to do so (unless the SEC's concerns have been addressed and the Investor is reasonably satisfied that the SEC no longer is considering or intends to take such action), and (ii) no other suspension of the use or withdrawal of the effectiveness of the Registration Statement or related prospectus shall exist.

    f. Authority. The Company will satisfy all laws and regulations pertaining to the sale and issuance of the Put Shares.

    g. Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement, the Registration Rights Agreement and the Escrow Agreement to be performed, satisfied or complied with by the Company at or prior to each Condition Satisfaction Date.

    h. No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits or directly and adversely affects any of the transactions contemplated by this Agreement, and no proceeding shall have been commenced that may have the effect of prohibiting or adversely affecting any of the transactions contemplated by this Agreement.

    i. Adverse Changes. Since the date of filing of the Company's most recent SEC Document, no event that had or is reasonably likely to have a Material Adverse Effect has occurred.

    j. No Suspension of Trading In and Continued Listing or Quotation of Common Stock. The trading of the Common Stock (including, without limitation, the Put Shares) is not suspended by the SEC or the Principal Market, and the Common Stock (including, without limitation, the Put Shares) shall have been approved for listing or quotation on and shall continue to be listed on a Principal Market. The issuance of shares of Common Stock with respect to the applicable Closing, if any, shall not violate the shareholder approval requirements of the Principal Market.

    k. No Knowledge. The Company has no knowledge of any event more likely than not to have the effect of causing such Registration Statement to be suspended or otherwise ineffective (which event is reasonably likely to occur within the thirty (30) Trading Days following the Trading Day on which such Notice is deemed delivered).

    l. Trading Cushion. The Trading Cushion shall have elapsed since the next preceding Put Date.

    m. Other. On each Condition Satisfaction Date, the Investor shall have received and been reasonably satisfied with such other certificates and documents as shall have been reasonably requested by the Investor in order for the Investor to confirm the Company's satisfaction of the conditions set forth in this Section 7.2.

ARTICLE VIII
Due Diligence Review; Non-Disclosure of Non-Public Information.

1. Due Diligence Review. The Company shall make available for inspection and review by the Investor, advisors to and representatives of the Investor (who may or may not be affiliated with the Investor and who are reasonably acceptable to the Company), any underwriter participating in any disposition of the Registrable Securities on behalf of the Investor pursuant to the Registration Statement, any such registration statement or amendment or supplement thereto or any blue sky, NASD or other filing, all SEC Documents and other filings with the SEC, and all other publicly available corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees to supply all such publicly available information reasonably requested by the Investor or any such representative, advisor or underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling the Investor and such representatives, advisors and underwriters and their respective accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of the Registration Statement.

2. Non-Disclosure of Non-Public Information.

    a. The Company shall not disclose non-public information to the Investor, advisors to or representatives of the Investor unless prior to disclosure of such information the Company identifies such information as being non-public information and provides the Investor, such advisors and representatives with the opportunity to accept or refuse to accept such non- public information for review. The Company may, as a condition to disclosing any non-public information hereunder, require the Investor's advisors and representatives to enter into a confidentiality agreement in form reasonably satisfactory to the Company and the Investor.

    b. The Company represents that it does not disseminate non- public information to any investors who purchase stock in the Company in a public offering, to money managers or to securities analysts, provided, however, that notwithstanding anything herein to the contrary, the Company will, as hereinabove provided, immediately notify the advisors and representatives of the Investors and, if any, underwriters, of any event or the existence of any circumstance (without any obligation to disclose the specific event or circumstance) of which it becomes aware, constituting non-public information (whether or not requested of the Company specifically or generally during the course of due diligence by such persons or entities), which, if not disclosed in the prospectus included in the Registration Statement would cause such prospectus to include a material misstatement or to omit a material fact required to be stated therein in order to make the statements, therein in light of the circumstances in which they were made, not misleading. Nothing contained in this Section 8.2 shall be construed to mean that such persons or entities other than the Investor (without the written consent of the Investor prior to disclosure of such information) may not obtain non-public information in the course of conducting due diligence in accordance with the terms of this Agreement and nothing herein shall prevent any such persons or entities from notifying the Company of their opinion that based on such due diligence by such persons or entities, that the Registration Statement contains an untrue statement of a material fact or omits a material fact required to be stated in the Registration Statement or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

ARTICLE IX
Transfer Agent Instructions

1. Transfer Agent Instructions. Upon each Closing, the Company will issue to the transfer agent for its Common Stock (and to any substitute or replacement transfer agent for its Common Stock upon the Company's appointment of any such substitute or replacement transfer agent) instructions to deliver the Put Shares without restrictive legends to the DTC DWAC account specified by the Investor.

2. No Legend or Stock Transfer Restrictions. No legend shall be placed on the share certificates representing the Put Shares and no instructions or "stop transfer orders," so called, "stock transfer restrictions," or other restrictions have been or shall be given to the Company's transfer agent with respect thereto.

3. Investor's Compliance. Nothing in this Article shall affect in any way the Investor's obligations under any agreement to comply with all applicable securities laws upon resale of the Put Shares.

ARTICLE X
Indemnification

1. Survival. The representations, warranties and covenants made by each of the Company and the Investor in this Agreement, the schedules and exhibits hereto and in each instrument, agreement and certificate entered into and delivered by them pursuant to this Agreement, shall survive each Closing and the consummation of the transactions contemplated hereby until the expiration of one year from the date of the Put to which such claim applies. In the event of a breach or violation of any of such representations, warranties or covenants, the party to whom such representations, warranties or covenants have been made shall have all rights and remedies for such breach or violation available to it under the provisions of this Agreement, irrespective of any investigation made by or on behalf of such party on or prior to the Closing Date.

2. General Indemnity. The Company agrees to indemnify and hold harmless the Investor (and its directors, officers, affiliates, agents, successors and assigns) from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorney's fees, charges and disbursements) incurred by the Investor to any third party as a result of any inaccuracy in or breach of the representations, warranties or covenants made by the Company herein. The Investor agrees to indemnify and hold harmless the Company and its directors, officers, affiliates, agents, successors and assigns from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys fees, charges and disbursements) incurred by the Company to any third party as result of any inaccuracy in or breach of the representations, warranties or covenants made by the Investor herein. The indemnification against such third-party claims shall survive any expiration of this Agreement.

3. Securities Law Indemnity.

    a. The Company agrees to indemnify and hold harmless the Investor and each person, if any, who controls the Investor within the meaning of the Securities Act ("Distributing Investor") against any losses, claims, damages or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), to which the Distributing Investor may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, or any related preliminary prospectus, final prospectus or amendment or supplement thereto, or arise out of or are based upon 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; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, preliminary prospectus, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by the Distributing Investor, specifically for use in the preparation thereof. This Section 10.3(a) shall not inure to the

benefit of any Distributing Investor with respect to any person asserting such loss, claim, damage or liability who purchased the Registrable Securities which are the subject thereof if the Distributing Investor failed to send or give (in violation of the Securities Act or the rules and regulations promulgated thereunder) a copy of the prospectus contained in such Registration Statement to such person at or prior to the written confirmation to such person of the sale of such Registrable Securities, where the Distributing Investor were obligated to do so under the Securities Act or the rules and regulations promulgated thereunder. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

b. Each Distributing Investor agrees that it will indemnify and hold harmless the Company, and each officer, director of the Company or person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages or liabilities (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees) to which the Company or any such officer, director or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, or any related preliminary prospectus, final prospectus or amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, preliminary prospectus, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by such Distributing Investor, specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Distributing Investor may otherwise have.

4. Indemnification Procedure. Any party entitled to indemnification under this Article X (an "indemnified party") will give written notice to the indemnifying party of any matters giving rise to a claim for indemnification; provided, that the failure of any party entitled to indemnification hereunder to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Article X except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate in and, unless in the reasonable judgment of counsel to the indemnified party a conflict of interest between it and the indemnifying party may exist with respect of such action, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that the indemnifying party advises an indemnified party that it will contest such a claim for indemnification hereunder, or fails, within thirty (30) days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claim, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with the indemnifying party in connection with any settlement negotiations or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense with counsel of its choice at its sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Article X to the contrary, the indemnifying party shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release from all liability in respect of such claim. The indemnification required by this Article X shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred, so long as the indemnified party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (a) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (b) any liabilities the indemnifying party may be subject to.

5. Contribution. In order to provide for just and equitable contribution under the Securities Act in any case in which (i) the indemnified party makes a claim for indemnification pursuant to Section 10.4 hereof but is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 10.4 hereof provide for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party, then the Company and the applicable Distributing Investor shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the applicable Distributing Investor on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Investor agree that it would not be just and equitable if contribution pursuant to this Section 10.5 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.5. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 10.5 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Notwithstanding any other provision of this Section 10.5, in no event shall any (i) Investor be required to undertake liability to any person under this Section 10.5 for any amounts in excess of the dollar amount of the net proceeds to be received by such Investor from the sale of such Investor's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act and (ii) underwriter be required to undertake liability to any person hereunder for any amounts in excess of the aggregate discount, commission or other compensation payable to such underwriter with respect to the Registrable Securities underwritten by it and distributed pursuant to the Registration Statement.

ARTICLE XI
Choice of Law

1. Governing Law/Arbitration. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made in New York by persons domiciled in New York City and without regard to its principles of conflicts of laws. Any dispute under this Agreement or any Exhibit attached hereto shall be submitted to arbitration under the American Arbitration Association (the "AAA") in New York City, New York, and shall be finally and conclusively determined by the decision of a board of arbitration consisting of three (3) members (hereinafter referred

to as the "Board of Arbitration") selected as according to the rules governing the AAA. The Board of Arbitration shall meet on consecutive business days in New York City, New York, and shall reach and render a decision in writing (concurred in by a majority of the members of the Board of Arbitration) with respect to the amount, if any, which the losing party is required to pay to the other party in respect of a claim filed. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow the laws of the State of New York. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to all parties involved in the dispute. The Board of Arbitration shall be authorized and is directed to enter a default judgment against any party refusing to participate in the arbitration proceeding within thirty days of any deadline for such participation. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on the parties to the dispute, and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. The prevailing party shall be awarded its attorney's fees from the non-prevailing party as part of the arbitration award. Any party shall have the right to seek injunctive relief from any court of competent jurisdiction in any case where such relief is available, and the prevailing party shall be entitled to reasonable attorneys' fees incurred in connection with any such injunctive proceeding.

ARTICLE XII
Assignment

1. Assignment. Neither this Agreement nor any rights of the Investor or the Company hereunder may be assigned by either party to any other person. Notwithstanding the foregoing, (a) the provisions of this Agreement shall inure to the benefit of, and be enforceable by, any transferee of any of the Common Stock purchased or acquired by the Investor hereunder with respect to the Common Stock held by such person, and (b) upon the prior written consent of the Company, which consent shall not unreasonably be withheld or delayed in the case of an assignment to an affiliate of the Investor, an Investor's interest in this Agreement may be assigned at any time, in whole or in part, to any other person or entity (including any affiliate of the Investor) who agrees to make the representations and warranties contained in Article III and who agrees to be bound hereby; provided, that the Investor shall not assign its rights to any person known to the Investor to be in a business competitive with that of the Company.

ARTICLE XIII
Notices

1. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by reputable courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:

Dr. Ramesh C. Trivedi, Chief Executive Officer

Integrated Surgical Systems, Inc.

1850 Research Park Drive

Davis, CA 95616-4884
Telephone: (530) 792-2600
Facsimile: (530) 792-2690

with a copy to: Jack Becker, Esq.

(which shall not Snow Becker Krauss P.C.

constitute notice) 605 Third Avenue

New York, NY 10158-0125
Telephone: (212) 687-3860

Facsimile: (212) 949-7052

if to the Investor: Triton West Group, Inc.

c/o CFS Ltd.

Harbor Centre, 4th floor

PO Box 613 GT

Georgetown, Grand Cayman

Attention: Ian Goodall

Telephone: (345) 949-4244

Facsimile: (345) 949-8635

with a copy to: Robert Charron, Esq.

(which shall not Epstein Becker & Green, P.C.

constitute notice) 250 Park Avenue

New York, New York

Telephone: (212) 351-4500

Facsimile: (212) 661-0989

Either party hereto may from time to time change its address or facsimile number for notices under this Section 13.1 by giving at least ten (10) days' prior written notice of such changed address or facsimile number to the other party hereto.

ARTICLE XIV
Miscellaneous

1. Counterparts/ Facsimile/Amendments. This Agreement may be executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument. Except as otherwise stated herein, in lieu of the original documents, a facsimile transmission or copy of the original documents shall be as effective and enforceable as the original. This Agreement may be amended only by a writing executed by all parties.

2. Entire Agreement. This Agreement, the Exhibits hereto, which include, but are not limited to the Escrow Agreement, the Warrants and the Registration Rights Agreement, set forth the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements (including, without limitation, the Private Equity Line of Credit Agreement dated as of April 17, 2000, which shall terminate upon execution of this Agreement), negotiations and understandings between the parties, both oral and written relating to the subject matter hereof. The terms and conditions of all Exhibits to this Agreement are incorporated herein by this reference and shall constitute part of this Agreement as is fully set forth herein.

3. Survival; Severability. The representations, warranties, covenants and agreements of the parties hereto shall survive each Closing hereunder for a period of three years. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that such severability shall be ineffective if it materially changes the economic benefit of this Agreement to any party.

4. Title and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5. Reporting Entity for the Common Stock. The reporting entity relied upon for the determination of the trading price or trading volume of the Common Stock on any given Trading Day for the purposes of this Agreement shall be Bloomberg, L.P. or any successor thereto. The written mutual consent of the Investor and the Company shall be required to employ any other reporting entity.

6. Replacement of Certificates. Upon (i) receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of a certificate representing the Put Shares and (ii) in the case of any such loss, theft or destruction of such certificate, upon delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company (which shall not exceed that required by the Company's transfer agent in the ordinary course) or (iii) in the case of any such mutilation, on surrender and cancellation of such certificate, the Company at its expense will execute and deliver, in lieu thereof, a new certificate of like tenor.

7. Fees and Expenses. Each of the Company and the Investor agrees to pay its own expenses incident to the performance of its obligations hereunder, except that the Company shall pay the fees, expenses and disbursements of Investor's counsel in the amount of $16,000, plus $1,000 per Closing of a Put.

8. Brokerage. Each of the parties hereto represents that it has had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party except as set forth on the Schedule of Exceptions, whose fee shall be paid by the Company. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any person claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.

9. Effectiveness of Agreement. This Agreement shall become effective only upon satisfaction of the conditions precedent to the Initial Closing set forth in Article I of the Escrow Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Private Equity Line of Credit Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

Integrated Surgical Systems, Inc.

By: _____

Louis Kirchner

Chief Financial Officer

Triton West Group, Inc.

By:_____
E. Edward Jung

Managing Director

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EXHIBIT A

ESCROW AGREEMENT

ESCROW AGREEMENT (this "Agreement") is made as of September 15, 2000, by and among Integrated Surgical Systems, Inc., a corporation incorporated under the laws of the State of Delaware (the "Company"), Triton West Group, Inc., a corporation incorporated under the laws of the Cayman Islands ("Triton" or the "Investor"), and Epstein Becker & Green, P.C., having an address at 250 Park Avenue, New York, NY 10177 (the "Escrow Agent"). Capitalized terms used but not defined herein shall have the meanings set forth in the Private Equity Line of Credit Agreement referred to in the first recital.

W I T N E S S E T H:

WHEREAS, the Investor will from time to time as requested by the Company, purchase shares of the Company's Common Stock from the Company as set forth in that certain Private Equity Line of Credit Agreement (the "Purchase Agreement") dated the date hereof between the Investor and the Company, which will be issued as per the terms and conditions contained herein and in the Purchase Agreement;

WHEREAS, the Company and the Investor have requested that the Escrow Agent hold in escrow and then distribute the initial documents and certain funds which are conditions precedent to the effectiveness of the Purchase Agreement, and have further requested that upon each exercise of a Put, the Escrow Agent hold the relevant documents and the applicable purchase price pending receipt of certificates representing the securities issuable upon such Put; and

NOW, THEREFORE, in consideration of the covenants and mutual promises contained herein and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged and intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1

TERMS OF THE ORIGINAL ESCROW

1.1 The parties hereby agree to establish an escrow account with the Escrow Agent whereby the Escrow Agent shall hold the funds and documents which are referenced in Section 7.2 of the Purchase Agreement.

1.2 Upon the execution of the Purchase Agreement, the Company shall deliver to the Escrow Agent:

(i) the original executed Registration Rights Agreement in the form of Exhibit C to the Purchase Agreement;

(ii) the original executed opinion of Snow Becker Krauss P.C., in the form of Exhibit E to the Purchase Agreement;

(iii) the sum of $16,000;

(iv) the original executed Company counterpart of this Escrow Agreement;

i. the original executed Company counterpart of the Purchase Agreement; and

ii. the original executed Warrant in the form of Exhibit D to the Purchase Agreement.

The Company also shall issue to Triton West Group, Inc. 5,000 shares of Common Stock.

1.3 Upon receipt of the foregoing, and receipt of executed counterparts from Investor of the Purchase Agreement, the Registration Rights Agreement and this Escrow Agreement, the Escrow Agent shall immediately transfer the sum of sixteen thousand dollars ($16,000) to Epstein Becker & Green, P.C. ("EB&G"), 250 Park Avenue, New York, New York 10177 for the Investor's legal and administrative costs and the Escrow Agent shall then arrange to have the Purchase Agreement, this Escrow Agreement, the Registration Rights Agreement, the Warrant and the opinion of counsel delivered to the appropriate parties.

ARTICLE 2

TERMS OF THE ESCROW FOR EACH PUT

2.1 (a) Each time the Company shall send a Put Notice to the Investor as provided in the Purchase Agreement, it shall send a copy, by facsimile, to the Escrow Agent.

(b) Each time the Investor shall purchase shares pursuant to a Put, the Investor shall send the applicable Investment Amount of the Put Shares to the Escrow Agent. The Company shall promptly, but no later than seven (7) Trading Days after delivery of the Put Notice to the Investor, send to the account designated by the Investor via the DWAC system the Put Shares. In the event that the certificates representing the Put Shares are not in an Investor's possession within seven (7) Trading Days of the date of the Company's Put Notice, then Investor shall have the right to demand, by notice, the return of the Investment Amount, and the Put Notice shall be deemed cancelled. In the event the certificates representing such Put Shares are timely received by the Investor, the Escrow Agent shall within one (1) Trading Day wire the Investment Amount per the written instructions of the Company, net of:

i. an advisory fee equal to three percent (3%) of the Investment Amount of each Put to Triton;

i. an advisory fee equal to one-third of one percent (0.333%) of the Commitment Amount, as to the first six Closings only, to be allocated to Triton; and

(ii) One Thousand Dollars ($1,000) as escrow expenses to the Escrow Agent.

The Escrow Agent shall remit the advisory fees to Triton in accordance with wire instructions that will be sent to the Escrow Agent from Triton.

ARTICLE 3

MISCELLANEOUS

3.1 No waiver or any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act. All notices or other communications required or permitted hereunder shall be in writing, and shall be sent as set forth in the Purchase Agreement, and if sent to

Escrow Agent, to:

Epstein Becker & Green, P.C.

250 Park Avenue

New York, NY 10177

Attn: Robert Charron, Esq.

Telephone: (212) 351-4500

Facsimile: (212) 661-0989

3.2 This Escrow Agreement shall be binding upon and shall inure to the benefit of the permitted successors and permitted assigns of the parties hereto.

3.3 This Escrow Agreement is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Escrow Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the parties to be charged or by their respective agents duly authorized in writing or as otherwise expressly permitted herein.

3.4 Whenever required by the context of this Escrow Agreement, the singular shall include the plural and masculine shall include the feminine. This Escrow Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to Articles are to this Escrow Agreement.

3.5 The parties hereto expressly agree that this Escrow Agreement shall be governed by, interpreted under and construed and enforced in accordance with the laws of the State of New York. Except as expressly set forth herein, any action to enforce, arising out of, or relating in any way to, any provisions of this Escrow Agreement shall brought through the American Arbitration Association at the designated locale of New York, New York as is more fully set forth in the Purchase Agreement.

3.6 The Escrow Agent's duties hereunder may be altered, amended, modified or revoked only by a writing signed by the Company, the Investor and the Escrow Agent.

3.7 The Escrow Agent shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by the Escrow Agent to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent shall not be personally liable for any act the Escrow Agent may do or omit to do hereunder as the Escrow Agent while acting in good faith, excepting only its own gross negligence or willful misconduct, and any act done or omitted by the Escrow Agent pursuant to the advice of the Escrow Agent's attorneys-at-law (other than Escrow Agent itself) shall be conclusive evidence of such good faith.

3.8 The Escrow Agent is hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and is hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case the Escrow Agent obeys or complies with any such order, judgment or decree, the Escrow Agent shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

3.9 The Escrow Agent shall not be liable in any respect on account of the identity, authorization or rights of the parties executing or delivering or purporting to

execute or deliver the Purchase Agreement or any documents or papers deposited or called for thereunder or hereunder.

3.10 The Escrow Agent shall be entitled to employ such legal counsel and other experts as the Escrow Agent may deem necessary properly to advise the Escrow Agent in connection with the Escrow Agent's duties hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor. **The Escrow Agent has acted as legal counsel for the Investor, and may continue to act as legal counsel for the Investor, from time to time, notwithstanding its duties as the Escrow Agent hereunder. The Company consents to the Escrow Agent in such capacity as legal counsel for the Investor and waives any claim that such representation represents a conflict of interest on the part of the Escrow Agent. The Company understands that the Investor and the Escrow Agent are relying explicitly on the foregoing provision in entering into this Escrow Agreement.**

3.11 The Escrow Agent's responsibilities as escrow agent hereunder shall terminate if the Escrow Agent shall resign by written notice to the Company and the Investor. In the event of any such resignation, the Investor and the Company shall appoint a successor Escrow Agent.

3.12 If the Escrow Agent reasonably requires other or further instruments in connection with this Escrow Agreement or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

3.13 It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the documents or the escrow funds held by the Escrow Agent hereunder, the Escrow Agent is authorized and directed in the Escrow Agent's sole discretion (1) to retain in the Escrow Agent's possession without liability to anyone all or any part of said documents or the escrow funds until such disputes shall have been settled either by mutual written agreement of the parties concerned by a final order, decree or judgment or a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but the Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings or (2) to deliver the escrow funds and any other property and documents held by the Escrow Agent hereunder to a state or federal court having competent subject matter jurisdiction and located in the State and City of New York in accordance with the applicable procedure therefor.

3.14 The Company and the Investor agree jointly and severally to indemnify and hold harmless the Escrow Agent and its partners, employees, agents and representatives from any and all claims, liabilities, costs or expenses in any way arising from or relating to the duties or performance of the Escrow Agent hereunder or the transactions contemplated hereby or by the Purchase Agreement other than any such claim, liability, cost or expense to the extent the same shall have been determined by

final, unappealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Escrow Agent.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date first set forth above.

Integrated Surgical Systems, Inc.

By:_____

1. Louis Kirchner

2. Chief Financial Officer

Triton West Group, Inc.:

By:_____

Name: E. Edward Jung

Title: Managing Director

ESCROW AGENT:

EPSTEIN BECKER & GREEN, P.C.

By:_____

Name:

Title:

EXHIBIT B

PUT NOTICE/COMPLIANCE CERTIFICATE

Integrated Surgical Systems, Inc.

The undersigned hereby certifies, with respect to shares of Common Stock of Integrated Surgical Systems, Inc. (the "Company") issuable in connection with this Put Notice and Compliance Certificate dated _____ (the "Notice"), delivered pursuant to Article II of the Private Equity Line of Credit Agreement dated as of September 15, 2000 (the "Agreement"), as follows:

1. The undersigned is the duly appointed Chief Executive Officer of the Company.

2. The representations and warranties of the Company set forth in the Agreement are true and correct in all material respects as though made on and as of the date hereof and all SEC Documents are as represented in Section 4.5 of the Agreement.

3. The Company has performed in all material respects all covenants and agreements to be performed by the Company on or prior to the date of this Put Notice and has complied in all material respects with all obligations and conditions contained in the Agreement.

4. The Investment Amount is $_____.

The undersigned has executed this Certificate this ____ day of _____, _____.

Integrated Surgical Systems, Inc.

_____

Louis Kirchner

Chief Financial Officer

EXHIBIT C

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT, dated as of September 15, 2000, among Integrated Surgical Systems, a corporation incorporated under the laws of the State of Delaware (the "Company") and Triton West Group, Inc., a corporation incorporated under the laws of the Cayman Islands ("Triton" or the "Investor").

WHEREAS, simultaneously with the execution and delivery of this Agreement, pursuant to a Private Equity Line of Credit Agreement dated the date hereof (the "Purchase Agreement") the Investor has committed to purchase up to $12,000,000 worth of the Company's Common Stock (terms not defined herein shall have the meanings ascribed to them in the Purchase Agreement); and

WHEREAS, the Company desires to grant to the Investor the registration rights set forth herein with respect to the Put Shares and the Blackout Shares issuable upon exercise of the Company's Put rights from time to time and the Warrant Shares (hereinafter referred to as the "Stock" or "Securities" of the Company).

NOW, THEREFORE, the parties hereto mutually agree as follows:

Section 1. Registrable Securities. As used herein the term "Registrable Security" means the Securities until (i) all Put Shares and Warrant Shares have been disposed of pursuant to the Registration Statement, (ii) all Put Shares and Warrant Shares have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act ("Rule 144") are met, (iii) all Put Shares and Warrant Shares have been otherwise transferred to persons who may trade such Securities without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such Put Shares and/or Warrant Shares not bearing a restrictive legend or (iv) such time as, in the opinion of counsel to the Company, all Put Shares and Warrant Shares may be sold without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the Securities Act. The term "Registrable Securities" means any and/or all of the securities falling within the foregoing definition of a "Registrable Security". In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be deemed to be made in the definition of "Registrable Security" as is appropriate in order to prevent any dilution or enlargement of the rights granted pursuant to this Agreement.

Section 2. Restrictions on Transfer. The Investor acknowledges and understands that in the absence of an effective Registration Statement authorizing the resale of the Securities as provided herein, the Securities are "restricted securities" as defined in Rule 144 promulgated under the Act. The Investor understands that no disposition or transfer of the Securities may be made by Investor in the absence of (i) an opinion of counsel to the Investor, in form and substance reasonably satisfactory to the Company, that such transfer may be made without registration under the Securities Act or (ii) such registration.

With a view to making available to the Investor the benefits of Rule 144 under the Securities Act or any other similar rule or regulation of the Commission that may at any time permit the Investor to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to:

(a) comply with the provisions of paragraph (c)(1) of Rule 144; and

(b) file with the Commission in a timely manner all reports and other documents required to be filed by the Company pursuant to Section 13 or 15(d) under the Exchange Act; and, if at any time it is not required to file such reports but in the past had been required to or did file such reports, it will, upon the request of any Investor, make available other information as required by, and so long as necessary to permit sales of its Registrable Securities pursuant to, Rule 144.

Section 3. Registration Rights With Respect to the Securities.

(a) The Company agrees that it will prepare and file with the Securities and Exchange Commission ("Commission"), within forty- five days (45) days after the date hereof, a registration statement (on Form SB- 2, or other appropriate form of registration statement) under the Securities Act (the "Registration Statement"), at the sole expense of the Company (except as provided in Section 3(c) hereof), in respect of all permitted holders of Securities, so as to permit a public offering and resale of the Securities under the Act by Investor.

The Company shall use its best efforts to cause the Registration Statement to become effective within one hundred and twenty (120) days from the date hereof, or, if earlier, within ten (10) days of SEC clearance to request acceleration of effectiveness. In the event that the SEC decides to review the Company's Registration Statement, the Company shall have an additional thirty (30) days to amend and cause such registration to become effective. If the Registration Statement is not declared effective by January 30, 2001, this Agreement and the Purchase Agreement shall terminate and the Company shall pay Investor the sum of $25,000 as liquidated damages. The number of shares designated in the Registration Statement to be registered shall be 24,035,000 and shall include appropriate language regarding reliance upon Rule 416 to the extent permitted by the Commission. The number of shares may be increased following receipt of stockholder approval of the transactions contemplated hereby pursuant to the rules of the Principal Market. The Company will notify the Investor of the effectiveness of the Registration Statement within one Trading Day of such event.

(b) The Company will maintain the Registration Statement or post-effective amendment filed under this Section 3 hereof effective under the Securities Act until the earlier of (i) the date that none of the Securities are or may become issued and outstanding, (ii) the date that all of the Securities have been sold pursuant to the Registration Statement, (iii) the date the holders thereof receive an opinion of counsel to the Company, which counsel shall be reasonably acceptable to the Investor, that the Securities may be sold under the provisions of Rule 144 without limitation as to volume, (iv) all Securities have been otherwise transferred to persons who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend, or (v) all Securities may be sold without any time, volume or manner limitations pursuant to Rule 144(k) or any similar provision then in effect under the Securities Act in the opinion of counsel to the Company, which counsel shall be reasonably acceptable to the Investor (the "Effectiveness Period").

(c) All fees, disbursements and out-of-pocket expenses and costs incurred by the Company in connection with the preparation and filing of the Registration Statement under subparagraph 3(a) and in complying with applicable securities and Blue Sky laws (including, without limitation, all attorneys' fees of the Company) shall be borne by the Company. The Investor shall bear the cost of underwriting and/or brokerage discounts, fees and commissions, if any, applicable to the Securities being registered and the fees and expenses of its counsel. The Investor and its counsel shall have a reasonable period, not to exceed ten (10) Trading Days, to review the proposed Registration Statement or any amendment thereto, prior to filing with the Commission, and the Company shall provide the

Investor with copies of any comment letters received from the Commission with respect thereto within two (2) Trading Days of receipt thereof. The Company shall make reasonably available for inspection by the Investor, any underwriter participating in any disposition pursuant to the Registration Statement, and any attorney, accountant or other agent retained by the Investor or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, and cause the Company's officers, directors and employees to supply all information reasonably requested by the Investor or any such underwriter, attorney, accountant or agent in connection with the Registration Statement, in each case, as is customary for similar due diligence examinations; provided, however, that all records, information and documents that are designated in writing by the Company, in good faith, as confidential, proprietary or containing any material non-public information shall be kept confidential by the Investor and any such underwriter, attorney, accountant or agent (pursuant to an appropriate confidentiality agreement in the case of any such Investor or agent), unless such disclosure is made pursuant to judicial process in a court proceeding (after first giving the Company an opportunity promptly to seek a protective order or otherwise limit the scope of the information sought to be disclosed) or is required by law, or such records, information or documents become available to the public generally or through a third party not in violation of an accompanying obligation of confidentiality; and provided further that, if the foregoing inspection and information gathering would otherwise disrupt the Company's conduct of its business, such inspection and information gathering shall, to the maximum extent possible, be coordinated on behalf of the Investors and the other parties entitled thereto by one firm of counsel designed by and on behalf of the majority in interest of the Investor and other parties. The Company shall qualify any of the securities for sale in such states as the Investor reasonably designate and shall furnish indemnification in the manner provided in Section 6 hereof. However, the Company shall not be required to qualify in any state which will require an escrow or other restriction relating to the Company and/or the sellers, or which will require the Company to qualify to do business in such state or require the Company to file therein any general consent to service of process. The Company at its expense will supply the Investor with copies of the Registration Statement and the prospectus included therein and other related documents in such quantities as may be reasonably requested by the Investor.

(d) The Company shall not be required by this Section 3 to include Investor's Securities in any Registration Statement which is to be filed if, in the opinion of counsel for both the Investor and the Company (or, should they not agree, in the opinion of another counsel experienced in securities law matters acceptable to counsel for the Investors and the Company) the proposed offering or other transfer as to which such registration is requested is exempt from applicable federal and state securities laws and would result in all purchasers or transferees obtaining securities which are not "restricted securities", as defined in Rule 144 under the Securities Act.

(e) If at any time or from time to time after the effective date of the Registration Statement, the Company notifies the Investor in writing of the existence of a Potential Material Event (as defined in Section 3(f) below), the Investor shall not offer or sell any Securities or engage in any other transaction involving or relating to Securities, from the time of the giving of notice with respect to a Potential Material Event until the Investor receive written notice from the Company that such Potential Material Event either has been disclosed to the public or no longer constitutes a Potential Material Event; provided, however, that if the Company so suspends the right to such holders of Securities for more than thirty (30) days in the aggregate during any twelve month period, during the periods the Registration Statement is required to be in effect such excess periods shall be a Registration Default, and shall entitle the Investor to receive Blackout Shares as provided in the Purchase Agreement. If a Potential Material Event shall occur prior to the date the Registration Statement is filed, then the Company's obligation to file the Registration Statement shall be delayed without penalty for not more than thirty (30) days. The Company must give the Investor notice in writing at least two (2) Trading Days prior to the first day of the blackout period, if lawful to do so.

(f) "Potential Material Event" means any of the following: (a) the possession by the Company of material information that is not ripe for disclosure in a registration statement, as determined in good faith by the Chief Executive Officer or the Board of Directors of the Company or that disclosure of such information in the Registration Statement would be detrimental to the business and affairs of the Company; or (b) any material engagement or activity by the Company which would, in the good faith determination of the Chief Executive Officer or the Board of Directors of the Company, be adversely affected by disclosure in a registration statement at such time, which determination shall be accompanied by a good faith determination by the Chief Executive Officer or the Board of Directors of the Company that the Registration Statement would be materially misleading absent the inclusion of such information.

Section 4. Cooperation with Company. The Investor will cooperate with the Company in all respects in connection with this Agreement, including timely supplying all information reasonably requested by the Company (which shall include all information regarding the Investor and proposed manner of sale of the Registrable Securities required to be disclosed in the Registration Statement) and executing and returning all documents reasonably requested in connection with the registration and sale of the Registrable Securities. The Investor shall consent to be named as an underwriter in the Registration Statement.

Section 5. Registration Procedures. If and whenever the Company is required by any of the provisions of this Agreement to effect the registration of any of the Registrable Securities under the Act, the Company shall (except as otherwise provided in this Agreement), as expeditiously as possible, subject to the Investor's assistance and cooperation as reasonably required:

(a) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Act with respect to the sale or other disposition of all securities covered by such registration statement whenever the Investor of such Registrable Securities shall desire to sell or otherwise dispose of the same (including prospectus supplements with respect to the sales of securities from time to time in connection with a registration statement pursuant to Rule 415 promulgated under the Act) and (ii) take all lawful action such that each of (A) the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading and (B) the Prospectus forming part of the Registration Statement, and any amendment or supplement thereto, does not at any time during the Registration Period include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) prior to the filing with the Commission of any Registration Statement (including any amendments thereto) and the distribution or delivery of any prospectus (including any supplements thereto), provide draft copies thereof to the Investor and reflect in such documents all such comments as the Investor (and its counsel) reasonably may propose and (ii) furnish to the Investor such numbers of copies of a prospectus including a preliminary prospectus or any amendment or supplement to any prospectus, as applicable, in conformity with the requirements of the Act, and such other documents, as the Investor may reasonably request in order to facilitate the public sale or other disposition of the securities owned by the Investor;

(c) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or blue sky laws of such jurisdictions as the Investor shall reasonably request (subject to the limitations set forth in Section 3(d) above), and do any and all other acts and things which may be necessary or advisable to enable the Investor to consummate the public sale or other disposition in such jurisdiction of the securities owned by the Investor, except that the Company shall not for any such purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified or to file therein any general consent to service of process;

(d) list such Registrable Securities on the Principal Market, and any other exchange on which the Common Stock of the Company is then listed, if the listing of such Registrable Securities is then permitted under the rules of such exchange or Nasdaq;

(e) notify the Investor at any time when a prospectus relating thereto covered by the Registration Statement is required to be delivered under the Act, of the happening of any event of which it has knowledge as a result of which the prospectus included in the 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, and the Company shall prepare and file a curative amendment under Section 5(a) as quickly as commercially possible;

(f) as promptly as practicable after becoming aware of such event, notify the Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the Commission or any state authority of any stop order or other suspension of the effectiveness of the Registration Statement at the earliest possible time and take all lawful action to effect the withdrawal, recession or removal of such stop order or other suspension;

(g) cooperate with the Investor to facilitate the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts, as the case may be, as the Investor reasonably may request and registered in such names as the Investor may request; and, within three Trading Days after a Registration Statement which includes Registrable Securities is declared effective by the Commission, deliver and cause legal counsel selected by the Company to deliver to the transfer agent for the Registrable Securities (with a copy to the Investor) an appropriate instruction and, to the extent necessary, an opinion of such counsel;

(h) take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by the Investor of the Registrable Securities in accordance with the intended methods therefor provided in the prospectus which are customary for issuers to perform under the circumstances;

(i) in the event of an underwritten offering, promptly include or incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the managers reasonably agree should be included therein and to which the Company does not reasonably object and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after it is notified of the matters to be included or incorporated in such Prospectus supplement or post-effective amendment; and

(j) maintain a transfer agent and registrar for its Common Stock.

Section 6. Indemnification.

(a) The Company agrees to indemnify and hold harmless the Investor and each person, if any, who controls the Investor within the meaning of the Securities Act ("Distributing Investor") against any losses, claims, damages or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), to which the Distributing Investor may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, or any related preliminary prospectus, final prospectus or amendment or supplement thereto, or arise out of or are based upon 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; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, preliminary prospectus, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by the Distributing Investor, specifically for use in the preparation thereof. This Section 6(a) shall not inure to the benefit of any Distributing Investor with respect to any person asserting such loss, claim, damage or liability who purchased the Registrable Securities which are the subject thereof if the Distributing Investor failed to send or give (in violation of the Securities Act or the rules and regulations promulgated thereunder) a copy of the prospectus contained in such Registration Statement to such person at or prior to the written confirmation to such person of the sale of such Registrable Securities, where the Distributing Investor was obligated to do so under the Securities Act or the rules and regulations promulgated thereunder. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

a. Each Distributing Investor agrees that it will indemnify and hold harmless the Company, and each officer, director of the Company or person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages or liabilities (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees) to which the Company or any such officer, director or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, or any related preliminary prospectus, final prospectus or amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, preliminary prospectus, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by such Distributing Investor, specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Distributing Investor may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party except to the extent of actual prejudice demonstrated by the indemnifying party. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, assume the defense thereof, subject to the provisions herein stated and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless the indemnifying party shall not pursue the action to its final conclusion. The indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the indemnified party; provided that if the indemnified party is the Distributing Investor, the fees and expenses of such counsel shall be at the expense of the indemnifying party if (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, or (ii) the named parties to any such action (including any impleaded parties) include both the Distributing Investor and the indemnifying party and the Distributing Investor shall have been advised by such counsel that there may be one or more legal defenses available to the indemnifying party different from or in conflict with any legal defenses which may be available to the Distributing Investor (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the Distributing Investor, it being understood, however, that the indemnifying party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable only for the reasonable fees and expenses of one separate firm of attorneys for the Distributing Investor, which firm shall be designated in writing by the Distributing Investor). No settlement of any action against an indemnified party shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld.

Section 7. Contribution. In order to provide for just and equitable contribution under the Securities Act in any case in which (i) the indemnified party makes a claim for indemnification pursuant to Section 6 hereof but is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 6 hereof provide for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party, then the Company and the applicable Distributing Investor shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the applicable Distributing Investor on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Distributing Investor agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 7. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Notwithstanding any other provision of this Section 7, in no event shall any (i) Investor be required to undertake liability to any person under this Section 7 for any amounts in excess of the dollar amount of the net proceeds to be received by such Investor from the sale of such Investor's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act and (ii) underwriter be required to undertake liability to any person hereunder for any amounts in excess of the aggregate discount, commission or other compensation payable to such underwriter with respect to the Registrable Securities underwritten by it and distributed pursuant to the Registration Statement.

Section 8. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be delivered as set forth in the Purchase Agreement. Either party hereto may from time to time change its address or facsimile number for notices under this Section 8 by giving at least ten (10) days prior written notice of such changed address or facsimile number to the other party hereto.

Section 9. Assignment.

Neither this Agreement nor any rights of the Investor or the Company hereunder may be assigned by either party to any other person. Notwithstanding the foregoing, (a) the provisions of this Agreement shall inure to the benefit of, and be enforceable by, any transferee of any of the Common Stock purchased by the Investor pursuant to the Purchase Agreement, and (b) upon the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed in the case of an assignment to an affiliate of an Investor, the Investor's interest in this Agreement may be assigned at any time, in whole or in part, to any other person or entity (including any affiliate of the Investor) who agrees to be bound hereby.

Section 10. Additional Covenants of the Company.

The Company agrees that at such time as it meets all the requirements for the use of Securities Act Registration Statement on Form S-3 it shall file all reports and information required to be filed by it with the Commission in a timely manner and take all such other action so as to maintain such eligibility for the use of such form.

Section 11. Counterparts/Facsimile. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when together shall constitute but one and the same instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other party. In lieu of the original, a facsimile transmission or copy of the original shall be as effective and enforceable as the original.

Section 12. Remedies.

The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

Section 13. Conflicting Agreements. The Company shall not enter into any agreement with respect to its securities that is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement or otherwise prevents the Company from complying with all of its obligations hereunder.

Section 14. Headings. The headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 15. Governing Law, Arbitration.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made in New York by persons domiciled in New York City and without regard to its principles of conflicts of laws. Any dispute under this Agreement shall be submitted to arbitration under the American Arbitration Association (the "AAA") in New York City, New York, and shall be finally and conclusively determined by the decision of a board of arbitration consisting of three (3) members (hereinafter referred to as the "Board of Arbitration") selected as according to the rules governing the AAA. The Board of Arbitration shall meet on consecutive business days in New York City, New York, and shall reach and render a decision in writing (concurred in by a majority of the members of the Board of Arbitration) with respect to the amount, if any, which the losing party is required to pay to the other party in respect of a claim filed. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow the laws of the State of New York. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to all parties involved in the dispute. The Board of Arbitration shall be authorized and is directed to enter a default judgment against any party refusing to participate in the arbitration proceeding with thirty days of any deadline for such participation. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on the parties to the dispute, and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. The non-prevailing party to any arbitration (as determined by the Board of Arbitration) shall pay the expenses of the prevailing party, including reasonable attorneys' fees, in connection with such arbitration. Any party shall have the right to seek injunctive relief from any court of competent jurisdiction in any case where such relief is available, and the prevailing party shall be entitled to recover its costs, including reasonable attorneys' fees, in connection therewith.

Section 16. Severability. If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein. Terms not otherwise defined herein shall be defined in accordance with the Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Registration Rights Agreement to be duly executed, on the day and year first above written.

Integrated Surgical Systems, Inc.

By:_____

Louis Kirchner

Chief Financial Officer

Triton West Group, Inc.

By: _____

Name: E. Edward Jung

Title: Managing Director

EXHIBIT D

NEITHER THIS WARRANT NOR THE SHARES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY OTHER APPLICABLE SECURITIES LAWS IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS WARRANT NOR THE SHARES ISSUABLE UPON EXERCISE HEREOF MAY BE SOLD, PLEDGED, TRANSFERRED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR IN A TRANSACTION WHICH IS EXEMPT FROM REGISTRATION UNDER THE PROVISIONS OF THE SECURITIES ACT.

STOCK PURCHASE WARRANT

To Purchase 35,000 Shares of Common Stock of

Integrated Surgical Systems, Inc.

THIS CERTIFIES that, for value received, Triton West Group, Inc. (the "Holder"), is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after March 15, 2001 (the "Initial Exercise Date") and on or prior to the close of business on September 14, 2003 (the "Termination Date"), but not thereafter, to subscribe for and purchase from Integrated Surgical Systems, Inc., a corporation incorporated in Delaware (the "Company"), up to Thirty-Five Thousand (35,000) shares (the "Warrant Shares") of common stock, $.01 par value, of the Company (the "Common Stock"). The purchase price of one share of Common Stock (the "Exercise Price") under this Warrant shall be $0.859 [125% of the Market Price determined as of the date of the Purchase Agreement.] The Exercise Price and the number of shares for which the Warrant is exercisable shall be subject to adjustment as provided herein. In the event of any conflict between the terms of this Warrant and the Private Equity Line of Credit Agreement dated as of September 15, 2000 pursuant to which this Warrant has been issued (the "Purchase Agreement"), the Purchase Agreement shall control. Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Purchase Agreement.

1. Title to Warrant. Prior to the Termination Date and subject to compliance with applicable laws, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company by the holder hereof in person or by duly authorized attorney, upon surrender of this Warrant together with the Assignment Form annexed hereto properly endorsed.

2. Authorization of Shares. The Company covenants that all shares of Common Stock which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

3. Exercise of Warrant. Except as provided in Section 4 herein, exercise of the purchase rights represented by this Warrant may be made at any time or times on or after the Initial Exercise Date, and before the close of business on the Termination Date by the surrender of this Warrant and the Notice of Exercise Form annexed hereto duly executed, at the office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered holder hereof at the address of such holder appearing on the books of the Company) and upon payment of the Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank, the holder of this Warrant shall be entitled to receive a certificate for the number of shares of Common Stock so purchased. Certificates for shares purchased hereunder shall be delivered to the holder hereof within three (3) Trading Days after the date on which this Warrant shall have been exercised as aforesaid. This Warrant shall be deemed to have been exercised and such certificate or certificates shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised by payment to the Company of the Exercise Price and all taxes required to be paid by Holder, if any, pursuant to Section 5 prior to the issuance of such shares, have been paid. If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant. If no registration statement is effective permitting the resale of the shares of Common Stock issued upon exercise of this Warrant at any time commencing one year after the issuance date hereof, then this Warrant shall also be exercisable by means of a "cashless exercise" in which the holder shall be entitled to receive a certificate for the number of shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the average of the high and low trading prices per share of Common Stock on the Trading Day preceding the date of such election;

(B) = the Exercise Price of the Warrants; and

(X) = the number of shares issuable upon exercise of the Warrants in accordance with the terms of this Warrant.

4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay a cash adjustment in respect of such final fraction in an amount equal to the Exercise Price.

5. Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the exercise of this Warrant shall be made without charge to the holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the holder of this Warrant or in such name or names as may be directed by the holder of this Warrant; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the holder of this Warrant, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the holder hereof; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

6. Closing of Books. The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant.

7. Transfer, Division and Combination. (a) Subject to compliance with any applicable securities laws, transfer of this Warrant and all rights hereunder, in whole or in part, shall be registered on the books of the Company to be maintained for such purpose, upon surrender of this Warrant at the principal office of the Company, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a

new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued.

(b) This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by Holder or its agent or attorney. Subject to compliance with Section 7(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice.

(c) The Company shall prepare, issue and deliver at its own expense (other than transfer taxes) the new Warrant or Warrants under this Section 7.

(d) The Company agrees to maintain, at its aforesaid office, books for the registration and the registration of transfer of the Warrants.

8. No Rights as Shareholder until Exercise. This Warrant does not entitle the holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof. Upon the surrender of this Warrant and the payment of the aggregate Exercise Price, the Warrant Shares so purchased shall be and be deemed to be issued to such holder as the record owner of such shares as of the close of business on the later of the date of such surrender or payment.

9. Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant certificate or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

11. Adjustments of Exercise Price and Number of Warrant Shares. (a) Stock Splits, etc. The number and kind of securities purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time upon the happening of any of the following. In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock to holders of its outstanding Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue any shares of its capital stock in a reclassification of the Common Stock, then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the holder of this Warrant shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which he would have owned or have been entitled to receive had such Warrant been exercised in advance thereof. Upon each such adjustment of the kind and number of Warrant Shares or other securities of the Company which are purchasable hereunder, the holder of this Warrant shall thereafter be entitled to purchase the number of Warrant Shares or other securities resulting from such adjustment at an Exercise Price per Warrant Share or other security obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares purchasable pursuant hereto immediately prior to such adjustment and dividing by the number of Warrant Shares or other securities of the Company resulting from such adjustment. An adjustment made pursuant to this paragraph shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) Reorganization, Reclassification, Merger, Consolidation or Disposition of Assets. In case the Company shall reorganize its capital, reclassify its capital stock, consolidate or merge with or into another corporation (where the Company is not the surviving corporation or where there is a change in or distribution with respect to the Common Stock of the Company), or sell, transfer or otherwise dispose of all or substantially all its property, assets or business to another corporation and, pursuant to the terms of such reorganization, reclassification, merger, consolidation or disposition of assets, shares of common stock of the successor or acquiring corporation, or any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring corporation ("Other Property"), are to be received by or distributed to the holders of Common Stock of the Company, then Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and Other Property receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. In case of any such reorganization, reclassification, merger, consolidation or disposition of assets, the successor or acquiring corporation (if other than the Company) shall expressly assume the due and punctual observance and performance of each and every covenant and condition of this Warrant to be performed and observed by the Company and all the obligations and liabilities hereunder, subject to such modifications as may be deemed appropriate (as determined in good faith by resolution of the Board of Directors of the Company) in order to provide for adjustments of shares of Common Stock for which this Warrant is exercisable which shall be as nearly equivalent as practicable to the adjustments provided for in this Section 11. For purposes of this Section 11, "common stock of the successor or acquiring corporation" shall include stock of such corporation of any class which is not preferred as to dividends or assets over any other class of stock of such corporation and which is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this Section 11 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations or disposition of assets.

12. Voluntary Adjustment by the Company. The Company may at any time during the term of this Warrant, reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

13. Notice of Adjustment. Whenever the number of Warrant Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall promptly mail by registered or certified mail, return receipt requested, to the holder of this Warrant notice of such adjustment or adjustments setting forth the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Warrant Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. Such notice, in the absence of manifest error, shall be conclusive evidence of the correctness of such adjustment.

14. Notice of Corporate Action. If at any time:

(a) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, or any right to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property, or to receive any other right, or

(b) there shall be any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger of the Company with, or any sale, transfer or other disposition of all or substantially all the property, assets or business of the Company to, another corporation or,

(c) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of such cases, the Company shall give to Holder (i) at least 30 days' prior written notice of the date on which a record date shall be selected for such dividend, distribution or right or for determining rights to vote in respect of any such reorganization, reclassification, merger, consolidation, sale, transfer, disposition, liquidation or winding up, and (ii) in the case of any such reorganization, reclassification, merger, consolidation, sale, transfer, disposition, dissolution, liquidation or winding up, at least 30 days' prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause also shall specify (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, the date on which the holders of Common Stock shall be entitled to any such dividend, distribution or right, and the amount and character thereof, and (ii) the date on which any such reorganization, reclassification, merger, consolidation, sale, transfer, disposition, dissolution, liquidation or winding up is to take place and the time, if any such time is to be fixed, as of which the holders of Common Stock shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such disposition, dissolution, liquidation or winding up. Each such written notice shall be sufficiently given if addressed to Holder at the last address of Holder appearing on the books of the Company and delivered in accordance with Section 16(d).

15. Authorized Shares. The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Market upon which the Common Stock may be listed.

The Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (c) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

Upon the request of Holder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form reasonably satisfactory to Holder, the continuing validity of this Warrant and the obligations of the Company hereunder.

Before taking any action which would cause an adjustment reducing the current Exercise Price below the then par value, if any, of the shares of Common Stock issuable upon exercise of the Warrants, the Company shall take any corporate action which may be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of such Common Stock at such adjusted Exercise Price.

Before taking any action which would result in an adjustment in the number of shares of Common Stock for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

16. Miscellaneous.

(a) Jurisdiction. This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York without regard to its conflict of law, principles or rules, and be subject to arbitration pursuant to the terms set forth in the Purchase Agreement.

(b) Restrictions. The holder hereof acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

(c) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding all rights hereunder terminate on the Termination Date. If the Company fails to comply with any provision of this Warrant, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(d) Notices. Any notice, request or other document required or permitted to be given or delivered to the holder hereof by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

(e) Limitation of Liability. No provision hereof, in the absence of affirmative action by Holder to purchase shares of Common Stock, and no enumeration herein of the rights or privileges of Holder hereof, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(f) Remedies. Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(g) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by any such Holder or holder of Warrant Shares.

(h) Indemnification. The Company agrees to indemnify and hold harmless Holder from and against any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, attorneys' fees, expenses and disbursements of any kind which may be imposed upon, incurred by or asserted against Holder in any manner relating to or arising out of any failure by the Company to perform or observe in any material respect any of its covenants, agreements, undertakings or obligations set forth in this Warrant; provided, however, that the Company will not be liable hereunder to the extent that any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, attorneys' fees, expenses or disbursements are found in a final non-appealable judgment by a court to have resulted from Holder's negligence, bad faith or willful misconduct in its capacity as a stockholder or warrantholder of the Company.

(i) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

(j) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(k) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

Dated: September 15, 2000

Integrated Surgical Systems, Inc.

By:

Louis Kirchner

Chief Financial Officer

NOTICE OF EXERCISE

To: Integrated Surgical Systems, Inc.

1. The undersigned hereby elects to purchase _____ shares of Common Stock (the "Common Stock"), of Integrated Surgical Systems, Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

2. Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

_____

(Name)

_____

(Address)

_____

Dated:

_____

Signature

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____< /P>

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in an fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

EXHIBIT E

September 15, 2000

Triton West Group, Inc.

C/o CFS Ltd.

P.O. Box 613 GT

Georgetown, Grand Cayman

Attention: Ian Goodall

Ladies and Gentlemen:

This opinion is furnished to you pursuant to the Private Equity Line of Credit Agreement by and between Integrated Surgical Systems, Inc., a Delaware corporation (the "Company"), and the Triton West Group, Inc. (the "Investor"), dated as of September 15, 2000 (the "Purchase Agreement"), which provides for the issuance and sale by the Company of up to $12,000,000 of the Company's common stock, par value $.01 per share (the "Common Stock"). All capitalized terms used but not defined herein shall have the meanings assigned to them in the Purchase Agreement.

We have acted as counsel to the Company in connection with the negotiation of the Purchase Agreement, the Registration Rights Agreement and the Escrow Agreement, (collectively, the "Agreements"). As such counsel, we have made such legal and factual examinations and inquiries as we have deemed advisable or necessary for the purpose of rendering this opinion. In addition, we have examined, among other things, originals or copies of such corporate records of the Company, certificates of public officials and such other documents and questions of law that we consider necessary or advisable for the purpose of rendering this opinion. In such examination we have assumed the genuineness of all signatures on original documents, the authenticity and completeness of all documents submitted to us as originals, the conformity to original documents of all copies submitted to us as copies thereof, the legal capacity of natural persons, and the due execution and delivery of all documents (except as to due execution and delivery by the Company) where due execution and delivery are a prerequisite to the effectiveness thereof. As to the matters of fact, we have relied upon certificates or other written statements of public authorities and certificates or other written statements of officers and directors of the Company. The phrases "to our knowledge" or "known to us" when used herein mean that with respect to the factual matter covered thereby, we have undertaken no independent investigation or verification of such matters, but have relied solely upon the representations and warranties of the Company contained in the Agreements and have obtained certificates from the officers and directors of the Company as to such factual matters, and nothing has come to the attention of those attorneys in our office who directly participated in this engagement that (x) would give them actual knowledge or actual notice that such representation or warranty is not accurate or complete, or (y) any information set forth in any of the foregoing documents, certificates and information on which they have relied is not accurate or complete. In addition, we have assumed that any certificate of a public authority on which we have relied that was given or dated earlier than the date of this opinion continues to remain accurate, insofar as relevant to such opinion, from such earlier date through and including the date of this opinion.

For purposes of this opinion, we have assumed that the Investor has all requisite power and authority, and has taken any and all necessary corporate action, to execute and deliver the Agreements, and we are assuming that the representations and warranties made by the Investor in the Agreements and pursuant thereto are true and correct.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business and to own, lease and operate its properties and assets as described in the Company's SEC Documents. To our knowledge, the Company does not have any subsidiaries and does not own more than fifty percent (50%) of the outstanding capital stock of or control any other business entity other than as disclosed in the SEC Documents. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the Company owns or leases property, other than those in which the failure so to qualify would not have a Material Adverse Effect.

2. The Company has the requisite corporate power and authority to enter into and perform its obligations under the Agreements and to issue the Put Shares, the Warrants and the Warrant Shares. The execution and delivery of the Agreements by the Company and the consummation by it of the transactions contemplated thereby have been duly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required, except as may be required under the rules of the Nasdaq Stock Market, Inc. (the "Nasdaq Restriction"). Each of the Agreements has been duly executed and delivered and the Put Shares and the Warrants * have each been duly executed, issued and delivered by the Company and each of the Agreements and the Warrants * constitute valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

3. The execution, delivery and performance of the Agreements by the Company and the consummation by the Company of the transactions contemplated thereby, including, without limitation, the issuance of the Put Shares, the Warrants * and the Warrant Shares * , do not and will not (i) result in a violation of the Company's Restated Certificate of Incorporation or By-Laws, each as amended as of the date hereof; (ii) to our knowledge, conflict with, or constitute a material default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture, instrument or any "lock-up" or similar provision of any underwriting or similar agreement to which the Company is a party; or (iii) result in a violation of any federal or state law, rule or regulation applicable to the Company or by which any property or asset of the Company is bound or affected, except for such violations as would not, individually or in the aggregate, have a Material Adverse Effect. To our knowledge, the Company is not in violation of any terms of its Restated Certificate of Incorporation or Bylaws, each as amended as of the date hereof.

4. When so issued, the Put Shares and the Warrant Shares will be duly and validly issued, fully paid and nonassessable, and free of any liens, encumbrances and preemptive or similar rights contained in the Company's Restated Certificate of Incorporation or Bylaws, each as amended as of the date hereof, or, to our knowledge, in any agreement to which the Company is party.

5. To our knowledge, there are no claims, actions, suits, proceedings or investigations that are pending against the Company or its properties, or against any officer or director of the Company in his or her capacity as such, nor has the Company received any written threat of any such claims, actions, suits, proceedings, or investigations which could reasonably be expected to have a Material Adverse Effect. To our knowledge, the Company is not a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

* Only upon signing of Purchase Agreement.

6. To our knowledge, there are no outstanding options, warrants, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any right to subscribe for or acquire any shares of Common Stock or contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock, except as described in the SEC Documents or the Schedule of Exceptions.

7. Subject to compliance with the Nasdaq Restriction if and when the same shall apply, the issuance of the Put Shares and the Warrant Shares * will not violate the applicable listing agreement between the Company and any securities exchange or market on which the Company's securities are listed or quoted.

This opinion is limited to the Federal laws of the United States, the laws of the State of New York and the Delaware General Corporation Law. No opinion is expressed with respect to the laws, rules or regulations of any other jurisdiction, whether U.S. or foreign.

This opinion is furnished to the Investor solely for its benefit in connection with the transactions described above and may not be relied upon by any other person or for any other purpose without our prior written consent.

Very truly yours,

SNOW BECKER KRAUSS P.C.

INTEGRATED SURGICAL SYSTEMS, INC.
1850 Research Park Drive
Davis, California 95616-4884

Triton West Group, Inc.
c/o CFS Ltd.
Harbor Center, 4th Floor
P O Box 613 GT
Georgetown, Grand Cayman

Attention: Ian Goodall

Private Equity Line of Credit Agreement
dated as of September 15, 2000

Ladies and Gentlemen:

This letter sets forth our agreement to amend the terms of the Private Equity Line of Credit Agreement (the "Purchase Agreement") and Escrow Agreement, each dated as of September 15, 2000, between us as follows(capitalized terms used in this letter without definition shall have the meanings assigned to them in those agreements):

1. Section 1.22 of the Purchase Agreement ("Purchase Price") is hereby amended to change the percentage of the Market Price used to calculate the purchase price of the Put Shares from eighty-eight percent (88%) to eighty-five (85%) percent.

1. Section 2.1(b) of the Escrow Agreement is hereby amended to provide for the payment to you of an advisory fee of $7,000 at each Closing, which shall be the only cash advisory fees which we are obligated to pay you in connection with the equity line of credit and to delete and eliminate the advisory fees in clause (i) and (ii).

If the foregoing accurately reflects the agreement between us, please sign a copy of this letter in the space for your signature below, and return the same to me, whereupon this letter shall constitute an amendment to the Purchase Agreement and the Escrow Agreement.

Very truly yours,

Louis Kirchner
Chief Financial Officer

Accepted and agreed to this
____ day of October, 2000.

Triton West Group, Inc.

By:_____
Name:
Title:

Epstein Becker & Green, P.C. hereby consent to the
foregoing amendment to the
Escrow Agreement as of this
____ day of October 2000.

By:_____
Name:
Title:

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 10, 2000, in the Registration Statement (Form SB-2) and related Prospectus of Integrated Surgical Systems, Inc. for the registration of 24,035,000 shares of its common stock.

ERNST & YOUNG LLP

Sacramento, California
October 11, 2000