

1 JOHNSON BOTTINI, LLP  
FRANK J. JOHNSON (174882)  
2 FRANCIS A. BOTTINI, JR. (175783)  
BRETT M. WEAVER (204715)  
3 501 West Broadway, Suite 1720  
San Diego, California 92101  
4 Telephone: (619) 230-0063  
Facsimile: (619) 238-0622

5 *Attorneys for Plaintiff Michael Brown*  
6  
7

8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 MICHAEL BROWN, derivatively on behalf )  
of HANSEN MEDICAL, INC., )

12 )  
13 Plaintiff, )

14 vs. )

15 FREDERIC H. MOLL, STEVEN M. VAN )  
DICK, GARY C. RESTANI, JOHN G. )  
16 FREUND, JAMES M. SHAPIRO, )  
CHRISTOPHER P. LOWE, THOMAS C. )  
17 MCCONNELL, RUSSELL C. HIRSCH, )  
JOSEPH M. MANDATO, KEVIN HYKES, )  
18 CHRISTOPHER SELLS, and DOES 1 – 25, )  
inclusive, )

19 Defendants, )

20 vs. )

21 HANSEN MEDICAL, INC., a Delaware )  
corporation, )

22 )  
23 Nominal Defendant. )  
24  
25  
26  
27  
28

Case No. 09-cv-5881-SI

**AMENDED VERIFIED SHAREHOLDER  
DERIVATIVE COMPLAINT**

**JURY TRIAL DEMANDED**

**Table of Contents**

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

I. OVERVIEW OF THE ACTION..... 1

II. JURISDICTION AND VENUE..... 4

III. THE PARTIES ..... 4

    A. Plaintiff..... 4

    B. Nominal Defendant Hansen Medical ..... 4

    C. Individual Defendants ..... 4

        (1) Director Defendants ..... 7

        (2) Officer Defendants ..... 7

        (3) Audit Committee Defendants ..... 7

IV. DUTIES OF THE INDIVIDUAL DEFENDANTS ..... 8

    A. Fiduciary Duties ..... 8

    B. Audit Committee Duties..... 8

    C. Control, Access, and Authority ..... 10

    D. Reasonable and Prudent Supervision ..... 10

V. BREACHES OF DUTIES..... 11

VI. CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION ..... 11

VII. INSIDER SELLING ALLEGATIONS..... 13

VIII. SUBSTANTIVE ALLEGATIONS..... 14

    A. Information Obtained Through Counsel’s Investigation, Including Confidential Witnesses’ Statements, Support the Allegations ..... 14

    B. The Sensei System Is Hansen Medical’s Core Product ..... 14

    C. The Individual Defendants Knew About the Revenue Recognition Issues ..... 15

        (1) The Officer Defendants ..... 15

        (2) The Audit Committee Defendants..... 16

        (3) The Other Director Defendants – Hirsch, Mandato, and Hykes..... 17

    D. The Individual Defendants Engaged in Gross Mismanagement..... 18

|    |            |  |    |
|----|------------|--|----|
| 1  | E.         | The Individual Defendants Acted in Bad Faith by Allowing Sells to Resign.....  | 20 |
| 2  |            |  |    |
| 3  | F.         | The Individual Defendants Caused Hansen Medical to Issue False and Misleading Financial Reports.....   | 20 |
| 4  | G.         | The Individual Defendants Caused Hansen Medical to Issue False and Misleading Disclosures.....   | 24 |
| 5  | IX.        | DAMAGES TO HANSEN MEDICAL .....  | 38 |
| 6  | X.         | DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS.....  | 39 |
| 7  |            |  |    |
| 8  | A.         | Demand Futility as to Defendant Moll.....  | 39 |
| 9  | B.         | Demand Futility as to the Audit Committee Defendants .....   | 41 |
| 10 | C.         | Demand Futility as to Hirsch, Mandato, and Hykes .....   | 42 |
| 11 | D.         | Demand Futility as to Defendants Moll, Hirsch, Shapiro, Mandato and Lowe .....   | 42 |
| 12 | COUNT I    |  |    |
| 13 |            | Against Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick, Restani and McConnell for Breach of Fiduciary Duty Related to the Dissemination of False and Misleading Financial Statements..... | 44 |
| 14 | COUNT II   |  |    |
| 15 |            | Against Defendants Freund, Shapiro, Lowe and McConnell for Breach of Fiduciary Duty.....   | 44 |
| 16 | COUNT III  |  |    |
| 17 |            | Against the Individual Defendants for Breach of Fiduciary Duty .....   | 45 |
| 18 | COUNT IV   |  |    |
| 19 |            | Against the Individual Defendants for Unjust Enrichment.....   | 46 |
| 20 | COUNT V    |  |    |
| 21 |            | Against the Individual Defendants for Waste of Corporate Assets.....   | 46 |
| 22 | COUNT VI   |  |    |
| 23 |            | Against Defendant Restani for Breaches of Fiduciary Duties for Insider Selling and Misappropriation of Information.....  | 47 |
| 24 | COUNT VII  |  |    |
| 25 |            | Against Restani for Violation of California Corporations Code § 25402.....   | 47 |
| 26 | COUNT VIII |  |    |
| 27 |            | Against Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick and McConnell for Violation of California Corporations Code § 25403 .....  | 48 |
| 28 | XI.        | PRAYER FOR RELIEF .....  | 49 |
|    | XII.       | JURY DEMAND .....  | 50 |

1 **I. OVERVIEW OF THE ACTION**

2 1. Plaintiff Michael Brown, a shareholder of Hansen Medical, Inc. (“Hansen Medical” or  
3 the “Company”), on behalf of the Company, and by his counsel, submits this Amended Verified  
4 Shareholder Derivative Complaint (the “Amended Complaint”) against certain officers and directors of  
5 Hansen Medical concerning wrongdoing that occurred between at least May 2008 to the present (the  
6 “Relevant Period”). On behalf of Hansen Medical, Plaintiff asserts against the Individual Defendants  
7 (as defined in ¶ 34, *infra*) – Hansen Medical’s current and former directors and officers – state law  
8 claims for breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate  
9 assets, and unjust enrichment and for violations of California Corporations Code, seeking to recover  
10 substantial losses to Hansen Medical and other damages, such as to its reputation and goodwill.

11 2. Plaintiff’s claims arise from illegal accounting practices and mismanagement that took  
12 place at Hansen Medical during the Relevant Period.

13 3. Hansen Medical develops, manufactures and sells medical robotics for accurate  
14 positioning, manipulation, and stable control of catheters and catheter-based technologies. Currently,  
15 Hansen Medical’s core product is the Sensei Robotic Catheter System, which is a robotic navigation  
16 system for use in cardiac surgery. Hansen Medical gained regulatory approval for its Sensei systems in  
17 2006 and began commercial shipments during the first quarter of 2007.

18 4. The Individual Defendants had high aspiration for Hansen Medical’s growth. In 2007,  
19 Defendant Frederic H. Moll, Hansen Medical’s co-founder, then Chief Executive Officer, and board  
20 member, reportedly boasted that Hansen Medical’s stock price would rise to \$200.00 per share.<sup>1</sup>

21 5. To drive up Hansen Medical’s stock price, the Individual Defendants needed to show  
22 high demand for and, in turn, high revenues of the sale of its core product, the Sensei systems because  
23 Hansen Medical’s success and its public perception depended upon the revenues derived from sales of  
24 the Sensei systems and the method by which those revenues were recognized.

25  
26  
27 <sup>1</sup> In 2007, Hansen Medical stock was traded between \$11.00 and \$40.00 per share. And in  
28 August 2010, Hansen Medical’s stock price is under \$2.00 per share.

1           6.       The Individual Defendants faced two obstacles in raising Hansen Medical's revenues.  
2 First, as the Individual Defendants acknowledged at a February 12, 2009 conference call with analysts,  
3 Hansen Medical faced a "challenging economic climate" and an "uncertain economic environment."

4           7.       Second, the revenue recognition of the Sensei system is subject to the American Institute  
5 of Certified Public Accountants, Statement of Position 97-2, *Software Revenue Recognition*, because, as  
6 explained in detail below, a sale of a Sensei system is incomplete unless and until Hansen Medical  
7 completes installing the system and training the end users. Hansen Medical's accounting policies adopt  
8 Statement of Position 97-2's requirements.

9           8.       In an illegal effort to inflate Hansen Medical's revenues and, in turn, its stock price, the  
10 Individual Defendants created a culture of rushing to recognize revenues. During the Relevant Period,  
11 the Individual Defendants caused Hansen Medical to prematurely recognize revenues for the sales of  
12 the Sensei systems in violation of its own accounting policies and Statement of Position 97-2.

13           9.       On October 19, 2009, Hansen Medical disclosed that it was restating its fiscal 2008  
14 through second quarter 2009 financial results to correct improper revenue recognitions in connection  
15 with sales of its Sensei systems. Hansen Medical also disclosed that a whistleblower report, regarding  
16 accounting irregularities, triggered the discovery of the improper revenue recognition.

17           10.      On November 16, 2009, the Individual Defendants caused Hansen Medical to file the  
18 restatement with the U.S. Securities and Exchange Commission (the "SEC"). The restatement removed  
19 \$6.7 million or 22% of Hansen Medical's previously reported revenues for fiscal 2008. The  
20 restatement also affected certain assets in Hansen Medical's previously reported revenues for fiscal  
21 2008. In addition, the restatement affected certain previously reported assets in Hansen Medical's 2007  
22 financial statements, which had the effect of increasing Hansen Medical's accumulated deficit by  
23 \$438,000. Finally, the restatement reduced Hansen Medical's reported loss for the first fiscal quarter  
24 2009 by \$191,000 and increased Hansen Medical's reported loss for the second fiscal quarter by  
25 \$75,000. Hansen Medical also disclosed that the improper revenue recognition that necessitated the  
26 restatement was the result of an ineffective internal control environment over Hansen Medical's sales,  
27 clinical, and field service departments.

28

1 11. The Individual Defendants were charged with approving, signing and certifying Hansen  
2 Medical's quarterly and annual financial reports that were filed with the SEC and contained the false  
3 financial results. Moreover, certain defendants on Hansen Medical's Audit Committee of the Board of  
4 Directors (the "Audit Committee") were responsible for reviewing and discussing the financial  
5 information included in Hansen Medical's earnings announcements, and reviewing the effectiveness  
6 and adequacy of Hansen Medical's internal controls over financial reporting.

7 12. As admitted at a November 17, 2009 conference call with analysts, the improper revenue  
8 recognition and resulting restatement were the result of the Individual Defendants' breaches of  
9 fiduciary duty:

10 With regard to the cause of the restatement it is clear that we did not maintain  
11 effective procedures for communicating to all relevant personnel the  
12 importance of strict adherence to our revenue recognition and other  
13 accounting policies and what data is required to properly apply GAAP to our  
14 transactions.

13 13. The improper revenue recognition of Sensei system revenues caused an artificial  
14 inflation of Hansen Medical's stock price during 2008 and 2009. At least one defendant – Hansen  
15 Medical's former President and Chief Operating Officer – took advantage of that inflation by selling  
16 over \$300,000 of his personally held shares while in possession of material non-public information.

17 14. In sum, as a result of the Individual Defendants' breaches of fiduciary duties, Hansen  
18 Medical disseminated a year and a half worth of false financial results, and the Individual Defendants'  
19 misconduct has damaged Hansen Medical and its shareholders. Hansen Medical has been named as a  
20 defendant in at least one class action securities fraud lawsuit. The Company has incurred, or is likely to  
21 incur, millions of dollars to hire outside attorneys to defend the class action securities fraud lawsuit and  
22 to address the Company's faulty internal controls. Additionally, the Company's goodwill and  
23 reputation have been materially undermined and tarnished.

24 15. Plaintiff brings this derivative action to: (a) recover damages against the Individual  
25 Defendants for the benefit of Hansen Medical; and (b) require Hansen Medical to reform and improve  
26 its corporate governance and internal procedures to protect the Company and its shareholders from a  
27 repeat of the damaging events described below.

1 **II. JURISDICTION AND VENUE**

2 16. Jurisdiction is conferred by 28 U.S.C. §1332. There is complete diversity among the  
3 parties and the amount in controversy exceeds the sum or value of \$75,000, exclusive of interest and  
4 costs.

5 17. Venue is proper in this District pursuant to 28 U.S.C. §1391. Many of the acts  
6 complained of herein occurred in this district and Hansen Medical's principal executive offices are  
7 located at 800 East Middlefield Road, Mountain View, California 94043, where the day-to-day  
8 operations of the Company are directed and managed.

9 **III. THE PARTIES**

10 **A. Plaintiff**

11 18. Plaintiff Michael Brown is a current shareholder of Hansen Medical and was a  
12 shareholder of Hansen Medical at the time of the transactions and events complained of herein.  
13 Plaintiff is a citizen of New York.

14 **B. Nominal Defendant Hansen Medical**

15 19. Nominal Defendant Hansen Medical is a Delaware corporation with its principal  
16 executive offices located at 800 East Middlefield Road, Mountain View, California 94043.

17 **C. Individual Defendants**

18 20. Defendant Frederic H. Moll ("Moll") is a co-founder of Hansen Medical. Moll is the  
19 Company's Chief Executive Officer and has been since September 2002. Moll is also Hansen  
20 Medical's President and has been since March 2009, and a Hansen Medical director and has been since  
21 September 2002. Upon information and belief, Moll is a citizen of California. Moll knowingly or  
22 recklessly: (i) signed false financial statements that did not properly account for Hansen Medical's  
23 Sensei system revenues; and (ii) failed to maintain adequate internal controls with respect to Hansen  
24 Medical's financial reporting. Hansen Medical paid Moll the following compensation:

| 25 <b>Fiscal Year</b> | <b>Salary</b> | <b>Option Awards</b> | <b>All Other Compensation</b> |
|-----------------------|---------------|----------------------|-------------------------------|
| 26 2008               | \$350,000     | \$979,250            | \$900                         |

27 21. Defendant Steven M. Van Dick ("Van Dick") is Hansen Medical's Vice President,  
28 Finance and Administration, and Chief Financial Officer and has been since December 2005. Upon

1 information and belief, Van Dick is a citizen of California. Van Dick knowingly or recklessly: (i)  
 2 signed false financial statements that did not properly account for Hansen Medical's Sensei system  
 3 revenues, and (ii) failed to maintain adequate internal controls with respect to Hansen Medical's  
 4 financial reporting. Hansen Medical paid Van Dick the following compensation:

| 5 <b>Fiscal Year</b> | <b>Salary</b> | <b>Option Awards</b> | <b>Stock Awards</b> | <b>All Other Compensation</b> |
|----------------------|---------------|----------------------|---------------------|-------------------------------|
| 6 2008               | \$247,538     | \$668,960            | \$32,604            | \$869                         |

7  
 8 22. Defendant Gary C. Restani ("Restani") was Hansen Medical's President and Chief  
 9 Operating Officer from October 2006 to March 2009. Restani was also a Hansen Medical director from  
 10 September 2006 to June 2009. Upon information and belief, Restani is a citizen of South Carolina.  
 11 Restani knowingly or recklessly: (i) signed false financial statements that did not properly account for  
 12 Hansen Medical's Sensei system revenues; and (ii) failed to maintain adequate internal controls with  
 13 respect to Hansen Medical's financial reporting. Hansen Medical paid Restani the following  
 14 compensation:

| 14 <b>Fiscal Year</b> | <b>Salary</b> | <b>Bonus</b> | <b>Option Awards</b> | <b>Stock Awards</b> | <b>All Other Compensation</b> |
|-----------------------|---------------|--------------|----------------------|---------------------|-------------------------------|
| 15 2008               | \$360,500     | \$50,000     | \$1,023,220          | \$217,180           | \$60,900                      |

16  
 17 Restani sold 46,238 shares of Hansen Medical stock for \$311,181.74 in proceeds while in possession of  
 18 material, non-public information.

19 23. John G. Freund ("Freund") was a Hansen Medical director between November 2002 and  
 20 May 2010. Freund was also a member of Hansen Medical's Audit Committee in 2009. Upon  
 21 information and belief, Freund is a citizen of California. Freund knowingly or recklessly: (i) reviewed  
 22 and approved false financial statements that did not properly account for Hansen Medical's Sensei  
 23 system revenues; (ii) reviewed and approved ineffective internal controls over financial reporting, and  
 24 (iii) signed false financial statements that did not properly account for Hansen Medical's Sensei  
 25 revenues.

26 24. Defendant James M. Shapiro ("Shapiro") is a Hansen Medical director and has been  
 27 since May 2004. Shapiro is also a member of Hansen Medical's Audit Committee and has been since  
 28 at least December 2007. Upon information and belief, Shapiro is a citizen of California. Shapiro

1 knowingly or recklessly: (i) reviewed and approved false financial statements that did not properly  
2 account for Hansen Medical's Sensei system revenues; (ii) reviewed and approved ineffective internal  
3 controls over financial reporting; and (iii) signed false financial statements that did not properly account  
4 for Hansen Medical's Sensei revenues.

5       25. Defendant Christopher P. Lowe ("Lowe") is a Hansen Medical director and has been  
6 since September 2006. Lowe is also Chairman of Hansen Medical's Audit Committee and has been  
7 since at least December 2007. Upon information and belief, Lowe is a citizen of California. Lowe  
8 knowingly or recklessly: (i) reviewed and approved false financial statements that did not properly  
9 account for Hansen Medical's Sensei system revenues; (ii) reviewed and approved ineffective internal  
10 controls over financial reporting; and (iii) signed false financial statements that did not properly account  
11 for Hansen Medical's Sensei revenues.

12       26. Defendant Thomas C. McConnell ("McConnell") was a Hansen Medical director from  
13 October 2005 to June 2009. McConnell was also a member of Hansen Medical's Audit Committee  
14 from at least December 2007 to June 2009. Upon information and belief, McConnell is a citizen of  
15 California. McConnell knowingly or recklessly: (i) reviewed and approved false financial statements  
16 that did not properly account for Hansen Medical's Sensei system revenues; (ii) reviewed and approved  
17 ineffective internal controls over financial reporting; and (iii) signed false financial statements that did  
18 not properly account for Hansen Medical's Sensei revenues.

19       27. Defendant Russell C. Hirsch ("Hirsch") is Hansen Medical's Chairman of the Board of  
20 Directors (the "Board") and has been since December 2004. Hirsch is also a Hansen Medical director  
21 and has been since November 2002. Upon information and belief, Hirsch is a citizen of California.  
22 Hirsch knowingly or recklessly signed false financial statements that did not properly account for  
23 Hansen Medical's Sensei system revenues.

24       28. Defendant Joseph M. Mandato ("Mandato") is a Hansen Medical director and has been  
25 since August 2006. Upon information and belief, Mandato is a citizen of California. Mandato  
26 knowingly or recklessly signed false financial statements that did not properly account for Hansen  
27 Medical's Sensei system revenues.

28

1           29. Defendant Kevin Hykes (“Hykes”) is a Hansen Medical director and has been since July  
2 2009. Upon information and belief, Hykes is a citizen of California.

3           30. Defendant Christopher Sells (“Sells”) served as Senior Vice President, Commercial  
4 Operation from June 2008 until his resignation in October 2009. Pursuant to the terms of his  
5 resignation, Sells entered into a separation agreement and consulting agreement, in which he agreed to  
6 “provide the Company with consulting services until December 31, 2009 and with a general release of  
7 claims.” Defendant Sells will receive, *inter alia*, cash compensation and continued vesting on his  
8 equity awards “equivalent to what he would have received had his employment continued through  
9 December 31, 2009.” Upon information and belief, Sells is a citizen of California.

10                   **(1) Director Defendants**

11           31. Moll, Restani, Freund, Shapiro, Lowe, McConnell, Hirsch, Mandato, and Hykes are  
12 sometimes referred to herein as the “Director Defendants.”

13                   **(2) Officer Defendants**

14           32. Moll, Van Dick, and Restani are sometimes referred to herein as the “Officer  
15 Defendants.”

16                   **(3) Audit Committee Defendants**

17           33. McConnell, Freund, Shapiro, and Lowe are sometimes referred to herein as the “Audit  
18 Committee Defendants.”

19           34. The Director Defendants, the Officer Defendants, the Audit Committee Defendants, and  
20 Sells are sometimes referred to as the “Individual Defendants.”

21           35. The true names and capacities of defendants sued herein as Does 1 through 25, inclusive,  
22 are presently not known to Plaintiff, who therefore sues these defendants by such fictitious names.  
23 Plaintiff will seek to amend this Amended Complaint pursuant to Federal Rule of Civil Procedure 15  
24 and include these Doe defendants’ true names and capacities when they are ascertained. Each of the  
25 fictitiously named defendants is responsible in some manner for the conduct alleged herein and for the  
26 injuries suffered by Hansen Medical as a result of defendants’ wanton and illegal conduct.

1 **IV. DUTIES OF THE INDIVIDUAL DEFENDANTS**

2 **A. Fiduciary Duties**

3 36. By reason of their positions as officers, directors and/or fiduciaries of Hansen Medical  
4 and because of their ability to control the business and corporate affairs of Hansen Medical, the  
5 Individual Defendants owed the Company and its shareholders fiduciary obligations of trust, loyalty,  
6 good faith, and due care, and were and are required to use their utmost ability to control and manage  
7 Hansen Medical in a fair, just, honest, and equitable manner. The Individual Defendants were and are  
8 required to act in furtherance of the best interests of Hansen Medical and its shareholders so as to  
9 benefit all shareholders equally and not in furtherance of their personal interest or benefit.

10 37. Each director and officer of the Company owes to Hansen Medical and its shareholders  
11 the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the  
12 Company and in the use and preservation of its property and assets, and the highest obligations of fair  
13 dealing. In addition, as officers and/or directors of a publicly held company, the Individual Defendants  
14 had a duty to promptly disseminate accurate and truthful information with regard to the Company's  
15 operations, performance, management, projections, and forecasts so that the market price of the  
16 Company's stock would be based on truthful and accurate information. During 2008, the Board met  
17 twelve times.

18 **B. Audit Committee Duties**

19 38. In addition to these duties, the Audit Committee Defendants owed specific duties, under  
20 the Audit Committee's Charter in effect during 2008 and 2009, to Hansen Medical to review and  
21 approve quarterly and annual financial statements, earnings press releases, and the Company's internal  
22 controls over financial reporting. During 2008, the Audit Committee met seven times. In particular,  
23 the Audit Committee's Charter in effect during 2008 and 2009 provided as follows:

24 The Committee shall oversee the Company's financial reporting process on  
25 behalf of the Board, shall have direct responsibility for the appointment,  
26 compensation, retention and oversight of the work of the Auditors and any  
27 other registered public accounting firm engaged for the purpose of  
28 performing other review or attest services for the Company. The Auditors  
and each such other registered public accounting firm shall report directly  
and be accountable to the Committee. The Committee's functions and  
procedures shall remain flexible to address changing circumstances most  
effectively. To implement the Committee's purpose and policy, the  
Committee shall be charged with the following functions and processes with

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances:

\* \* \*

7. Audited Financial Statement Review. To review, upon completion of the audit, the financial statements proposed to be included in the Company’s Annual Report on Form 10-K to be filed with the Securities and Exchange Commission and to recommend whether or not such financial statements should be so included.

\* \* \*

9. Quarterly Results. To review with management and the Auditors, as appropriate, the results of the Auditors’ review of the Company’s quarterly financial statements, prior to public disclosure of quarterly financial information or filing with the Securities and Exchange Commission of the Company’s Quarterly report on Form 10-Q, and any other matters required to be communicated to the Committee by the Auditors under standards of the Public Company Accounting Oversight Board (United States).

\* \* \*

11. Press Releases. To review with management and the Auditors, as appropriate, earnings press releases, as well as the substance of financial information and earnings guidance, which review may consist of general discussions of this type of information to be disclosed or the type of presentation to be made.

12. Accounting Principles and Policies. To review with management and the Auditors significant issues that arise regarding accounting principles and financial statement presentation, including critical accounting policies and practices, alternative accounting policies available under generally accepted accounting principles (“GAAP”) related to material items discussed with management and any other significant reporting issues and judgments.

\* \* \*

18. Internal Control Over Financial Reporting. To confer with management and the Auditors, as appropriate, regarding the scope, adequacy and effectiveness of internal control over financial reporting including (a) any significant deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Company’s ability to record, process, summarize and report financial data and any material weaknesses in the Company’s internal control over financing reporting and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

1           **C. Control, Access, and Authority**

2           39. The Individual Defendants, because of their positions of control and authority as  
3 directors and/or officers of Hansen Medical, were able to and did, directly and/or indirectly, exercise  
4 control over the wrongful acts complained of herein, as well as the contents of the various public  
5 statements issued by Hansen Medical.

6           40. Because of their advisory, executive, managerial, and directorial positions with Hansen  
7 Medical, each of the Individual Defendants had access to adverse, non-public information about the  
8 financial condition, operations, and improper representations of Hansen Medical, including information  
9 regarding the shipment and recognition of revenue from sales of Hansen Medical's Sensei system.

10           41. At all times relevant hereto, each of the Individual Defendants was the agent of each of  
11 the other Individual Defendants and of Hansen Medical, and was at all times acting within the course  
12 and scope of such agency.

13           **D. Reasonable and Prudent Supervision**

14           42. To discharge their duties, the officers and directors of Hansen Medical were required to  
15 exercise reasonable and prudent supervision over the management, policies, practices and controls of  
16 the financial affairs of the Company. By virtue of such duties, the officers and directors of Hansen  
17 Medical were required to, among other things:

18           (a) refrain from acting upon material inside corporate information to benefit  
19 themselves;

20           (b) ensure that the Company complied with its legal obligations and requirements,  
21 including acting only within the scope of its legal authority and disseminating truthful and accurate  
22 statements to the investing public;

23           (c) conduct the affairs of the Company in an efficient, business-like manner so as to  
24 make it possible to provide the highest quality performance of its business, to avoid wasting the  
25 Company's assets, and to maximize the value of the Company's stock;

26           (d) properly and accurately guide investors and analysts as to the true financial  
27 condition of the Company at any given time, including making accurate statements about the  
28 Company's financial results;

1 (e) remain informed as to how Hansen Medical conducted its operations, and, upon  
2 receipt of notice or information of imprudent or unsound conditions or practices, make reasonable  
3 inquiry in connection therewith, and take steps to correct such conditions or practices and make such  
4 disclosures as necessary to comply with securities laws; and

5 (f) ensure that Hansen Medical was operated in a diligent, honest, and prudent  
6 manner in compliance with all applicable laws, rules, and regulations.

7 **V. BREACHES OF DUTIES**

8 43. Each Individual Defendant, by virtue of his position as a director and/or officer, owed to  
9 Hansen Medical and to its shareholders the fiduciary duty of loyalty and good faith and the exercise of  
10 due care and diligence in the management and administration of the affairs of Hansen Medical, as well  
11 as in the use and preservation of its property and assets. The conduct of the Individual Defendants  
12 complained of herein involves a knowing and culpable violation of their obligations as directors and  
13 officers of Hansen Medical, the absence of good faith on their part, and a reckless disregard for their  
14 duties to Hansen Medical and its shareholders that the Individual Defendants were aware or should  
15 have been aware posed a risk of serious injury to Hansen Medical. The conduct of the Individual  
16 Defendants who were also officers and/or directors of the Company have been ratified by the remaining  
17 Individual Defendants who collectively comprised all of Hansen Medical's Board.

18 44. The Individual Defendants each breached their duty of loyalty and good faith by  
19 allowing defendants to cause, or by themselves causing, the Company to misrepresent its financial  
20 results and revenue recognized from sales of the Sensei system, as detailed herein, and by failing to  
21 prevent the other Individual Defendants from taking such illegal actions. In addition, as a result of the  
22 Individual Defendants' illegal actions and course of conduct, the Company is now the subject of class  
23 action lawsuits that allege violations of securities laws. As a result, Hansen Medical has expended, and  
24 will continue to expend, significant sums of money.

25 **VI. CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

26 45. In committing the wrongful acts alleged herein, the Individual Defendants have pursued,  
27 or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired  
28

1 with one another in furtherance of their liability. The Individual Defendants further aided and abetted  
2 and/or assisted each other in breaching their respective duties.

3 46. During all times relevant hereto, the Individual Defendants collectively and individually  
4 initiated a course of conduct that was designed to and did: (i) conceal the fact that the Company was  
5 improperly misrepresenting its financial results and revenue recognized from sales of the Sensei  
6 system; (ii) enhance the Individual Defendants' executive and directorial positions at Hansen Medical  
7 and the profits, power, and prestige that the Individual Defendants enjoyed as a result of holding these  
8 positions; (iii) facilitate defendant Restani's illicit sale of over \$311,000 of his personally held shares  
9 while in possession of material non-public information; and (iv) deceive the investing public, including  
10 shareholders of Hansen Medical, regarding the Individual Defendants' management of Hansen  
11 Medical's operations and the Company's financial results that has been misrepresented by defendants.  
12 In furtherance of this plan, conspiracy, and course of conduct, the Individual Defendants collectively  
13 and individually took the actions set forth herein.

14 47. The Individual Defendants engaged in a conspiracy, common enterprise, and/or common  
15 course of conduct. During this time, the Individual Defendants caused the Company to issue false  
16 financial results based upon improperly recognized revenues.

17 48. The purpose and effect of the Individual Defendants' conspiracy, common enterprise,  
18 and/or common course of conduct was, among other things, to: (i) disguise the Individual Defendants'  
19 violations of law, breaches of fiduciary duty, waste of corporate assets, and unjust enrichment; (ii)  
20 disguise the Company's future business prospects; and (iii) facilitate defendant Restani's sale of over  
21 \$311,000 of personally held shares of the Company while in possession of material, non-public  
22 information.

23 49. The Individual Defendants accomplished their conspiracy, common enterprise, and/or  
24 common course of conduct by causing the Company to purposefully, recklessly, or negligently release  
25 improper statements. Because the actions described herein occurred under the authority of the Board,  
26 each of the Individual Defendants was a direct, necessary, and substantial participant in the conspiracy,  
27 common enterprise, and/or common course of conduct complained of herein.

28

1           50. Each of the Individual Defendants aided and abetted and rendered substantial assistance  
2 in the wrongs complained of herein. In taking such actions to substantially assist the commissions of  
3 the wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary  
4 wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his  
5 overall contribution to and furtherance of the wrongdoing.

## 6 **VII. INSIDER SELLING ALLEGATIONS**

7           51. Defendant Restani, because of his high-level positions at the Company, was privy to  
8 material non-public information about the Company's improper recognition of revenues in connection  
9 with its Sensei systems. Defendant Restani knew that the statements the Individual Defendants caused  
10 the Company to make regarding its revenue recognition were false and misleading when made. He also  
11 knew that the misstatements would create an inflated stock price. Defendant Restani took advantage of  
12 this undisclosed information to sell his personally-held stock for considerably more than the stock was  
13 worth.

14           52. On May 11, 2009, while in possession of undisclosed material adverse information,  
15 Restani sold 46,238 shares of his personally held Hansen Medical stock at \$6.73 per share for  
16 \$311,181.74 in proceeds. Defendant Restani's sales were timed to maximize profit from the  
17 Company's artificially inflated stock price. After the corrective disclosure regarding Hansen Medical's  
18 intent to restate its prior financial statements, the Company's stock price declined to approximately \$3  
19 per share.

20           53. Hansen Medical's stock price was artificially inflated as a result of, among other things,  
21 defendant Restani's improper statements. Specifically, defendant Restani made improper statements  
22 regarding revenue that was improperly recognized in connection with the Company's sales of the  
23 Sensei systems.

24           54. Defendant Restani's sales are suspicious given that his May 11, 2009 stock sale  
25 represented 31.2% of his holdings of the Company. Further, defendant Restani made no prior sales of  
26 Hansen Medical stock during 2006 and 2007.

27  
28

1 **VIII. SUBSTANTIVE ALLEGATIONS**

2 **A. Information Obtained Through Counsel’s Investigation, Including**  
3 **Confidential Witnesses’ Statements, Support the Allegations**

4 55. In preparing this Amended Verified Shareholder Derivative Complaint, Plaintiff, by and  
5 through his counsel, independently investigated and reviewed information concerning Hansen  
6 Medical’s operation and financial reporting practices. In connection with the independent  
7 investigation, Plaintiff reviewed publicly available financial information concerning Hansen Medical,  
8 including its filings with SEC, press releases, news articles, and analyst reports.

9 56. In connection with the independent investigation, Plaintiff also reviewed the Corrected  
10 Consolidated Amended Complaint for Violations of the Federal Securities Laws in *Curry v. Hansen*  
11 *Medical, Inc.*, No. 09-cv-5094-JF (N.D. Cal.) (Dkt. No. 23) (the “*Curry Complaint*”). The *Curry*  
12 Complaint provides first-hand accounts of twelve confidential witnesses (“CWs”) demonstrating a  
13 pattern of accounting irregularities and mismanagement at Hansen Medical. Plaintiff, through his  
14 counsel, contacted plaintiff’s counsel in *Curry* to discuss the bases of the allegations in the *Curry*  
15 Complaint. Plaintiff also independently verified the job positions of (and those similar to) the CWs to  
16 substantiate that the CWs would be privy to the information they assert in the *Curry Complaint*.  
17 Furthermore, Plaintiff attempted to locate and speak with current and former Hansen Medical  
18 employees to confirm the CWs’ accounts. Having verified the bases of the CWs’ accounts, Plaintiff  
19 incorporates selected CWs’ accounts to support parts of his allegations set forth below.

20 **B. The Sensei System Is Hansen Medical’s Core Product**

21 57. Hansen Medical has approximately 200 employees. Hansen Medical’s originally-filed  
22 Form 10-K for 2008 states:

23 [Hansen] had 208 employees, 60 of whom were engaged directly in research  
24 and development, 69 in manufacturing and service, 28 in general  
25 administrative and accounting activities, 15 in regulatory, clinical affairs and  
26 quality activities and 36 in sales and marketing activities.

27 58. Since its founding in 2002, Hansen Medical has been maintaining a relatively small  
28 management team – with ten officers and seven directors, according to the Company’s Web site  
(<http://www.hansenmedical.com/investors/management.aspx>). And according to the Company’s proxy

1 materials filed with the SEC on April 29, 2009, Hansen Medical listed six executive officers and key  
2 employees.

3 59. Hansen Medical develops products and technology using robotics for the accurate  
4 positioning, manipulation and control of catheters and catheter-based technologies. Hansen Medical's  
5 first product, the Sensei system, is a robotic navigation system that enables clinicians to place mapping  
6 catheters in hard-to-reach anatomical locations within the heart easily, accurately and with stability  
7 during complex cardiac arrhythmia procedures.

8 60. According to Hansen Medical's October 19, 2009 Form 8-K filed with the SEC, Hansen  
9 Medical's revenues are primarily derived from the sales of the Sensei systems.

10 61. Thus, Hansen Medical's core business is the Sensei systems. Hansen Medical's success  
11 and its public perception depend upon the revenues derived from sales of the Sensei systems and the  
12 method by which those revenues are recognized.

13 **C. The Individual Defendants Knew About the Revenue Recognition**  
14 **Issues**

15 **(1) The Officer Defendants**

16 62. Throughout the Relevant Period, the Officer Defendants – Moll, Van Dick, and Restani  
17 – had intimate, detailed knowledge of Hansen Medical's revenue recognition issues.

18 63. Between May 1, 2008 and February 23, 2010, Hansen Medical conducted at least eight  
19 conference calls with analysts and investors. Moll and Van Dick participated in all eight; Restani  
20 participated in four.

21 64. During each conference call, Moll, Van Dick, and/or Retani described in detail Hansen  
22 Medical's revenue recognition of the sales of the Sensei systems. For example, at the July 31, 2008  
23 conference call regarding Hansen Medical's second quarter 2008 performance, Moll stated:

24 I'm pleased to report that during the second quarter of 2008 we recognized  
25 revenue on the total of eight Sensei Robotic Catheter Systems and shipped  
26 two other systems, which we presently expect to recognize revenue during  
27 the third quarter. As of the end of the second quarter, the number of units on  
28 which we have recognized revenue, which we refer to as our installed base,  
has now grown to 31. We believe that the Company's results during our first  
four full quarters of sales are tremendous, and I'd like to thank all of our  
employees for their efforts in making this possible. Our installed base now  
includes 21 systems in the United States and 10 in Europe.

At the same conference call, Restani stated:

1 As [Moll] mentioned in his earlier remarks, during the second quarter we  
2 recognized revenue on eight Sensei Systems and also shipped two additional  
3 systems. Of the eight on which we recognized revenue, seven were delivered  
4 to sites in the United States and one to Europe. We also recorded revenue on  
5 the sale of one stand-alone CoHesion Module in Europe. In the United States,  
6 our recognized system installations included Duke University Medical  
7 Center, Scripts Medical Clinic in La Jolla, California, University of Miami  
8 Hospital, Loyola University in Chicago, our second system to Methodist  
9 Hospital in Houston, the VA Brecksville Hospital in Cleveland, and also  
10 Englewood Hospital in New Jersey.

11 And at the May 5, 2009 conference call, Van Dick stated:

12 Based on our pipeline of potential customers that we have identified, we  
13 continue to expect or recognize revenue on a range of 53 to 60 systems for  
14 2009.

15 65. In each of the other conference calls, the Officer Defendants similarly discussed their  
16 revenue recognition practices demonstrating the importance of this issue to Hansen Medical and their  
17 intimate, detailed knowledge of the methodology used to recognize revenues.

#### 18 **(2) The Audit Committee Defendants**

19 66. Because the Sensei systems are Hansen Medical's core product, the Audit Committee  
20 Defendants – McConnell, Freund, Shapiro, and Lowe – are required to have, and in fact had, intimate,  
21 detailed knowledge of revenue recognition issues of the sales of the Sensei systems in order to carry out  
22 their responsibilities in overseeing Hansen Medical's financial reporting.

23 67. According to the Audit Committee's Charter, these responsibilities include: (a)  
24 reviewing audited financial statements proposed to be included in the Company's annual report on  
25 Form 10-Ks to be filed with the SEC; (b) reviewing with management (including the Officer  
26 Defendants) and auditors earnings press releases, as well as substance of financial information and  
27 earnings guidance; (c) ensuring the Company's compliance with GAAP; and (d) conferring with  
28 management (including the Officer Defendants) and auditors regarding the scope, adequacy, and  
effectiveness of internal control over financial reporting.

68. Upon information and belief, McConnell, Freund, Shapiro, and Lowe were fully  
informed about, discussed, and/or designed Hansen Medical's revenue recognition policies during the  
Relevant Period.



1           **D.     The Individual Defendants Engaged in Gross Mismanagement**

2           73.     Despite their knowledge of Hansen Medical’s revenue recognition policies, the  
3 Individual Defendants abdicated their duties to maintain adequate internal controls over financial  
4 reporting at Hansen Medical.

5           74.     As a result of the Individual Defendants’ abdication of their duties, Hansen Medical  
6 prematurely recognized revenues for certain sales of the Sensei systems during the Relevant Period in  
7 violation of its own accounting policies.

8           75.     Such improper – and illegal – revenue recognition caused Hansen Medical to restate its  
9 financial statements for 2007, 2008, and 2009. In its November 10, 2009 Form 8-K filed with the SEC,  
10 Hansen Medical repeated the announcement of the restatement reported in the October 19, 2009 Form  
11 8-K:

12                   [O]n October 15, 2009, the audit committee of our board of directors, upon  
13 the recommendation of management, concluded that the previously issued  
14 financial statements contained in our annual report on Form 10–K for the  
15 year ended December 31, 2008, and our quarterly reports on Form 10–Q for  
16 the quarters ended March 31, 2008, June 30, 2008, September 30, 2008,  
17 March 31, 2009 and June 30, 2009 (collectively, the “Prior Periods”) should  
18 no longer be relied upon because of errors in those financial statements, some  
19 of which arose from potential irregularities outside of the accounting  
20 department. Following the filing of our Form 8–K, we continued our  
21 investigation and, on November 9, 2009, the audit committee of our board of  
22 directors, upon recommendation of management, concluded that the  
23 previously issued financial statements contained in our annual report on Form  
24 10–K for the year ended December 31, 2007 (the “2007 Period”) should also  
25 no longer be relied upon because of an error in those financial statements  
26 regarding the recognition of revenue on one Sensei Robotic Catheter System  
27 sold to a distributor in the quarter ending December 31, 2007. . . . We have  
28 identified systems for which revenue should have been recognized in a later  
period than the period in which it was recognized and revenue on systems  
that should have been deferred.

22           76.     In a November 17, 2009 conference call, Moll admitted that mismanagement caused the  
23 revenue restatement:

24                   With regard to the cause of the restatement it is clear that we did not maintain  
25 effective procedures for communicating to all relevant personnel the  
26 importance of strict adherence to our revenue recognition and other  
27 accounting policies and what data is required to properly apply GAAP to our  
28 transactions.

27           77.     The accounting irregularities at Hansen Medical reflect the Individual Defendants’  
28 improper and misguided desire to inflate Hansen Medical’s stock price through inflated revenues. For

1 example, Moll was reported to have said in 2007 that Hansen Medical’s stock price would rise to \$200  
2 per share.

3 78. To inflate Hansen Medical’s revenues, the Individual Defendants created a culture of  
4 rushing to recognize revenues.

5 79. CW9 was a Manager of Financial Planning and Analysis for Hansen Medical from  
6 approximately June 2007 to approximately May 2008. CW9 reported to Van Dick and was Restani’s  
7 right-hand person. According to CW9, there was always a push at the end of each month to recognize  
8 revenue. CW9 was also concerned about whether Hansen Medical properly trained the end users and  
9 whether there was sufficient time for installation before revenues were recognized.

10 80. CW7 was a sales person at Hansen Medical between March 2006 and July 2009 and  
11 directly reported to Sells. CW7 stated that:

12 (a) Hansen Medical installed a Sensei system at Yale University in the last week of  
13 December 2008 and removed it one week later;

14 (b) Sells did not comply with Hansen Medical’s rules for revenue recognition and  
15 did things that were “down right wrong”; and

16 (c) In some cases, Hansen Medical recognized revenue without the end users being  
17 trained.

18 81. Corroborating CW7’s statements, CW4, a Clinical Account Manager at Hansen Medical,  
19 stated that:

20 (a) at Sells’s direction, clinicians and salespersons would make lofty promises to  
21 entice customers to buy more catheters;

22 (b) at the end of each quarter, the senior vice president of Global Operations was  
23 obsessed to make his numbers; and

24 (c) the Sensei systems installed at Yale University in December 2008 was eventually  
25 taken out because the installation was made for the purpose of making the revenue numbers look good.

26 82. Corroborating with the statements of CW4 and CW7 regarding Sells’s obsession with  
27 inflating revenues, CW11, a sales employee at Hansen Medical between July 2008 and April 2009,  
28 stated that Sells made effectively impossible demands that CW11 press customers for unrealistic sales.

1 83. Corroborating with the statements of CW4 and CW7 regarding inadequate training,  
2 CW2, a Clinical Sales Specialist at Hansen Medical between July 2007 and June 2009, stated that at a  
3 meeting in Boston in February 2008, Moll discussed the need for Hansen Medical to provide additional  
4 training to end users.

5 84. Corroborating with the statements of CW4 and CW7 regarding the practice of installing  
6 systems to inflate revenue, CW12, a Senior Field Service Engineer at Hansen Medical between January  
7 2006 and July 2009, stated that it was common for Hansen Medical to install systems and later uninstall  
8 them.

9 **E. The Individual Defendants Acted in Bad Faith by Allowing Sells to Resign**

10 85. The Individual Defendants were aware of Hansen Medical's culture of driving up  
11 revenues and Sells's obsession with inflating revenues. For example, according to CW1, a Director of  
12 Customer Support at Hansen Medical between April 2006 and November 2009, Van Dick and Sells  
13 attended weekly meetings in 2008 and 2009 to discuss how to pull in sales.

14 86. At a November 17, 2009 conference call, Moll admitted, as part of the reason for the  
15 improper revenue recognitions during the Relevant Period, that Hansen Medical's "sales and service  
16 organization" was flawed because the same vice president, who had the incentive to maximize revenue,  
17 was responsible for oversight.

18 87. At the wake of Hansen Medical's announcement of revenue restatement, the Director  
19 Defendants allowed Sells to resign in October 2009. Moreover, the Director Defendants caused Hansen  
20 Medical to enter into a separation agreement and consulting agreement with Sells, under which Sells  
21 would receive cash compensation and continue vesting on his equity awards as if he would remain  
22 employed through December 31, 2009.

23 88. In light of Sells's egregious conduct and his role in causing the accounting irregularities  
24 at Hansen Medical, the Director Defendants acted in bad faith in allowing Sells to resign and allowing  
25 Hansen Medical to enter into the separation agreement.

26 **F. The Individual Defendants Caused Hansen Medical to Issue False and  
27 Misleading Financial Reports**

28 89. In order to inflate the price of Hansen Medical's stock, the Individual Defendants caused  
the Company to falsely report its results for 2008 and for the first and second quarters of 2009 by

1 improperly accounting for its revenue, which overstated the Company's reported revenue and net  
2 income. The Individual Defendants caused the Company to announce that it would restate its financial  
3 statements due to its improper recognition of revenue.

4 90. Hansen Medical's Relevant Period financial results were included in a Form 10-K and  
5 Form 10-Qs filed with the SEC. The results were also included in press releases disseminated to the  
6 public. The Company's SEC filings claimed that the financial information presented therein was a fair  
7 statement of Hansen Medical's financial results and that the results were prepared in accordance with  
8 GAAP.<sup>2</sup>

9 91. The Individual Defendants' representations were false and misleading as to the financial  
10 information reported, as such financial information was not prepared in conformity with GAAP, nor  
11 was the financial information a "fair representation" of Hansen Medical's financial condition and  
12 operations, causing the financial results to be presented in violation of GAAP and SEC rules.

13 92. During the Relevant Period, the Individual Defendants caused Hansen Medical to  
14 improperly recognize revenue prior to its being earned and recognizable. Hansen Medical's revenue is  
15 primarily derived from the sale of the Sensei systems. The sale of the Sensei systems involves the  
16 robotic navigation system itself, software installation and training services. Given that the software  
17 associated with the sale of the Company's Sensei systems is essential to the functioning of the systems,  
18 Statement of Position ("SOP") 97-2, *Software Revenue Recognition*, applies to Hansen Medical's  
19 recognition of revenue.<sup>3</sup> Under SOP 97-2, revenue is generally realized or realizable and earned when  
20 all of the following criteria are met:

21 \_\_\_\_\_  
22 <sup>2</sup>GAAP are those principles recognized by the accounting profession as the conventions,  
23 rules and procedures necessary to define accepted accounting practices at a particular time. SEC  
24 Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which  
25 are not prepared in compliance with GAAP are presumed to be misleading and inaccurate, despite  
26 footnote or other disclosure. Regulation S-X requires that interim financial statements, such as  
quarterly financial statements, must also comply with GAAP, with the exception that interim  
financial statements need not include disclosures which would be duplicative of disclosures  
accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

27 <sup>3</sup>On June 30, 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No.  
28 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted  
Accounting Principles – a replacement of FASB Statement No. 162*. FASB Accounting Standards  
Codification™ will become the source of authoritative U.S. accounting and reporting standards for

- 1 • Persuasive evidence of an arrangement exists,
- 2 • Delivery has occurred or services have been rendered,
- 3 • The seller's price to the buyer is fixed or determinable, and
- 4 • Collectability is reasonably assured.

5 93. Furthermore, SOP 97-2 provides that if an arrangement includes multiple deliverables or  
6 elements, the revenue should be allocated to the different elements based on vendor-specific objective  
7 evidence of fair value. If vendor-specific objective evidence does not exist, all of the revenue should be  
8 deferred until such time as sufficient evidence does exist or all of the elements have been delivered.  
9 SOP 97-2 ¶¶10 and 12. In revenue arrangements involving software and training services where some  
10 or all of the services are not independently functional, or there is not sufficient evidence of their fair  
11 values to account for them separately, then a company should not consider the deliverable items to be a  
12 separate unit of accounting but rather it should account for the arrangement as a single unit of  
13 accounting. SOP 97-2 ¶¶63-71.

14 94. The Company's contracts for its Sensei systems include software installation and  
15 training services. The services are not offered on a standalone basis and, as a result, the Company  
16 cannot establish the fair value of these services on a standalone basis. Furthermore, the software  
17 installation is essential to the functioning of the Sensei systems. As a result, the Individual Defendants  
18 were required to cause Hansen Medical to defer all revenue associated with the sale of a Sensei system  
19 until training and installation were complete. According to the Company's SEC filings during the  
20 Relevant Period, the Company properly deferred all revenue per SOP 97-2.

21 95. During the Relevant Period, the Individual Defendants caused Hansen Medical to  
22 recognize revenue of the sale of 53 Sensei systems.<sup>4</sup> Nonetheless, in violation of GAAP and the  
23 Company's own stated policy, the Individual Defendants caused Hansen Medical to recognize revenue  
24 in certain instances upon shipment of the product to the customers but prior to the completion of the  
25

---

26 nongovernmental entities, in addition to guidance issued by the SEC. These allegations use the  
27 historical references to US GAAP, as such references existed during the Relevant Period.

28 <sup>4</sup>The Company recognized revenue on 68 Sensei systems from the commercial launch of the  
product in May 2007 through June 30, 2009.

1 Company's obligations to its customers. Ultimately, on October 19, 2009, the Individual Defendants  
2 caused Hansen Medical to announce that it would be restating its financial results for 2008 and for the  
3 first and second quarters of 2009 due to its failure to properly recognize its revenue in compliance with  
4 SOP 97-2.

5 96. As a result of Hansen Medical's improper accounting practices with respect to its  
6 accounts receivable reserves, the Individual Defendants have caused the Company to announce that it  
7 expects to restate its financial statements for the quarterly and annual periods from January 1, 2008  
8 through June 30, 2009. The fact that the Company will restate its financial statements is an admission  
9 that:

10 (a) the financial results originally issued prior to and during the Relevant Period and  
11 the Company's public statements regarding those results were materially false and misleading;

12 (b) the financial statements reported prior to and during the Relevant Period were  
13 incorrect based on information available to the Individual Defendants at the time the results were  
14 originally reported; and

15 (c) the financial statements can no longer be relied upon as being accurate.

16 97. The SEC has reiterated its position regarding restatements:

17 [T]he Commission often seeks to enter into evidence restated financial  
18 statements, and the documentation behind those restatements, in its securities  
19 fraud enforcement actions in order, *inter alia*, to prove the falsity and  
20 **materiality of the original financial statements [and] to demonstrate that**  
21 **persons responsible for the original misstatements acted with scienter . . . .**

22 *In re Sunbeam Sec. Litig.*, No. 98-8258-Civ.-Middlebrooks, Brief of the United States Securities and  
23 Exchange Commission as *Amicus Curiae* Regarding Defendants' Motions *In Limine* to Exclude  
24 Evidence of the Restatement and Restatement Report at 2 (S.D. Fla. Feb. 22, 2002).

25 98. The fact that Hansen Medical will restate its financial statements is an admission that the  
26 financial statements originally issued were false and that the overstatement of its income was material.  
27 Pursuant to GAAP, as set forth in Accounting Principles Board Opinion ("APB") No. 20, the type of  
28 restatement announced by Hansen Medical was to correct for material errors in its previously issued  
financial statements. See APB No. 20, ¶¶7-13. Moreover, FASB Statement of Financial Accounting  
Standard ("SFAS") No. 154, *Accounting Changes and Error Corrections*, states: "Any error in the

1 financial statements of a prior period discovered subsequent to their issuance shall be reported as a  
2 prior-period adjustment by restating the prior-period financial statements.” SFAS No. 154, ¶25. Thus,  
3 GAAP provides that financial statements should be restated in order to correct an error in previously  
4 issued financial statements. Hansen Medical’s restatements are due to errors with respect to accounting  
5 for revenues. Thus, the restatements are admissions that the Individual Defendants caused Hansen  
6 Medical to falsely report its financial results.

7 **G. The Individual Defendants Caused Hansen Medical to Issue False and**  
8 **Misleading Disclosures**

9 99. On May 1, 2008, the Individual Defendants caused Hansen Medical to issue a press  
10 release entitled “Hansen Medical Reports 2008 First Quarter Results,” which stated in part:

11 Recent Business Highlights

12 System Sales: The company recognized revenue on eight Sensei™ Robotic  
13 Catheter Systems sold during the first quarter, which brings the total  
14 worldwide system placements to 23, including 14 in the United States and  
15 nine in Europe.

16 Catheter Sales: 401 Artisan™ Control Catheters were shipped in the first  
17 quarter, which exceeds the number of catheters shipped during all of 2007.

18 Collaboration with St. Jude Medical: The company’s CoHesion™ 3D  
19 Visualization Module – a module integrating the 3D movement of the Sensei  
20 system with the 3D visualization of the Ensite™ system from St. Jude  
21 Medical – has been configured in six systems in Europe. Clearance for the  
22 integrated system by the U.S. Food & Drug Administration (FDA) is  
23 expected by mid-2008.

24 Enhanced Manufacturing Capabilities: Previous and ongoing investments  
25 made to improve the company’s manufacturing capabilities are proving to be  
26 effective as the manufacturing capacity of the Sensei system increased to an  
27 average of three systems per month during the first quarter, and  
28 manufacturing yields of the Artisan control catheter were approximately 90%  
at the end of the period.

Secondary Financing: In April 2008, the company completed a successful  
secondary public offering of common stock, selling three million shares with  
net proceeds to the company of approximately \$39.4 million.

“I am pleased to report that since commercialization, we have achieved four  
consecutive quarters of increases in the number of systems placed,” said  
Frederic Moll, M.D., co-founder and chief executive officer of Hansen  
Medical. “In this past quarter, we recorded revenue on eight Sensei Robotic  
Catheter Systems, bringing the number of units we have recognized revenue  
on – which we refer to as our installed base – to 23 systems in our first 10  
months of commercialization. First quarter shipments represent more than a  
50% increase in our installed base, which now includes 14 systems in the  
United States and nine in Europe. Additionally, the 401 catheters sold in the

1 first quarter exceeded the number shipped during all of 2007 and is nearly  
2 double the prior quarter's catheter shipments.

3 "As the demand for our platform continues to grow, the investments we have  
4 made to increase manufacturing capacity and improve catheter yields will  
5 allow us to meet customer expectations and expand our worldwide market  
6 presence more efficiently," concluded Dr. Moll.

#### 7 2008 First Quarter Financial Results

8 Total revenue for the three months ended March 31, 2008 was \$6.2 million.  
9 During the quarter, the company recorded revenue on the sale of eight Sensei  
10 systems (including five in the United States and three Sensei systems in  
11 Europe), shipments of 401 Artisan control catheters and one CoHesion  
12 module. No revenues were recorded in the same period in 2007.

13 \* \* \*

14 Net loss for the three months ended March 31, 2008, including non-cash  
15 stock compensation expense of \$2.0 million, was \$11.6 million, or \$(0.53)  
16 per basic and diluted share, based on an average basic and diluted shares  
17 outstanding of 21.8 million. This compares to a net loss of \$8.6 million, or  
18 \$(0.40) per basic and diluted share, based on an average basic and diluted  
19 shares outstanding of 21.4 million, for the same period in 2007, which  
20 included non-cash stock compensation expense of \$1.8 million.

21 Cash, cash equivalents and short-term investments as of March 31, 2008  
22 were \$32.8 million, compared to \$48.6 million as of December 31, 2007.  
23 The decrease is due mainly to the company's normal operating expenses and  
24 \$2.3 million in capital expenditures primarily related to the build out of the  
25 new facility. Subsequent to the end of the first quarter, in April 2008, the  
26 company successfully completed a secondary public offering of common  
27 stock, selling three million shares with net proceeds to the company of  
28 approximately \$39.4 million.

100. On May 12, 2008, the Individual Defendants caused Hansen Medical to file its quarterly  
report with the SEC on Form 10-Q for the 2008 fiscal first quarter. The Company's Form 10-Q was  
signed by defendant Moll and reaffirmed the Company's financial results previously announced on  
May 1, 2008. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications,  
signed by Defendants Moll and Van Dick, who certified as follows:

1. I have reviewed this Quarterly Report on Form 10-Q of Hansen  
Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue  
statement of a material fact or omit to state a material fact necessary to make  
the statements made, in light of the circumstances under which such  
statements were made, not misleading with respect to the period covered by  
this report;

1 3. Based on my knowledge, the financial statements, and other financial  
2 information included in this report, fairly present in all material respects the  
3 financial condition, results of operations and cash flows of the registrant as  
4 of, and for, the periods presented in this report;

5 4. The registrant's other certifying officer and I are responsible for  
6 establishing and maintaining disclosure controls and procedures (as defined  
7 in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over  
8 financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-  
9 15(f)) for the registrant and have:

10 (a) Designed such disclosure controls and procedures, or caused such  
11 disclosure controls and procedures to be designed under our supervision, to  
12 ensure that material information relating to the registrant, including its  
13 consolidated subsidiaries, is made known to us by others within those  
14 entities, particularly during the period in which this report is being prepared;

15 (b) Designed such internal control over financial reporting, or caused  
16 such internal control over financial reporting to be designed under our  
17 supervision, to provide reasonable assurance regarding the reliability of  
18 financial reporting and the preparation of financial statements for external  
19 purposes in accordance with generally accepted accounting principles;

20 (c) Evaluated the effectiveness of the registrant's disclosure controls and  
21 procedures and presented in this report our conclusions about the  
22 effectiveness of the disclosure controls and procedures, as of the end of the  
23 period covered by this report based on such evaluation; and

24 (d) Disclosed in this report any change in the registrant's internal control  
25 over financial reporting that occurred during the registrant's most recent  
26 fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual  
27 report) that has materially affected, or is reasonably likely to materially  
28 affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on  
our most recent evaluation of internal control over financial reporting, to the  
registrant's auditors and the audit committee of the registrant's board of  
directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or  
operation of internal control over financial reporting which are reasonably  
likely to adversely affect the registrant's ability to record, process, summarize  
and report financial information; and

(b) Any fraud, whether or not material, that involves management or  
other employees who have a significant role in the registrant's internal  
control over financial reporting.

101. On July 31, 2008, the Individual Defendants caused Hansen Medical to issue a press  
release entitled "Hansen Medical Reports 2008 Second Quarter Results," which stated in part:

Recent Business Highlights

Systems: The company recognized revenue on eight Sensei Robotic Systems  
and shipped two additional systems for which revenue is expected to be

1 recognized in the third quarter. Through June 30, 2008, the company has  
2 recognized revenue on a total of 31 systems (which we refer to as our  
installed base), including 21 in the United States and 10 in Europe.

3 Catheter Sales: 279 Artisan™ Control Catheters were shipped in the second  
4 quarter.

5 Regulatory Milestones: The company's CoHesion™ 3D Visualization  
6 Module – a module integrating the 3D movement of the Sensei system with  
7 the Ensite™ 3D visualization system of St. Jude Medical – received 510(k)  
clearance from the U.S. Food & Drug Administration (FDA) at the end of the  
second quarter. As part of this 510(k) clearance, the FDA also completed its  
review of the company's IntelliSense technology.

8 Enhanced Manufacturing Capabilities: As a result of ongoing investments  
9 made to improve its manufacturing capabilities, the company has increased  
Sensei System manufacturing capacity to five systems per month and has  
exceeded a four-week inventory of Artisan Control Catheters.

10 Secondary Financing: During the second quarter, the company successfully  
11 completed a secondary public offering of common stock, selling three million  
12 shares with net proceeds to the company of approximately \$39.5 million.

13 “I am very pleased with what we have accomplished during our first full year  
14 of commercialization,” said Frederic Moll, M.D., co-founder and chief  
15 executive officer of Hansen Medical. “During this past quarter, we achieved  
16 a number of important milestones that give us a high level of confidence in  
17 our ability to execute our business plan as we continue to build momentum.  
This includes the successful completion of a secondary offering of common  
stock, regulatory clearance for the CoHesion 3D Visualization Module which  
included a review of our IntelliSense feature, and significant improvements  
in our manufacturing capacity to help meet the demand for our technology  
going forward,” concluded Dr. Moll.

#### 18 2008 Second Quarter Financial Results

19 Total revenue for the three months ended June 30, 2008 was \$5.8 million  
20 compared to revenue of \$2.4 million in the same period in 2007, equating to a  
21 139% increase over the same period in 2007. The company recognized  
revenue on eight Sensei Robotic Systems, as well as on shipments of 279  
Artisan control catheters and one stand-alone CoHesion module.

22 \* \* \*

23 Net loss for the three months ended June 30, 2008, including total non-cash  
24 stock compensation expense of \$2.9 million, was \$14.9 million, or \$(0.61)  
25 per basic and diluted share, based on average basic and diluted shares  
26 outstanding of 24.6 million shares. Net loss for the second quarter of 2007,  
including non-cash stock compensation expense of \$1.7 million, was  
\$7.9 million, or \$(0.37) per basic and diluted share, based on average basic  
and diluted shares outstanding of 21.5 million shares, for the same period in  
2007.

27 Cash, cash equivalents and short-term investments as of June 30, 2008 were  
28 \$54.6 million, compared to \$48.6 million as of December 31, 2007. The  
increase is due mainly to the company's April 2008 secondary public

1 offering, in which the company sold three million shares of common stock  
2 with net proceeds of approximately \$39.5 million. This was partially offset  
3 by normal operating expenses and \$9.5 million in capital expenditures during  
4 the first six months of 2008 primarily related to the build-out of the new  
5 facility.

6 102. On August 5, 2008, the Individual Defendants caused Hansen Medical to file its  
7 quarterly report with the SEC on Form 10-Q for the 2008 fiscal second quarter. The Company's Form  
8 10-Q was signed by Defendants Moll and Van Dick, and reaffirmed the Company's financial results  
9 previously announced on July 31, 2008. The Company's Form 10-Q also contained Sarbanes-Oxley  
10 required certifications, signed by Defendants Moll and Van Dick.

11 103. On October 23, 2008, the Individual Defendants caused Hansen Medical to issue a press  
12 release entitled "Hansen Medical Reports 2008 Third Quarter Results," which stated in part:

13 Recent Business Highlights for Third Quarter 2008

14 System Sales: The company recognized revenue on a single-quarter record of  
15 14 Sensei™ Robotic Catheter Systems, which brings the total worldwide  
16 number of systems on which the company has recognized revenue (which the  
17 company refers to as its installed base) to 45, including 30 in the United  
18 States and 15 in Europe.

19 Catheter Sales: The company shipped and recognized revenue on 423  
20 Artisan™ Control Catheters, also a record for a single quarter.

21 Revenue Growth: The company generated revenues of \$10.9 million, a 214%  
22 year-over-year increase and the highest quarterly result in the company's  
23 history.

24 Clinical Case Utilization: Clinicians continue to embrace the company's  
25 robotic technology. To date, well over 1,000 clinical cases have been  
26 performed using the Sensei system.

27 Additional Applications: Excellent recent progress made in investigating the  
28 use of the Sensei system outside of electrophysiology, including applications  
in vascular surgery and structural heart disease.

Financing Activities: During the third quarter, the company successfully  
completed a \$25 million debt facility comprised of a \$15 million equipment  
line of credit and a \$10 million asset-backed revolver.

"The third quarter was our most successful commercial quarter to date and I  
am very pleased with our accomplishments," said Frederic Moll, M.D., co-  
founder and chief executive officer of Hansen Medical. "During this record-  
breaking quarter, we achieved the highest quarterly level of revenues, system  
sales and catheter shipments in the history of our company. I continue to be  
impressed with the enthusiasm expressed for our technology by customers in  
a variety of different hospital settings. While we continue to build a strong  
position in the electrophysiology market, we also have exciting longer-term

1 opportunities in applications for vascular surgery and structural heart disease,  
2 and I am pleased with recent progress made in expanding the utility of our  
platform,” concluded Dr. Moll.

### 3 2008 Third Quarter Financial Results

4 Total revenue for the three months ended September 30, 2008 was  
5 \$10.9 million, a 214% increase compared to revenue of \$3.5 million in the  
6 same period in 2007. The company recognized revenue on 14 Sensei  
7 Robotic Systems, including nine systems configured with the CoHesion™  
8 module, as well as on shipments of 423 Artisan control catheters.

9 \* \* \*

10 Net loss for the three months ended September 30, 2008, including total non-  
11 cash stock compensation expense of \$2.7 million, was \$12.0 million, or  
12 \$(0.48) per basic and diluted share, based on average basic and diluted shares  
13 outstanding of 25.1 million shares. Net loss for the third quarter of 2007,  
14 including non-cash stock compensation expense of \$2.5 million, was  
15 \$10.0 million, or \$(0.46) per basic and diluted share, based on average basic  
16 and diluted shares outstanding of 21.6 million shares.

17 Cash, cash equivalents and short-term investments as of September 30, 2008  
18 were \$45.6 million, compared to \$48.6 million as of December 31, 2007.  
19 The lower cash balance is due to the company’s operating expenses and  
20 \$17.2 million in capital expenditures during the first nine months of 2008  
21 primarily related to the build-out of the company’s new facility, partially  
22 offset by capital raised from financing activities during the year.

### 23 2008 Nine-Month Financial Results

24 Total revenue for the nine months ended September 30, 2008 was  
25 \$22.9 million, compared to \$5.9 million for the same period last year. The  
26 company’s net loss for the nine months ended September 30, 2008, including  
27 non-cash stock compensation expense of \$7.6 million, was \$38.5 million, or  
28 \$(1.61) per basic and diluted share, based on an average basic and diluted  
shares outstanding of 23.9 million. This compares to a net loss of  
\$26.5 million, or \$(1.23) per basic and diluted share, based on an average  
basic and diluted shares outstanding of 21.5 million, for the same period last  
year, which included non-cash stock compensation expense of \$6.0 million.

104. On November 5, 2008, the Individual Defendants caused Hansen Medical to file its  
quarterly report with the SEC on Form 10-Q for the 2008 fiscal third quarter. The Company’s Form  
10-Q was signed by Defendants Moll and Van Dick, and reaffirmed the Company’s financial results  
previously announced on October 23, 2008. The Company’s Form 10-Q also contained Sarbanes-  
Oxley required certifications, signed by Defendants Moll and Van Dick.

105. On January 8, 2009, the Individual Defendants caused Hansen Medical to issue a press  
release entitled “Hansen Medical Announces Preliminary Fourth Quarter 2008 Revenue Results and  
Provides Preliminary 2009 Outlook,” which stated in part:

1 For the fourth quarter, Hansen Medical shipped 11 Sensei systems and  
2 expects to recognize revenue on the sale of 10 systems. The eleventh system  
3 shipped in the fourth quarter should be recognized as revenue in the first  
4 quarter of 2009. For the full 2008 year, the company expects to recognize  
5 revenue on 40 systems. The lower than expected system sales were due  
6 primarily to the sluggish global macroeconomic environment and credit  
7 tightening that resulted in a number of potential customers postponing orders  
8 for the company's Sensei systems.

9 "The economic downturn and its effect on our customers' capital spending  
10 has been more dramatic than we anticipated when we provided our fourth  
11 quarter and full year outlook for system sales," said Frederic Moll, M.D., co-  
12 founder and chief executive officer of Hansen Medical. "As economic  
13 conditions continued to deteriorate during the fourth quarter, several potential  
14 customers who appeared to be on track to purchase Sensei systems during the  
15 quarter postponed their orders due to capital spending constraints. While this  
16 will impact our near term operating results, I remain confident in our ability  
17 to grow our business going forward. We are not aware of any of these  
18 delayed fourth quarter orders having been cancelled, but instead believe they  
19 remain under consideration for future purchases. In addition, I continue to be  
20 impressed with the enthusiasm expressed for our technology by clinicians  
21 who indicate they are better able to perform complex interventional  
22 procedures using the Sensei system. I also believe Hansen Medical's  
23 superior value proposition gives us a competitive advantage over our primary  
24 competitor whose system requires a significantly larger up-front investment,"  
25 said Dr. Moll.

26 The company expects 2008 fourth quarter revenues to be in the range of  
27 \$7.1 million to \$7.4 million. In addition to the 10 Sensei systems, revenues  
28 for the quarter are expected to include the shipment of approximately 520  
Artisan catheters. The expected range and components of 2008 fourth  
quarter revenue are estimates pending the audit of the company's financial  
results for the year ended December 31, 2008 and accordingly are subject to  
change.

Hansen Medical currently expects to recognize revenue on 53 to 65 systems  
for 2009. "Among other factors, this range takes into account the uncertainty  
around the length and severity of the current economic recession and the  
impact it will have on our potential customers," said Dr. Moll.

106. On this news, shares of Hansen Medical declined \$1.59 per share, or 20%, to close at  
\$6.26 per share, on heavy volume.

107. On February 12, 2009, the Individual Defendants caused Hansen Medical to issue a  
press release entitled "Hansen Medical Reports 2008 Fourth Quarter and Year-End Results," which  
stated in part:

#### Recent Business Highlights

System Sales: During the fourth quarter, the company recognized revenue on  
10 Sensei Robotic Systems and shipped one additional system for which  
revenue is expected to be recognized in the first quarter of 2009. For the full  
year of 2008, the company recognized revenue on 40 systems. Through

1 December 31, 2008, the company has recognized revenue on a total of 55  
2 systems (which the company refers to as its installed base), including 36 in  
the United States and 19 in Europe.

3 Catheter Sales: The company shipped and recognized revenue on 520  
4 Artisan™ Control Catheters in the fourth quarter, a record for a single  
quarter.

5 Revenue Growth: The company generated fourth quarter revenues of  
6 \$7.3 million, a 74% year-over-year increase. Full-year 2008 revenues are  
\$30.2 million.

7 CoHesion Adoption: Of the 10 systems sold in the fourth quarter, seven were  
8 configured with CoHesion modules, and two additional CoHesion modules  
were sold to the existing installed base.

9 Philips Partnership: The company recently announced joint development and  
10 cooperation agreements with Royal Philips Electronics to co-develop  
integrated products for the electrophysiology (EP) market targeting  
11 applications to enhance visualization capabilities.

12 “I am pleased with our progress and accomplishments during this past year,”  
13 said Frederic Moll, M.D., co-founder and chief executive officer of Hansen  
14 Medical. “Adoption rates for our technology have been strong, with an  
installed base of 55 systems worldwide since we began commercial  
15 shipments in May 2007. In addition, we made important investments in our  
business and established partnerships that we believe put us in a position to  
16 significantly expand our technology in the years ahead. We are also  
encouraged by the progress we are making in markets outside EP and believe  
that this success provides evidence of the opportunity to leverage the Sensei  
platform into a variety of other interventional applications,” concluded Dr.  
17 Moll.

#### 18 2008 Fourth Quarter Financial Results

19 Total revenue for the three months ended December 31, 2008 was  
20 \$7.3 million, a 74% increase compared to revenue of \$4.2 million in the same  
period in 2007. The company recognized revenue on 10 Sensei Robotic  
Systems, including seven systems configured with the CoHesion™ module,  
as well as on shipments of 520 Artisan control catheters.

21 \* \* \*

22 Net loss for the three months ended December 31, 2008, including total non-  
23 cash stock compensation expense of \$3.6 million, was \$14.9 million, or  
\$(0.59) per basic and diluted share, based on average basic and diluted shares  
24 outstanding of 25.2 million shares. Net loss for the fourth quarter of 2007,  
including non-cash stock compensation expense of \$2.0 million, was  
25 \$23.9 million, or \$(1.10) per basic and diluted share, based on average basic  
and diluted shares outstanding of 21.7 million shares.

26 Cash, cash equivalents and short-term investments as of December 31, 2008  
27 were \$35.2 million, compared to \$48.6 million as of December 31, 2007.  
The lower cash balance is due to the company’s operating expenses and  
28 \$18.4 million in capital expenditures during 2008, primarily related to the

1 build-out of the company's new facility, partially offset by capital raised  
2 from financing activities during the year.

### 3 2008 Full-Year Financial Results

4 Total revenue for the year ended December 31, 2008 was \$30.2 million,  
5 compared to \$10.1 million for the same period last year. The company's net  
6 loss for 2008, including non-cash stock compensation expense of  
7 \$11.2 million, was \$53.4 million, or \$(2.21) per basic and diluted share,  
8 based on an average basic and diluted shares outstanding of 24.2 million.  
9 This compares to a net loss of \$50.4 million, or \$(2.33) per basic and diluted  
10 share, based on an average basic and diluted shares outstanding of  
11 21.6 million, for 2007, which included non-cash stock compensation expense  
12 of \$8.0 million.

13 108. On March 16, 2009, the Individual Defendants caused Hansen Medical to file its Annual  
14 Report with the SEC on Form 10-K for the 2008 fiscal year. The Company's Form 10-K was signed by  
15 Defendants Moll and Van Dick and reaffirmed the Company's financial results previously announced  
16 on February 12, 2009. The Company's Form 10-K also contained Sarbanes-Oxley required  
17 certifications, signed by Defendants Moll and Van Dick.

18 109. On April 16, 2009, the Individual Defendants caused Hansen Medical to issue a press  
19 release entitled "Hansen Medical Announces Preliminary First Quarter 2009 Revenue Results and  
20 Tightens Guidance for 2009," which stated in part:

21 Hansen Medical, Inc. announced today preliminary revenue results for the  
22 first quarter ended March 31, 2009.

23 For the first quarter of 2009, Hansen Medical expects to recognize revenue  
24 on the sale of 10 Sensei® Robotic Catheter Systems at an average sales price  
25 of approximately \$585,000. The company expects first quarter revenues to  
26 be in the range of \$7.0 million to \$7.2 million. In addition to the 10 Sensei  
27 systems, revenues for the quarter are expected to include the shipment of  
28 approximately 600 Artisan catheters at an average sales price of  
approximately \$1,620. The expected range and components of 2009 first  
quarter revenue are estimates and are subject to change.

Based on its preliminary first quarter results and the current market  
conditions, Hansen Medical is tightening its 2009 full year guidance for  
system sales and currently estimates recognizing revenue on a range of 53 to  
60 Sensei systems. Earlier in the first quarter, the company provided a 2009  
full year guidance range of 53 to 65 systems.

110. On May 5, 2009, the Individual Defendants caused Hansen Medical to issue a press  
release entitled "Hansen Medical Reports 2009 First Quarter Results," which stated in part:

### Recent Business Highlights

1 System Sales: During the first quarter, the company recognized revenue on  
2 10 Sensei Robotic Systems. Through March 31, 2009, the company has  
3 recognized revenue on a total of 65 systems (which the company refers to as  
4 its installed base), including 43 in the United States and 22 in international  
5 markets.

6 Catheter Sales: The company shipped approximately 600 Artisan® Control  
7 Catheters in the first quarter, a record for a single quarter.

8 Equity Financing: In April 2009, the company completed a successful public  
9 offering of common stock, selling approximately 11.7 million shares with net  
10 proceeds to the company of approximately \$35.1 million.

11 Luna Litigation: Also in April 2009, a jury awarded the company  
12 approximately \$36.3 million in damages, finding in favor of the company on  
13 its breach of contract, breach of the covenant of good faith and fair dealing,  
14 and misappropriation of trade secrets claims against Luna Innovations  
15 Incorporated. The jury verdict and recovery of damages remain subject to  
16 post-trial motions and appeals, as well as collection risks.

17 Clinical Findings: Clinical study results published in *Pacing and Clinical*  
18 *Electrophysiology* demonstrate reduced procedure time, radiation exposure  
19 and RF energy and improved efficacy when comparing procedures performed  
20 with Sensei systems with manual procedures for ablation of paroxysmal atrial  
21 fibrillation.

22 Advanced Cardiac Therapeutics Relationship: The company recently  
23 announced an equity investment in privately-held Advanced Cardiac  
24 Therapeutics, Inc. and secured the exclusive rights to certain intellectual  
25 property for robotic applications.

26 “Sensei system sales are off to a good start in 2009 and I continue to be  
27 pleased with the rate of adoption of our technology,” said Frederic Moll,  
28 M.D., president and chief executive officer of Hansen Medical. “While our  
pipeline of potential customers remains solid, the sluggish global economy  
has extended the length of the average sales cycle for Sensei systems and  
resulted in some price elasticity of demand. However, based on the  
enthusiasm expressed for our technology by a growing group of clinicians  
and what we believe is a superior value proposition versus the competition, I  
remain confident in our ability to expand our business in 2009,” said Dr.  
Moll.

#### 2009 First Quarter Financial Results

Total revenue for the three months ended March 31, 2009 was \$7.1 million, a  
14% increase compared to revenue of \$6.2 million in the same period in  
2008. The company recognized revenue on 10 Sensei Robotic Systems,  
including seven systems configured with the CoHesion® module, as well as  
on shipments of approximately 600 Artisan control catheters.

\* \* \*

Net loss for the three months ended March 31, 2009, including total non-cash  
stock compensation expense of \$2.6 million, was \$14.3 million, or \$(0.57)  
per basic and diluted share, based on average basic and diluted shares  
outstanding of 25.3 million shares. Net loss for the first quarter of 2008,

1 including non-cash stock compensation expense of \$2.0 million, was  
2 \$11.6 million, or \$(0.53) per basic and diluted share, based on average basic  
and diluted shares outstanding of 21.8 million shares.

3 Cash, cash equivalents and short-term investments as of March 31, 2009  
4 were \$29.3 million, compared to \$35.2 million as of December 31, 2008.  
5 The lower cash balance is primarily due to the company's normal operating  
6 expenses. Subsequent to the end of the first quarter, in April 2009, the  
company successfully completed a secondary public offering of common  
stock, selling approximately 11.7 million shares with net proceeds to the  
company, after estimated expenses, of approximately \$35.1 million.

7  
8 111. On May 8, 2009, the Individual Defendants caused Hansen Medical to file its quarterly  
9 report with the SEC on Form 10-Q for the 2009 fiscal first quarter. The Company's Form 10-Q was  
10 signed by Defendants Moll and Van Dick, and reaffirmed the Company's financial results previously  
11 announced on May 5, 2009. The Company's Form 10-Q also contained Sarbanes-Oxley required  
12 certifications, signed by Defendants Moll and Van Dick.

13 112. On July 6, 2009, the Individual Defendants caused Hansen Medical to issue a press  
14 release entitled "Hansen Medical Announces Preliminary Second Quarter 2009 Revenue Results,"  
15 which stated in part:

16 During the second quarter of 2009, Hansen Medical shipped six Sensei®  
17 Robotic Catheter Systems and expects to recognize revenue in the second  
18 quarter on the sale of three of these systems. The company expects second  
19 quarter revenues to be in the range of \$3.1 million to \$3.3 million. In  
20 addition to the three Sensei systems, revenues for the quarter are expected to  
include the shipment of approximately 626 Artisan™ catheters,  
21 approximately 100 of which were sold to a single international medical  
22 center. The expected range and components of 2009 second quarter revenues  
23 are estimates and are subject to change.

24 "Sensei system sales during the second quarter were adversely affected by  
25 general macroeconomic conditions that continue to significantly impact our  
26 potential customers' capital spending," said Frederic Moll, M.D., president  
and chief executive officer of Hansen Medical. "As a result of credit,  
27 financial and general economic conditions, several potential customers  
28 sought additional approvals prior to making their purchase decision or spent  
time evaluating alternative financing arrangements, both of which extended  
the length of sales cycles for Sensei systems and resulted in potential  
customers' orders moving out of the quarter. While sales cycles will  
continue to be influenced by macroeconomic trends, we are confident that  
our current technology and planned product development activities present a  
compelling value proposition to hospitals and payors."

113. On this news, shares of Hansen Medical declined \$1.58 per share, or 33%, to close at  
\$3.15 per share, on heavy volume.

1 114. On August 4, 2009, the Individual Defendants caused Hansen Medical to issue a press  
2 release entitled “Hansen Medical Reports 2009 Second Quarter Results,” which stated in part:

3 Recent Business Highlights

4 System Sales: During the second quarter, the company recognized revenue  
5 on three Sensei™ Robotic Systems and shipped three additional systems.  
6 From commercial launch through June 30, 2009, the company has recognized  
7 revenue on a total of 68 systems (which the company refers to as its installed  
8 base), including 43 in the United States and 25 in international markets.

9 Catheter Sales: The company shipped 626 Artisan™ Control Catheters in the  
10 second quarter, approximately 100 of which were sold to a single  
11 international medical center.

12 Selected Product Development Initiatives: The company is currently  
13 developing a next-generation Sensei platform and Artisan catheter that will  
14 extend the procedural capabilities of robotic catheter control by providing  
15 advanced levels of instinctive control, accuracy, reach and ease of use. The  
16 company expects to receive Food & Drug Administration (FDA) clearance  
17 for these new products by the end of the third quarter of 2009.

18 Equity Financing: In April 2009, the company completed a public offering of  
19 common stock, selling approximately 11.7 million shares with net proceeds  
20 to the company of approximately \$35.3 million.

21 “I believe that we are taking the right steps to weather the current  
22 macroeconomic challenges and to put ourselves in a position to expand our  
23 business as market conditions improve,” said Frederic Moll, M.D., president  
24 and chief executive officer of Hansen Medical. “Despite lower than expected  
25 Sensei system sales in the second quarter, our pipeline of potential customers  
26 is healthy and catheter sales were at a new quarterly high. In addition, I am  
27 excited about the progress we are making in enhancing our current platform  
28 and developing new capabilities for our technology. I am also encouraged by  
the progress we have made to reduce spending and improve our cost structure  
during these challenging times,” said Dr. Moll.

2009 Second Quarter Financial Results

Total revenue for the three months ended June 30, 2009 was \$3.3 million, a  
43% decrease compared to revenue of \$5.8 million in the same period in  
2008. The company recognized revenue on three Sensei Robotic Systems,  
including one system configured with the CoHesion® module, as well as on  
shipments of 626 Artisan control catheters.

\* \* \*

Net loss for the three months ended June 30, 2009, including total non-cash  
stock compensation expense of \$1.9 million, was \$14.6 million, or \$(0.42)  
per basic and diluted share, based on average basic and diluted shares  
outstanding of 35.2 million shares. Net loss for the second quarter of 2008,  
including non-cash stock compensation expense of \$2.9 million, was  
\$14.9 million, or \$(0.60) per basic and diluted share, based on average basic  
and diluted shares outstanding of 24.7 million shares.

1 Cash, cash equivalents and short-term investments as of June 30, 2009 were  
2 \$51.4 million, compared to \$35.2 million as of December 31, 2008. The  
3 higher cash, cash equivalents and short-term investments balance is primarily  
4 due to the successful completion a secondary public offering of common  
5 stock in the second quarter of 2009, which included the sale of approximately  
6 11.7 million shares with net proceeds to the company, after expenses, of  
7 approximately \$35.3 million.

8 115. On August 6, 2009, the Individual Defendants caused Hansen Medical to file its  
9 quarterly report with the SEC on Form 10-Q for the 2009 fiscal second quarter. The Company's Form  
10 10-Q was signed by Defendants Moll and Van Dick, and reaffirmed the Company's financial results  
11 previously announced on August 4, 2009. The Company's Form 10-Q also contained Sarbanes-Oxley  
12 required certifications, signed by Defendants Moll and Van Dick.

13 116. Then, on October 19, 2009, before the market opened, the Individual Defendants caused  
14 Hansen Medical to issue a press release entitled "Hansen Medical Announces Need to Restate Prior  
15 Financial Results," which stated in part:

16 Hansen Medical, Inc. today announced that it plans to restate its financial  
17 statements for the year ended December 31, 2008 and for the quarters ended  
18 March 31, 2008, June 30, 2008, September 30, 2008, March 31, 2009 and  
19 June 30, 2009 in order to correct certain errors, some of which arose from  
20 potential irregularities occurring outside of the accounting department,  
21 regarding the timing of revenue recognition on the sale of some of its  
22 Sensei® Robotic Catheter Systems. Through June 30, 2009 Hansen shipped  
23 68 systems based on valid customer purchase orders for which revenue was  
24 recognized. Hansen has received full payment for all but two of these  
25 systems. Of these two systems, Hansen has not been paid for one system on  
26 which it recognized revenue in the quarter ended June 30, 2009 and to date  
27 has received partial payment of \$320,000 on the sale of a system to a  
28 distributor on which it recognized revenue in the quarter ended March 31,  
2009. An investigation by Hansen's audit committee, with the assistance of  
independent outside counsel, has identified systems for which revenue should  
have been recognized in a later period than the period in which it was  
recognized and revenue on a smaller number of systems that should have  
been reflected as deferred revenue on Hansen's balance sheet as of June 30,  
2009. As software is more than incidental to the functioning of the Sensei  
system, Hansen's revenue recognition policy is based on American Institute  
of Certified Public Accountants, Statement of Position 97-2, *Software  
Revenue Recognition*.

Hansen's review is ongoing so it is not yet able to estimate the extent and  
timing of adjustments that will be required to its financial statements. The  
ultimate findings of Hansen's ongoing review and the impact of these matters  
on Hansen's results of operations as previously reported is not yet known.  
Hansen is working diligently towards completing the restatement and filing  
its quarterly report on Form 10-Q for the period ended September 30, 2009.

1 117. Additionally, on October 19, 2009, the Individual Defendants caused Hansen Medical to  
2 file a Current Report with the SEC on Form 8-K, which stated in part:

3 On October 15, 2009, the audit committee of our board of directors, upon the  
4 recommendation of management, concluded that the previously issued  
5 financial statements contained in our annual report on Form 10-K for the year  
6 ended December 31, 2008, and our quarterly reports on Form 10-Q for the  
7 quarters ended March 31, 2008, June 30, 2008, September 30, 2008, March  
8 31, 2009 and June 30, 2009 (collectively, the "Prior Periods") should no  
9 longer be relied upon because of errors in those financial statements, some of  
10 which arose from potential irregularities outside of the accounting  
11 department. Through June 30, 2009, we shipped 68 Sensei Robotic Catheter  
12 Systems based on valid customer purchase orders for which revenue was  
13 recognized. We have received full payment for all but two of these systems.  
14 Of these two systems, we have not been paid for one system on which we  
15 recognized revenue in the quarter ended June 30, 2009 and to date have  
16 received partial payment of \$320,000 on the sale of system to a distributor on  
17 which we recognized revenue in the quarter ended March 31, 2009. We have  
18 identified systems for which revenue should have been recognized in a later  
19 period than the period in which it was recognized and revenue on a smaller  
20 number of systems that should have been reflected as deferred revenue on our  
21 balance sheet as of June 30, 2009.

22 In addition to the financial statements for the Prior Periods referenced above,  
23 related press releases, reports and stockholder communications describing  
24 our financial statements for the Prior Periods and the report of our  
25 independent registered accounting firm, PricewaterhouseCoopers LLP,  
26 related to the year ended December 31, 2008, should no longer be relied  
27 upon.

28 Our revenues are primarily derived from the sale of our Sensei system. As  
software is more than incidental to the functioning of our Sensei system, our  
revenue recognition policy is based on American Institute of Certified Public  
Accountants, Statement of Position 97-2, *Software Revenue Recognition*, or  
SOP 97-2. Under our policy, revenues are recognized when, among other  
conditions, delivery to the customer has occurred and our services have been  
fully rendered. Since most of our sales contracts for systems include  
installation and training services and because we do not have vendor-specific  
objective evidence of the fair value of these services, we are required by SOP  
97-2 to defer all such system revenues until training and installation is  
completed. We also sell systems to independent distributors, and have  
recognized revenue upon shipment of systems to those distributors that we  
believed were independently capable of performing required installation and  
training.

The disclosures in this Form 8-K are the result of an investigation by our  
audit committee, with the assistance of independent outside counsel, that  
commenced following our receipt in August 2009 of an anonymous  
"whistleblower" report alleging a single irregularity that resulted in improper  
revenue recognition in the quarter ended December 31, 2008. As a result of  
the investigation, the audit committee and management have determined that  
there are instances where revenue recognition occurred prior to the  
completion of all our obligations to customers. In addition, the investigation  
may result in a determination that one or more distributors were not

1 independently capable of installing systems at the time we first recognized  
2 revenue of systems purchased by such distributor(s).

3 118. On this news, shares of Hansen Medical declined \$0.31 per share, or 9.04%, to close on  
4 October 19, 2009, at \$3.12 per share, on heavy volume.

5 119. The statements set forth above that the Individual Defendants caused the Company to  
6 make were materially false and misleading when made for failing to disclose the following:

7 (a) The Company failed to properly recognize revenue in violation of GAAP and its  
8 own stated revenue recognition policy; and

9 (b) The Company failed to maintain effective internal controls.

10 **IX. DAMAGES TO HANSEN MEDICAL**

11 120. As a result of the Individual Defendants' wrongful conduct, Hansen Medical  
12 disseminated false financial statements that misrepresented the revenues from Sensei system sales. The  
13 improper statements have devastated Hansen Medical's credibility. Additionally, Hansen Medical is  
14 now the subject of several shareholder class action lawsuits alleging securities laws violations in  
15 connection with the improper financial reporting. The Company will face substantial costs in  
16 connection with these lawsuits.

17 121. Further, as a direct and proximate result of the Individual Defendants' conduct, Hansen  
18 Medical has expended and will continue to expend significant sums of money. Such expenditures  
19 include, but are not limited to:

20 (a) costs incurred in connection with investigating and restating Hansen Medical's  
21 fiscal 2008 through second quarter 2009 financial results;

22 (b) costs incurred in investigating and defending Hansen Medical and certain  
23 officers in the class action lawsuits, plus potentially hundreds of millions of dollars in settlement or to  
24 satisfy an adverse judgment; and

25 (c) costs incurred from compensation and benefits paid to the defendants who have  
26 breached their duties to Hansen Medical.

27 122. Moreover, these actions have irreparably damaged Hansen Medical's corporate image  
28 and goodwill. For at least the foreseeable future, Hansen Medical will suffer from what is known as the  
"liar's discount," a term applied to the stocks of companies who have been implicated in illegal

1 behavior and have misled the investing public, such that Hansen Medical's ability to raise equity capital  
2 or debt on favorable terms in the future is now impaired.

3 **X. DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

4 123. Plaintiff brings this action derivatively in the right and for the benefit of Hansen Medical  
5 to redress injuries suffered, and to be suffered, by Hansen Medical as a direct result of breaches of  
6 fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment  
7 and violations of California Corporations Code, as well as the aiding and abetting thereof, by the  
8 Individual Defendants. Hansen Medical is named as a nominal defendant solely in a derivative  
9 capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise  
10 have.

11 124. Plaintiff will adequately and fairly represent the interests of Hansen Medical in  
12 enforcing and prosecuting its rights.

13 125. Plaintiff was a shareholder of Hansen Medical at the time of the wrongdoing of which  
14 Plaintiff complains and has been continuously since.

15 126. The Board of Hansen Medical currently consists of the following seven individuals:  
16 non-party Bruce J. Barclay and Defendants Moll, Hirsch, Shapiro, Mandato, Lowe and Hykes.

17 **A. Demand Futility as to Defendant Moll**

18 127. As alleged above, Moll breached his fiduciary duty of loyalty and good faith by making  
19 improper statements regarding Hansen Medical's Sensei system revenue recognition.

20 128. Specific facts giving rise to Moll's liability include:

21 (a) Moll's role in failing to ensure adequate internal controls over Hansen Medical's  
22 financial reporting, which, as admitted at the November 17, 2009 conference call, caused the  
23 accounting irregularities at Hansen Medical;

24 (b) Moll's desire and efforts to inflate Hansen Medical's revenues and, in turn, stock  
25 price, as evidenced in his 2007 statement about Hansen Medical's stock price and his participation at  
26 sales meetings in 2008 and 2009;

1 (c) Moll's intimate, detailed knowledge of revenue recognition policies and issues as  
 2 evidenced in his statements during conference calls in 2008 and 2009 and thus knew that Hansen  
 3 Medical's financial reports contradicted its revenue recognition policies;

4 (d) Moll's participation in board meetings concerning Hansen Medical's revenue  
 5 recognition issues; and

6 (e) Moll's role in allowing Sells to resign and causing Hansen Medical to enter into  
 7 a separation agreement with Sells.

8 129. Moll also signed false annual and quarterly statements that did not properly account for  
 9 Hansen Medical's Sensei system revenues, and maintained admittedly ineffective internal controls. As  
 10 a result, Moll faces a sufficiently substantial likelihood of liability for his breach of fiduciary duty.  
 11 Accordingly, demand is futile as to Moll.

12 130. The principal professional occupation of Moll is his employment with Hansen Medical,  
 13 pursuant to which he received and continues to receive substantial monetary compensation and other  
 14 benefits. Specifically, Hansen Medical paid Moll the following compensation:

| 15 <b>Fiscal Year</b> | <b>Salary</b> | <b>Option Awards</b> | <b>All Other Compensation</b> |
|-----------------------|---------------|----------------------|-------------------------------|
| 16 2008               | \$350,000     | \$979,250            | \$900                         |

17 Accordingly, Moll is incapable of impartially considering a demand to commence and vigorously  
 18 prosecute this action because he has an interest in maintaining his principal occupation and the  
 19 substantial compensation he receives in connection with that occupation. Demand is futile as to Moll.

20 21 131. If Moll were to bring this action against himself, he would thereby expose his own  
 22 misconduct, which underlies allegations against him contained in class action complaints for violations  
 23 of securities laws, which admissions would impair his defense of the class actions and greatly increase  
 24 the probability of his personal liability in the class actions. In essence, he would be forced to take  
 25 positions contrary to the defenses he will likely assert in the securities class actions. This he will not  
 26 do. Thus, demand is futile.

1           **B. Demand Futility as to the Audit Committee Defendants**

2           132. Defendants Shapiro and Lowe,<sup>5</sup> as members of the Audit Committee, were responsible  
3 under the Audit Committee charter in effect during 2008 and 2009 for reviewing and approving  
4 quarterly and annual financial statements, earnings press releases, and Hansen Medical's internal  
5 controls over financial reporting. Despite these duties, the Audit Committee Defendants knowingly or  
6 recklessly reviewed and approved false financial statements that did not properly account for Hansen  
7 Medical's Sensei system revenues. The Audit Committee Defendants also reviewed and approved  
8 Hansen Medical's financial reporting internal controls, which defendant Moll admitted was ineffective.  
9 Indeed, in light of the planned restatement, Defendants Shapiro and Lowe failed to ensure that a system  
10 of adequate internal controls were in place at the Company.

11           133. Specific facts giving rise to the Audit Committee Defendants' liability include:

12           (a) the Audit Committee Defendants' intimate, detailed knowledge of Hansen  
13 Medical's revenue recognition policies acquired in connection with their roles in overseeing the  
14 financial reporting of Hansen Medical's core product;

15           (b) the Audit Committee Defendants' discussions of Hansen Medical's revenue  
16 recognition issues before and during the 2009 investigation of accounting irregularities;

17           (c) the Audit Committee Defendants knew that Hansen Medical's financial reports  
18 contradicted its revenue recognition policies;

19           (d) the Audit Committee Defendants' abdication of their duties in violation of the  
20 Audit Committee Charter; and

21           (e) the Audit Committee Defendants' role in allowing Sells to resign and causing  
22 Hansen Medical to enter into a separation agreement with Sells.

23           134. Because the methodology by which sales of the Sensei systems are recognized is of  
24 critical importance to Hansen Medical, the Audit Committee Defendants acted in bad faith in approving  
25

26 \_\_\_\_\_  
27           <sup>5</sup> Although Defendants Freund and McConnell no longer sit on the Board, the allegations in  
28 this sub-section apply to them.

1 Hansen Medical's false financial reports and in failing to ensure adequate internal controls over the  
2 revenue recognition process.

3 135. Accordingly, Shapiro and Lowe face a sufficiently substantial likelihood of liability for  
4 breach of their fiduciary duties of loyalty and good faith. Any demand upon these defendants is futile.

5 **C. Demand Futility as to Hirsch, Mandato, and Hykes**

6 136. Through their discussions of revenue recognition issues at board meetings during the  
7 Relevant Period, Hirsch, Mandato, and Hykes have acquired intimate, detailed knowledge of Hansen  
8 Medical's revenue recognition issues concerning its core produce, the Sensei systems. Hirsch,  
9 Mandato, and Hykes also knew that Hansen Medical's financial reports contradicted its revenue  
10 recognition policies.

11 137. Moreover, Hirsch, Mandato, and Hykes are interested because they engaged in conduct  
12 in bad faith, together with Moll, Shapiro, and Lowe, in connection with their decision to allow Sells to  
13 "resign" when they had grounds to terminate him "for cause." These Director Defendants had grounds  
14 to terminate Sells for cause and instead allowed him to resign, essentially bestowing gifts on Sells  
15 pursuant to the terms of his separation agreement and consulting agreements with the Company, as  
16 detailed herein, which was a waste of corporate assets. These decisions are not protected business  
17 judgments.

18 **D. Demand Futility as to Defendants Moll, Hirsch, Shapiro, Mandato,  
19 and Lowe**

20 138. Defendants Moll, Hirsch, Shapiro, Mandato, and Lowe breached their fiduciary duty of  
21 loyalty and good faith by making false financial statements in Hansen Medical's fiscal 2008 annual  
22 report on Form 10-K that did not properly account for Hansen Medical's Sensei system revenues. As a  
23 result, these defendants face a sufficiently substantial likelihood of liability for their breach of fiduciary  
24 duties. Accordingly, demand is futile as to these defendants.

25 139. Moreover, the acts complained of constitute violations of the fiduciary duties owed by  
26 Hansen Medical's officers and directors and these acts are incapable of ratification.

27 140. Defendants Moll, Hirsch, Shapiro, Mandato, and Lowe each authorized and/or permitted  
28 the false statements disseminated directly to the public or made directly to securities analysts and which  
were made available and distributed to shareholders, authorized and/or permitted the issuance of

1 various false and misleading statements and are principal beneficiaries of the wrongdoing alleged  
2 herein, and thus could not fairly and fully prosecute such a suit even if such suit was instituted by them.

3 141. Any suit by the current directors of Hansen Medical to remedy these wrongs would  
4 likely expose the Individual Defendants and Hansen Medical to further violations of the securities laws  
5 that would result in actions being filed against one or more of the Individual Defendants, thus, they are  
6 hopelessly conflicted in making any supposedly independent determination whether to sue themselves.

7 142. Hansen Medical has been and will continue to be exposed to significant losses due to the  
8 wrongdoing complained of herein, yet the Individual Defendants and current Board have not filed any  
9 lawsuits against themselves or others who were responsible for that wrongful conduct to attempt to  
10 recover for Hansen Medical any part of the damages Hansen Medical suffered and will suffer thereby.

11 143. If Hansen Medical's current and past officers and directors are protected against  
12 personal liability for their acts of mismanagement and breach of fiduciary duty alleged in this Amended  
13 Complaint by directors' and officers' liability insurance, they caused the Company to purchase that  
14 insurance for their protection with corporate funds, *i.e.*, monies belonging to the stockholders of Hansen  
15 Medical. However, the directors' and officers' liability insurance policies covering the Individual  
16 Defendants in this case contain provisions that eliminate coverage for any action brought directly by  
17 Hansen Medical against these defendants, known as the "insured versus insured exclusion." As a  
18 result, if these directors were to cause Hansen Medical to sue themselves or certain of the officers of  
19 Hansen Medical, there would be no directors' and officers' insurance protection and thus, this is a  
20 further reason why they will not bring such a suit. On the other hand, if the suit is brought derivatively,  
21 as this action is brought, such insurance coverage exists and will provide a basis for the Company to  
22 effectuate recovery. If there is no directors' and officers' liability insurance, then the current directors  
23 will not cause Hansen Medical to sue the defendants named herein, since they will face a large  
24 uninsured liability and lose the ability to recover for the Company from the insurance.

25 144. Moreover, despite the Individual Defendants having knowledge of the claims raised by  
26 Plaintiff, the current Board has failed and refused to seek to recover for Hansen Medical for any of the  
27 wrongdoing alleged by Plaintiff herein.

28

1 145. A true and correct copy of this Amended Complaint was delivered to Hansen Medical  
2 before its filing with this Court.

3 **COUNT I**

4 **Against Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick, Restani and**  
5 **McConnell for Breach of Fiduciary Duty Related to the Dissemination of False and**  
6 **Misleading Financial Statements**

7 146. Plaintiff incorporates by reference and realleges each and every allegation contained  
8 above, as though fully set forth herein.

9 147. Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick, Restani and  
10 McConnell owed and owe Hansen Medical fiduciary obligations. By reason of their fiduciary  
11 relationships, these defendants owed and owe Hansen Medical the highest obligation of good faith, fair  
12 dealing, loyalty, due care, reasonable inquiry, oversight and supervision.

13 148. Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick, Restani and  
14 McConnell, and each of them, violated and breached their fiduciary duties of good faith, fair dealing,  
15 loyalty, due care, reasonable inquiry, oversight and supervision.

16 149. Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick, Restani and  
17 McConnell each knowingly, recklessly or negligently signed and falsely certified false annual and  
18 quarterly financial statements that misrepresented and failed to disclose material information  
19 concerning the Company's improper revenue recognitions in connection with sales of its Sensei  
20 systems. These actions could not have been a good faith exercise of prudent business judgment to  
21 protect and promote the Company's corporate interests.

22 150. As a direct and proximate result of these defendants' failure to perform their fiduciary  
23 obligations, Hansen Medical has sustained significant damages. As a result of the misconduct alleged  
24 herein, these defendants are liable to the Company.

25 151. Plaintiff, on behalf of Hansen Medical, has no adequate remedy at law.

26 **COUNT II**

27 **Against Defendants Freund, Shapiro, Lowe and McConnell**  
28 **for Breach of Fiduciary Duty**

152. Plaintiff incorporates by reference and realleges each and every allegation contained  
above, as though fully set forth herein.

1 153. The Audit Committee Defendants – Freund, Shapiro, Lowe and McConnell – owed and  
2 owe Hansen Medical fiduciary obligations. Additionally, as members of the Audit Committee, these  
3 defendants owe and owed specific duties under the Audit Committee charters in effect during fiscal  
4 2008 through 2009 to Hansen Medical to review and discuss the Company’s quarterly and annual  
5 financial results and earnings releases, and to review the effectiveness and adequacy of the Company’s  
6 internal control structure. By reason of their fiduciary relationships, these defendants owed and owe  
7 Hansen Medical the highest obligation of loyalty and good faith.

8 154. The Audit Committee Defendants each violated and breached their fiduciary duties of  
9 loyalty and good faith, reasonable inquiry, oversight and supervision by knowingly or recklessly: (i)  
10 reviewing and approving false financial statements included in Hansen Medical’s fiscal 2008 through  
11 second quarter 2009 financial results that did not properly account for Hansen Medical’s Sensei system  
12 revenues; and (ii) reviewing and approving ineffective internal controls over financial reporting.

13 155. The Audit Committee Defendants’ actions could not have been a good faith exercise of  
14 prudent business judgment to protect and promote the Company’s corporate interest.

15 156. As a direct and proximate result of the Audit Committee Defendants’ failure to perform  
16 their fiduciary obligations, Hansen Medical has sustained significant damages. As a result of the  
17 misconduct alleged herein, the Audit Committee Defendants are liable to the Company.

### 18 **COUNT III**

#### 19 **Against the Individual Defendants for Breach of Fiduciary Duty**

20 157. Plaintiff incorporates by reference and realleges each and every allegation contained  
21 above, as though fully set forth herein.

22 158. The Individual Defendants’ misconduct alleged herein constituted a breach of their  
23 fiduciary duties to Hansen Medical for abuse of control, gross mismanagement, and waste of corporate  
24 assets, for which they are legally responsible.

25 159. As a direct and proximate result of the Individual Defendants’ breaches, Hansen Medical  
26 has sustained significant damages.

27 160. As a result of the misconduct alleged herein, the Individual Defendants are liable to the  
28 Company.

1 161. Plaintiff, on behalf of Hansen Medical, has no adequate remedy at law.

2 **COUNT IV**

3 **Against the Individual Defendants for Unjust Enrichment**

4 162. Plaintiff incorporates by reference and realleges each and every allegation contained  
5 above, as though fully set forth herein.

6 163. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched  
7 at the expense of and to the detriment of Hansen Medical.

8 164. The Individual Defendants were unjustly enriched as a result of the compensation and  
9 director remuneration they received while breaching their fiduciary duties owed to Hansen Medical.

10 165. Plaintiff, as a shareholder and representative of Hansen Medical, seeks restitution from  
11 these defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits and  
12 other compensation obtained by these defendants, and each of them, from their wrongful conduct and  
13 fiduciary breaches.

14 166. Plaintiff, on behalf of Hansen Medical, has no adequate remedy at law.

15 **COUNT V**

16 **Against the Individual Defendants for Waste of Corporate Assets**

17 167. Plaintiff incorporates by reference and realleges each and every allegation contained  
18 above, as though fully set forth herein.

19 168. As a result of the misconduct described herein, the Individual Defendants wasted  
20 corporate assets by: (i) failing to maintain sufficient internal controls over financial reporting to prevent  
21 the issuance of false financial results that would later need to be restated; (ii) failing to properly  
22 consider the interests of the Company and its public shareholders; (iii) failing to conduct proper  
23 supervision; (iv) paying undeserved incentive compensation to certain of the Company's executive  
24 officers; and (v) incurring potentially hundreds of millions of dollars in legal liability and/or legal costs  
25 to defend defendants' unlawful actions.

26 169. As a result of the waste of corporate assets, the Individual Defendants are liable to the  
27 Company.

28 170. Plaintiff, on behalf of Hansen Medical, has no adequate remedy at law.

**COUNT VI**

**Against Defendant Restani for Breaches of Fiduciary Duties for Insider Selling and Misappropriation of Information**

171. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

172. At the time of the stock sales set forth herein, defendant Restani knew the information described above regarding Hansen Medical's improper recognition of the Sensei system revenues, and sold Hansen Medical common stock on the basis of such information.

173. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which defendant Restani used for his own benefit when he sold his Hansen Medical common stock.

174. At the time of his stock sales, defendants Restani knew that the Company's financial results were materially overstated. Defendant Restani's sales of Hansen Medical's common stock while in possession and control of this material adverse, non-public information was a breach of his fiduciary duties of loyalty and good faith.

175. Since the use of the Company's proprietary information for his own gain constitutes a breach of defendant Restani's fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits defendant Restani obtained thereby.

**COUNT VII**

**Against Restani for Violation of California Corporations Code § 25402**

176. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

177. At the time that defendant Restani sold his Hansen Medical common stock as stated herein, he was an officer, director and/or controlling person of Hansen Medical which gave him access, directly or indirectly, to material information about Hansen Medical not generally available to the public.

1 178. Defendant Restani sold Hansen Medical securities at a time when he knew material  
2 information about Hansen Medical - gained from his relationship with Hansen Medical - which would  
3 have significantly affected the market price of Hansen Medical common stock and was not generally  
4 available to the public.

5 179. Defendant Restani knew these facts were not intended to be available to the public. Had  
6 such information been generally available to the public, it would have significantly reduced the market  
7 price of Hansen Medical common stock.

8 180. Examples of these facts are, but not limited to, Hansen Medical's true financial status  
9 and outlook due to the Company's improper revenue recognitions in connection with sales of its Sensei  
10 systems.

11 181. Defendant Restani had knowledge of material, adverse, non-public information and sold  
12 his Hansen Medical common stock in violation of California Corporations Code § 25402.

13 182. Defendant Restani is liable to Hansen Medical for damages in an amount up to three  
14 times the difference between the price at which the security was purchased or sold and the market value  
15 which the security would have had at the time of the purchase or sale if the information known to  
16 defendant Restani had been publicly disseminated prior to that time and a reasonable time had elapsed  
17 for the market to absorb the information – pursuant to California Corporations Code § 25502.5.

18 183. On information and belief, Plaintiff alleges that Hansen Medical has total assets in  
19 excess of one million dollars and has a class of equity security held of record by 500 or more persons.

20 184. Defendant Restani is also liable for reasonable attorney's fees and costs under California  
21 Corporations Code § 25502.5.

22 **COUNT VIII**

23 **Against Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick and**  
24 **McConnell for Violation of California Corporations Code § 25403**

25 185. Plaintiff incorporates by reference and realleges each and every allegation contained  
26 above, as though fully set forth herein.

27 186. Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick and McConnell,  
28 through their positions, possessed control and influence over defendant Restani's sale of Hansen  
Medical common stock that was in violation of California law. Defendants Moll, Hirsch, Freund,

1 Shapiro, Mandato, Lowe, Van Dick and McConnell are liable under California Corporations Code  
2 § 25403 to the same extent that defendant Restani is liable under California Corporations Code  
3 § 25402.

4 187. Defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick and McConnell  
5 were aware of defendant Restani's improper insider sales of Hansen Medical common stock, and  
6 defendants Moll, Hirsch, Freund, Shapiro, Mandato, Lowe, Van Dick and McConnell used their control  
7 and influence to help defendant Restani in the unlawful course of action.

#### 8 **XI. PRAYER FOR RELIEF**

9 WHEREFORE, Plaintiff demands judgment as follows:

10 A. Against all Defendants and in favor of the Company for treble damages as provided for  
11 in California Corporations Code § 25502.5 and for the amount of damages sustained by the Company  
12 as a result of the Individual Defendants' breaches of fiduciary duties, aiding and abetting breach of  
13 fiduciary duty, and unjust enrichment;

14 B. Directing Hansen Medical to take all necessary actions to reform and improve its  
15 corporate governance and internal procedures to comply with applicable laws and to protect Hansen  
16 Medical and its shareholders from a repeat of the damaging events described herein, including, but not  
17 limited to, putting forward for shareholder vote resolutions for amendments to the Company's By-Laws  
18 or Articles of Incorporation and taking such other action as may be necessary to place before  
19 shareholders for a vote the following Corporate Governance Policies:

- 20 • a proposal to strengthen the Board's supervision of operations and develop and  
21 implement procedures for greater shareholder input into the policies and guidelines of  
the Board;
- 22 • a provision to control and limit insider stock selling;
- 23 • a provision to permit the shareholders of Hansen Medical to nominate at least two  
24 candidates for election to the Board;
- 25 • a proposal to ensure the accuracy of the qualifications of Hansen Medical's directors,  
executives and other employees;
- 26 • a proposal to strengthen the Company's procedures for the receipt, retention and  
27 treatment of complaints received by the Company regarding accounting, internal  
controls and auditing matters; and
- 28 • a provision to appropriately test and then strengthen the internal audit and control  
functions;

1 C. Extraordinary equitable and/or injunctive relief as permitted by law, equity and state  
2 statutory provisions sued hereunder, including attaching, impounding, imposing a constructive trust on  
3 or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to assure  
4 that Plaintiff on behalf of Hansen Medical has an effective remedy;

5 D. Awarding to Hansen Medical restitution from the Individual Defendants, and each of  
6 them, and ordering disgorgement of all profits, benefits and other compensation obtained by the  
7 Individual Defendants;

8 E. Awarding to Plaintiff the costs and disbursements of the action, including reasonable  
9 attorneys' fees, accountants' and experts' fees, costs, and expenses; and

10 F. Granting such other and further relief as the Court deems just and proper.

11 **XII. JURY DEMAND**

12 Plaintiff demands a trial by jury.

13 DATED: August 9, 2010

JOHNSON BOTTINI, LLP  
FRANK J. JOHNSON (174882)  
FRANCIS A. BOTTINI, JR. (175783)  
BRETT M. WEAVER (204715)

14  
15  
16 *s/ Frank J. Johnson*  
FRANK J. JOHNSON

17 501 West Broadway, Suite 1720  
18 San Diego, California 92101  
19 Telephone: (619) 230-0063  
20 Facsimile: (619) 238-0622

21  
22  
23  
24  
25  
26  
27  
28 *Counsel for Plaintiff Michael Brown*