FORM S-1

General form of registration statement for all companies including face-amount certificate companies

Filing Date: **2000-10-11**
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FILER

THERASENSE INC
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5107495400

As filed with the Securities and Exchange Commission on October 11, 2000

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

THERASENSE, INC.

(Exact name of Registrant as specified in its charter)

<TABLE>
<S> <C> <C>

California	3841	94-3267373
(Prior to reincorporation) Delaware (After reincorporation)	(I.R.S. Employer Identification Number)	(Primary Standard Industrial Classification Code Number)

(State or other jurisdiction of incorporation or organization)

</TABLE>

TheraSense, Inc.

1360 South Loop Road

Alameda, California 94502

(510) 749-5400

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

W. Mark Lortz

President and Chief Executive Officer

TheraSense, Inc.

1360 South Loop Road

Alameda, California 94502

(510) 749-5400

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

Copies to:

<TABLE>
<S> <C>

Karen A. Dempsey, Esq. George F. Parker, Esq. Helen E. Quinn, Esq. Wilson Sonsini Goodrich & Rosati Professional Corporation One Market Spear Street Tower, Suite 3300 San Francisco, California 94105 (415) 947-2000	Faye H. Russell, Esq. John A. de Groot, Esq. Jeffrey C. Thacker, Esq. Brobeck, Phleger & Harrison LLP 12390 El Camino Real San Diego, California 92130 (858) 720-2500

</TABLE>

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

<TABLE>

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Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
<S>	<C>	<C>
Common stock, $.001 par value.....	$86,250,000	$22,770

</TABLE>

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

+The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This preliminary prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any state where the offer or sale is not permitted.+

SUBJECT TO COMPLETION, DATED OCTOBER 11, 2000

PRELIMINARY PROSPECTUS

Shares

[Logo of Therasense]

Common Stock

This is an initial public offering of shares of common stock of TheraSense, Inc. We are selling all of the shares of common stock offered under this prospectus.

We expect the public offering price for our common stock to be between $ and $ per share. There is currently no public market for our common stock. We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol "THER."

See "Risk Factors" beginning on page 5 about the risks you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

<TABLE>
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	Per Share	Total
<S>	<C>	<C>
Public offering price.....	$	$
Underwriting discounts and commissions.....	$	$
Proceeds to TheraSense, Inc.	$	$

</TABLE>

We have granted the underwriters a 30-day option to purchase up to an additional shares of common stock from us at the initial public

offering price less the underwriting discounts and commissions.

The underwriters are severally underwriting the shares being offered. The underwriters expect to deliver the shares in New York, New York on , 2000.

Bear, Stearns & Co. Inc.

Lehman Brothers

U.S. Bancorp Piper Jaffray

The date of this prospectus is , 2000.

[GateFold Artwork]

People of all ages are experiencing just how painless testing can be with FreeStyle.

[Picture depicting an extended hand with the index finger slightly bent forward, emphasizing FreeStyle's alternative to painful fingersticks.]

[Picture depicting a sleeping child who, due to being tested with FreeStyle, does not have to endure painful fingersticks in the middle of the night.]

[Picture depicting a pensive business woman who has her mind on matters other than the residual pain generated by fingerstick testing.]

[GateFold Artwork]

The reduction in pain is just one of the many reasons people like FreeStyle.

[A picture of a man on a fixed income in swimming attire, appreciative to hear that there are fewer wasted test strips associated with the use of FreeStyle.]

[A picture of a young student doing schoolwork with no trouble since FreeStyle allows him to test on his forearms.]

[A picture of two young individuals downloading test results from their computer using the FreeStyle Connect data management system.]

[A picture of a mother with her child in her right arm as she comfortably reads from FreeStyle's easy-to-read screen using her left hand.]

[GateFold Artwork]

[Graphic depicting the important functions of FreeStyle.]

[Three-step graphic depicting FreeStyle's testing procedure. The first picture depicts the hands of an individual inserting the FreeStyle test strip in the FreeStyle meter. The second picture depicts a lanced forearm with FreeStyle pressed on top. The third picture depicts a blood sample applied to the FreeStyle test strip for testing.]

[Picture of a FreeStyle test strip with an arrow pointing to where blood is "pulled" and easily fills the test strip.]

[Graphic depicting the sample sizes required by other meters along with the sample size required by FreeStyle, which is shown to be significantly smaller.]

PROSPECTUS SUMMARY

Because this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus, especially "Risk Factors" and the financial statements and notes to those statements appearing elsewhere in this prospectus, before deciding to invest in our common stock.

Our Business

We develop and sell easy to use glucose self-monitoring systems that dramatically reduce the pain of testing for people with diabetes. Our systems utilize patented technologies that can accurately measure glucose concentrations in very small volumes of blood or other body fluids. We believe our proprietary technologies will enable us to both penetrate and expand the glucose self-monitoring market by reducing pain--one of the most significant barriers to testing for people with diabetes. Frequent testing is a critical first step in managing glucose levels and thereby minimizing the enormous physical, psychological and social costs of diabetes. The blood glucose self-monitoring market is the largest self-test market for medical diagnostic products in the world, with a size of approximately $1.9 billion in the United States and $3.3 billion worldwide in 1999. The world market has grown rapidly over the past 15 years and is expected to grow at an estimated rate of 12% per year through 2004.

Diabetes is a chronic, life-threatening and currently incurable disease that requires constant vigilance. The failure to frequently monitor and control blood glucose levels, which can fluctuate dramatically in people with diabetes, can lead to an array of serious medical complications, including higher rates of heart disease, stroke, amputations, kidney failure, blindness and nerve damage. According to the American Diabetes Association, the total health care costs in the United States associated with the treatment of diabetes and its complications were estimated to be $98.0 billion in 1997. Everyday activities such as eating, exercise, travel and sleep may be severely impacted. Diabetes can also affect personal relationships, lifestyle and morale.

Diabetes currently afflicts close to 16 million people in the United States, although only 10 million, or approximately 66%, are diagnosed. The share of the U.S. population with diabetes increased 33% between 1990 and 1998, primarily due to increasingly sedentary lifestyles, inappropriate diets leading to obesity and the aging of the population. Obese people are four times more likely to develop diabetes than people who are not obese. Diabetes is also on the rise in the United States in a younger population base, including children, teenagers, and most rapidly in adults ages 30 through 39. Worldwide, the population diagnosed with diabetes is expected to increase from 175 million to 239 million by 2010, with most of the increase occurring in developing countries due to improved rates of diagnosis and changing lifestyles.

Government studies in the United States and the United Kingdom have shown that complications from diabetes can be significantly reduced through regular testing--upwards of four times a day for Type 1 and between two and four times a day for Type 2--and improved therapy. Self-monitoring of blood glucose has become a standard of care and glucose self-monitoring devices are typically fully-reimbursable. Despite the ability to significantly reduce complications of diabetes through regular testing and treatment and the availability of reimbursement for testing, many people with diabetes under-test or fail to test at all. We believe that pain and the fear of pain are leading factors that discourage people with diabetes from testing as recommended. In addition to pain, requiring people with diabetes to obtain a large sample of blood from their fingertips can be inconvenient, messy and embarrassing in social situations.

Our Solution

Our first product, FreeStyle, received FDA clearance in January 2000, and we began selling FreeStyle in the United States in June 2000. FreeStyle accurately measures glucose from a tiny blood sample, 0.3 microliters, which is a fraction of the size required by other glucose self-monitoring systems. The extremely

small volume of blood required enables people using FreeStyle to obtain blood from their forearm--and thereby avoid the pain associated with drawing a larger blood sample from their fingertip. As evidence of this benefit, nine out of 10 people in our clinical studies found using FreeStyle less painful than their current fingerstick based system. Our FreeStyle System kit includes a FreeStyle meter, an initial supply of proprietary FreeStyle test strips, a FreeStyle lancing device, FreeStyle lancets and FreeStyle control solution. We believe FreeStyle provides the following significant advantages over existing blood glucose monitors:

- reduction in pain;
- reduction in chronic soreness from testing; and
- improved quality of life.

Our direct sales force promotes FreeStyle in the United States to health care professionals who may recommend it to their patients. We also distribute

and sell FreeStyle in the United States to national retailers such as Wal-Mart, Walgreens and CVS, to health care institutions and directly to end users over the telephone and our website. In September 2000, we entered into an international distribution agreement with Disetronic Group for the exclusive distribution of FreeStyle in selected European countries. Disetronic's products account for approximately 80% of the insulin pump market in Europe. Insulin pump users are typically highly motivated insulin-dependent diabetes patients who frequently test blood glucose levels.

We are also developing a continuous glucose monitoring system that utilizes a miniaturized sensor that can be inserted under the skin by the user to continuously monitor glucose levels and store the results for further analysis. The ability of people with diabetes to adjust insulin dose, oral medication, diet and exercise according to the glucose readings obtained from the system should result in significantly improved health.

Our Strategy

Our objective is to be a leading provider of innovative glucose monitoring products that reduce the pain of testing, are easy to use, accurate and cost effective and improve the lives of people with diabetes. To achieve this objective, we are pursuing the following business strategies:

- establish FreeStyle as a leading blood glucose self-monitoring device;
- accelerate mass market distribution;
- focus on our core competencies in electrochemistry and sensor manufacturing technologies;
- provide high quality customer service;
- establish an international presence for FreeStyle; and
- leverage our proprietary technology platform.

Additional Information

We were incorporated in California in 1996 and intend to reincorporate in Delaware prior to the completion of this offering. Our principal executive offices are located at 1360 South Loop Road, Alameda, California 94502. Our telephone number at this location is (510) 749-5400. Our Internet address is www.therasense.com. The information contained on our website is not a part of this prospectus.

TheraSense(TM), FreeStyle(TM), The Technology of Caring(TM), NanoSample(TM), and Wired Enzyme(TM) are trademarks and service marks of ours. Other service marks, trademarks and trade names referred to in this prospectus are the property of their respective owners.

THE OFFERING

Common stock offered by us.....	shares
Common stock to be outstanding after this offering.....	shares
Use of proceeds.....	We intend to use the net proceeds from this offering for additional sales and marketing efforts and research and development as well as for working capital and other general corporate purposes.
Proposed Nasdaq National Market symbol.....	THER

The number of shares of common stock to be outstanding after this offering is based on 25,170,239 shares outstanding as of September 30, 2000, and excludes:

- 521,013 shares issuable upon exercise of outstanding warrants at a weighted average exercise price of $2.07 per share;
- 3,791,709 shares issuable upon exercise of outstanding options under our 1997 Stock Plan at a weighted average exercise price of $2.65 per share;
- shares issuable to Disetronic Group upon conversion of a $2.5 million convertible promissory note, assuming an offering price of $ per share; and

- a total of 8,307,196 shares available for future issuance under our employee stock plans.

Except as otherwise noted, we have presented the information in this prospectus based on the following assumptions:

- the underwriters do not exercise their over-allotment option;
- our reincorporation from California to Delaware, to occur prior to completion of the offering;
- the filing of our amended and restated certificate of incorporation;
- the 2-for-1 reverse stock split to be effected in connection with the reincorporation; and
- the conversion of each share of preferred stock into one share of common stock immediately prior to the closing of this offering.

SUMMARY FINANCIAL DATA
(in thousands, except per share data)

The following table sets forth summary financial data for our company. You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

<TABLE>
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	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Total revenues	$ --	$ 60	$ 85	$ --	$ 511
Cost of products sold	--	--	--	--	296
Gross profit	--	60	85	--	215
Operating expenses:					
Research and development	977	3,056	7,672	2,989	5,841
Selling, general and administrative	703	1,810	5,557	2,126	9,787
Total operating expenses	1,680	4,866	13,229	5,115	15,628
Loss from operations	(1,680)	(4,806)	(13,144)	(5,115)	(15,413)
Interest income, net	163	142	86	162	354
Net loss	(1,517)	(4,664)	(13,058)	(4,953)	(15,059)
Dividend related to beneficial conversion feature of preferred stock	--	--	--	--	(14,773)
Net loss available to common stockholders	$(1,517)	$(4,664)	$(13,058)	$(4,953)	$(29,832)
Net loss per common share, basic and diluted	$ (1.66)	$ (2.31)	$ (4.32)	$ (1.79)	$ (8.03)
Weighted-average shares used in computing net loss per common share, basic and diluted	914	2,015	3,024	2,766	3,713
Pro forma net loss per common share, basic and diluted			$ (0.91)		$ (0.68)
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted			14,393		22,206

</TABLE>

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	As of June 30, 2000		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
<S>	<C>	<C>	<C>
Balance Sheet Data:			
Cash and cash equivalents	$ 29,624	$ 29,624	$
Working capital	30,168	30,168	
Total assets	43,810	43,810	
Deferred revenue(1)	657	657	
Long-term obligations, less current portion	4,971	4,971	
Convertible preferred stock	62,883	--	
Deferred stock-based compensation, net	(5,727)	(5,727)	
Accumulated deficit	(34,190)	(34,190)	
Total stockholders' equity (deficit)	(32,692)	30,191	

</TABLE>

(1) As of March 31, 2000, deferred revenue totaled $11.

The pro forma information in the tables reflects the conversion of all of our outstanding shares of convertible preferred stock into shares of common stock. The pro forma as adjusted column of the balance sheet data also reflects the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the conversion of a promissory note into shares of common stock upon the closing of the offering.

RISK FACTORS

An investment in our common stock offered by this prospectus involves a substantial risk of loss. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide to purchase shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations. The occurrence of any of the following risks could harm our business. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to our Business

We have limited operating experience and a history of net losses and may never achieve or maintain profitability.

We have a limited history of operations that has focused primarily on research and development, product engineering, clinical trials and seeking FDA regulatory clearance to market our products. We received FDA clearance for FreeStyle in January 2000. We have generated only limited revenues from the sale of our products to date and have incurred losses every year since we began operations. We incurred losses of $4.7 million in 1998, $13.1 million in 1999 and $15.1 million in the six months ended June 30, 2000. As of June 30, 2000, we had an accumulated deficit of approximately $34.2 million. Through June 30, 2000, we have generated only nominal revenue from sales of FreeStyle, our initial product, and it is possible that we will never generate significant revenues from product sales in the future. Even if we do achieve significant revenues from our product sales, we expect that increased operating expenses will result in significant operating losses over the next several years as we, among other things:

- expand our domestic and international selling and marketing activities as we attempt to gain market share for FreeStyle;
- increase our research and development efforts to improve our existing products and develop new products such as our continuous glucose monitoring system;
- perform clinical research and trials in an effort to obtain governmental clearance and approval for the commercial sale of our products; and
- hire additional personnel to aid our research and development, and sales and marketing efforts.

We will need to significantly increase the revenues we receive from sales of our products. We may be unable to do so and therefore may never achieve profitability. Even if we do achieve profitability, we may not be able to

sustain or increase profitability on a quarterly or annual basis.

Because we expect to derive substantially all of our future revenue from sales of FreeStyle, a product we recently introduced, any failure of this product to generate significant revenues and achieve market acceptance could seriously harm our business.

Currently, the primary products we market are the FreeStyle System kit, lancets and test strips, all of which we commercially introduced in June 2000. Our FreeStyle products are expected to account for substantially all of our revenues for at least the next several years. Accordingly, our success depends upon the acceptance by people with diabetes, as well as health care providers and third-party payors, in the United States and foreign markets of FreeStyle as a preferred blood glucose self-monitoring device.

To date, FreeStyle has been used only by a limited number of people and there can be no assurance that people with diabetes or the medical community will endorse FreeStyle as a preferred blood glucose self-monitoring device. In addition, there can be no assurance that FreeStyle will achieve market acceptance on a timely basis, if at all, due to the influence of established glucose monitoring products, the ability of some of our

competitors to price products below a price at which we can competitively manufacture and sell our products, cost constraints and the introduction or acceptance of competing products or technologies. Furthermore, we cannot guarantee that FreeStyle will encourage more active testing or that any increased market segments will not gravitate toward more established brands. If we are unable to successfully market and sell our FreeStyle products, we may not be able to generate revenues because we do not have alternative products, and our business would be seriously harmed.

In addition, to encourage market acceptance of our products, we have decided to currently sell the FreeStyle System kit at a financial loss. In order to generate sufficient revenues in the future, we will therefore have to rely on recurring revenue from the repeated purchase of our proprietary FreeStyle test strips. If FreeStyle does not gain market share and we do not generate significant recurring revenue from the sale of our test strips, our business would be seriously harmed.

We have limited experience manufacturing our FreeStyle test strips in substantial quantities, and if we are unable to hire sufficient additional personnel, purchase additional equipment or are otherwise unable to meet customer demand, our business could suffer.

To be successful, we must manufacture our products in substantial quantities and at acceptable costs. If we do not succeed in manufacturing sufficient quantities of our test strips to meet customer demand, we could lose customers and our business could suffer. We currently assemble our FreeStyle test strips using an assembly process with which we have limited experience. If demand for FreeStyle increases, we will need to hire additional personnel and purchase additional equipment to increase the output volume of our test strips. If we are unable to sufficiently staff our manufacturing operations or are otherwise unable to effectively assemble our test strips and meet customer demand for our products, our business could suffer.

We face competition from competitors with greater resources, which may make it difficult for us to achieve significant market penetration.

The market for medical devices is intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. We compete directly with Roche Diagnostics, LifeScan, Inc., a division of Johnson & Johnson, Bayer Corporation, and MediSense, a division of Abbott Laboratories. Each of these companies produces a glucose monitoring device, is either publicly traded or a division of a publicly-traded company, and enjoys several competitive advantages, including:

- significantly greater name recognition;
- established relations with health care professionals, customers and third-party payors;
- additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts or incentives to gain a competitive advantage;
- established distribution networks and relationships with retailers; and

. greater resources for product development, sales and marketing and patent litigation.

At any time, other companies may develop products that compete directly with our products. In addition, our competitors spend significantly greater funds for the research, development, promotion and sale of new or existing products, thereby allowing them to respond more quickly to new or emerging technologies and changes in customer requirements. For all the foregoing reasons, we may not be able to compete successfully against our current and future competitors.

If we or our suppliers fail to comply with the FDA's Quality System Regulation, our manufacturing operations could be delayed, and our business could be harmed.

Our manufacturing processes for our FreeStyle test strips, as well as the manufacturing processes utilized by our suppliers of FreeStyle meters, lancing devices and lancets, are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging and shipping of our products. The FDA enforces the QSR through unannounced inspections. We have never been through a QSR inspection, and we cannot assure you that we would pass. Our manufacturing line at Flextronics International USA Inc. for our FreeStyle meters has also not been inspected to date. If we or one of our suppliers fail a QSR inspection, our operations could be disrupted and our manufacturing delayed. Failure to take adequate corrective action in response to a QSR inspection could force a shut-down of our manufacturing operations and a recall of our products, which would cause our product sales and profitability to suffer. Furthermore, we cannot assure you that our key component suppliers are or will continue to be in compliance with applicable regulatory requirements, will not encounter any manufacturing difficulties or will be able to maintain compliance with regulatory requirements.

If we become subject to product liability claims, we may be required to pay damages that exceed our insurance coverage.

Our business exposes us to potential product liability claims that are inherent in the testing, production, marketing and sale of human diagnostic products. While we believe that we are reasonably insured against these risks, there can be no assurance that we will be able to obtain insurance in amounts or scope sufficient to provide us with adequate coverage against all potential liabilities. A product liability claim in excess of our insurance coverage or a recall of one of our products would have to be paid out of cash reserves.

Our inability to continue to develop innovative products in the glucose monitoring market could have a material adverse impact on our business.

There can be no assurance that we will be able to compete effectively against our current or potential competitors in the glucose monitoring market, or that such competitors will not succeed in developing or marketing products that will be technologically superior to ours. Our products may also be rendered obsolete by technological breakthroughs in diabetes monitoring or treatment.

We are currently developing additional enhancements for FreeStyle, as well as new products such as our continuous glucose monitoring system. Marketing of these products will require FDA and other regulatory approvals, and their development will require additional research and development expenditures. We cannot assure you that we will be successful in developing, marketing or manufacturing these new products.

In addition, several of our competitors are in various stages of development of products similar to our continuous glucose monitoring system. If any of our competitors succeed in developing a commercially viable product and obtains government approval, this could have a material adverse effect on our business and financial condition.

We currently depend on single suppliers and manufacturers for our FreeStyle products, and the loss of any of these suppliers or manufacturers could harm our business.

Our FreeStyle meters, along with our FreeStyle lancing devices and lancets, are each currently manufactured according to our specifications by single third-party manufacturers. The meters, lancing devices and lancets are manufactured from components purchased from outside suppliers, and some of these components are currently single-sourced. Our FreeStyle test strips, which we assemble ourselves, are comprised of several components obtained from single-source suppliers. In the event we are unable, for whatever reason, to obtain components from suppliers, or if our contract manufacturers are unable

to meet our manufacturing requirements, we may not be able to obtain components from alternate suppliers or engage an additional

manufacturer in a timely manner. Any disruption or delay in shipments of FreeStyle meters, test strips, lancing devices or lancets would negatively affect our revenues.

We have limited sales and marketing experience and any failure to sell our products may impact future revenues.

We currently have limited experience in marketing and selling our products and only received regulatory clearance for our initial product in January 2000. We currently sell our products in the United States directly, rather than through distributors, using a sales organization that we assembled this year. Our products require a complex marketing and sales effort targeted at health care professionals, diabetes educators, persons with diabetes, as well as retail pharmacists. We intend to expand our sales and marketing teams significantly over the next 12 months. We will face significant challenges and risks in building and managing these teams, including managing geographically dispersed efforts and adequately training our people in the use and benefits of our products. We cannot be certain that we will be able to hire sufficient personnel to create demand for our products. In addition, to the extent that we enter into distribution arrangements for the sale of our products internationally, we will be dependent upon the sales and marketing efforts of third-party distributors. We cannot assure you that these distributors will commit the necessary resources to effectively market and sell our products, or that they will be successful in selling our products. To the extent our marketing and sales efforts are unsuccessful, we may not achieve expected revenues.

The amounts that we raise in this offering may not be adequate to take us to profitability. If we require future capital we may not be able to secure additional funding in order to expand our operations and develop new products.

We may require supplemental financing in addition to the net proceeds of this offering before we achieve profitable operations. We may seek additional funds from public and private stock offerings, borrowings under lease lines of credit or other sources. Such additional financing may not be available on a timely basis on terms acceptable to us, or at all, or such financing may be dilutive to stockholders. We expect that our current resources, together with the proceeds from this offering and future operating revenue, will be sufficient to fund our operations through the next 12 months. The amount of money we will need will depend on many factors, including:

- revenues generated by sales of FreeStyle and our future products, if any;
- expenses we incur in developing and selling our products;
- the commercial success of our research and development efforts; and
- the emergence of competing technological developments.

If adequate funds are not available, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves. We also may have to reduce marketing, customer support or other resources devoted to our products, which could have a material adverse effect on our business.

Our failure to obtain or maintain necessary FDA clearances or approvals could hurt our ability to commercially distribute and market our products in the United States.

Our products are medical devices that are subject to extensive regulation in the United States and in foreign countries where we intend to do business. Unless an exemption applies, each medical device that we wish to market in the United States must first receive either 510(k) clearance or premarket approval from the FDA. Either process can be lengthy and expensive. The FDA's 510(k) clearance process usually takes from four to twelve months, but may take longer. The premarket approval, or PMA, process is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer. Although we have obtained 510(k) clearance for our initial product, FreeStyle, our 510(k) clearance can be revoked if safety or

effectiveness problems develop. We may not be able to obtain additional

clearances or approvals in a timely fashion, or at all. We expect that our continuous glucose monitoring system under development will require PMA approval. Delays in obtaining clearance or approval could adversely affect our revenues and profitability.

Modification to our marketed devices may require new 510(k) clearances or PMA approvals or require us to cease marketing or recall the modified devices until such clearances are obtained.

Any modification to an FDA cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new FDA 510(k) clearance or, possibly PMA approval. The FDA requires every manufacturer to make this determination in the first instance, but the FDA can review any such decision. We have modified aspects of FreeStyle since receiving regulatory approval, but we believe that new 510(k) clearances are not required. We may modify future products after they have received clearance or approval, and, in appropriate circumstances, we may determine that new clearance or approval is unnecessary. We cannot assure you that the FDA would agree with any of our decisions not to seek new clearance or approval. If the FDA requires us to seek 510(k) clearance or PMA approval for any modifications to a previously cleared product, we also may be required to cease marketing or recall the modified device until we obtain such clearance or approval. Also, in such circumstances, we may be subject to significant regulatory fines or penalties.

We are currently seeking additional clearances or approvals to market FreeStyle for alternative testing sites, which we may not obtain.

The FDA prohibits the marketing of approved medical devices for unapproved uses. FreeStyle is currently cleared for testing on the forearm or finger. We are currently seeking additional 510(k) clearance for testing on alternative sites such as the thigh, upper arm or calf. We may not receive such clearance or approval in a timely fashion or at all. We are in the process of providing additional information and results of clinical tests requested by the FDA.

Our products carry return policies that make us unable to recognize revenue from sales to retailers and wholesalers prior to resale to end users.

Our return policy allows end users to return FreeStyle System kits for any reason to us for a full refund within 30 days of purchase. In addition, sales of our FreeStyle System kits and test strips to our retailers and wholesalers are made under arrangements allowing rights to return product where the shelf life has expired. Our FreeStyle System kits and test strips currently have an 18 month shelf life, and retailers and wholesalers can return these products to us within six months of such expiration date. As a result of these rights to return and the unavailability of historical return rates, we defer revenue recognition on sales of test strips until resold by the retailers and wholesalers to end users, and we defer revenues on FreeStyle System kits until 30 days after purchase by the end user. If we experience significant returns from retailers, wholesalers and end users, this could seriously harm our business and results of operations.

Because we lack a historical basis from which we could estimate return rates, we are required to rely on data estimates provided to us by a third-party data provider in order to recognize revenue from sales to end users by retailers and wholesalers. These data estimates may cause imprecise revenue recognition and we do not know how long we will be required to rely on these estimates. Further, we have not yet contracted with a third-party data provider, and cannot assure you that any such provider will provide consistent, reliable data acceptable for such purposes or on a cost-effective basis.

Our products are subject to product recalls even after receiving FDA clearance.

The FDA and similar governmental authorities in other countries have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects. Any recall of product could harm our business.

Complying with international regulatory requirements is an expensive and time-consuming process.

International sales of our products will be subject to strict regulatory requirements. The regulatory review process varies from country to country. Together with our marketing partner, Disetronic Group, we are currently pursuing regulatory clearance to market our products in several countries in Europe, but we have not obtained any international regulatory approvals,

including CE Marks, at this time. To do so, we will need to demonstrate the clinical efficacy of our products in particular foreign markets. This can be a lengthy and expensive process. We may not obtain such clearances and approvals on a timely basis, or at all.

If we do not provide quality customer service, we could lose customers and our operating results could suffer.

Our ability to provide superior customer service to our customers, health care professionals and educators is critical. Our marketing plan requires that we build strong brand awareness among our customers. To do so, we will need to provide customer service representatives who are able and available to provide our customers with answers to questions regarding our products. This will require us to continue to build and maintain customer service operations, for which we currently rely on a third-party provider. We will require increased staff at our third-party provider to further support expected new customers. Any failures or disruption to our

customer services operations, or the termination of our contract with our third-party provider, would harm our business.

Adverse changes in reimbursement procedures by Medicare and other third-party payors may limit our ability to market and sell our products.

In the United States, purchasers of medical devices generally rely on Medicare, Medicaid, private health insurance plans, health maintenance organizations and other sources of reimbursement for health care costs to reimburse all or part of the cost of the product. Many of these third-party payors are moving toward a managed-care system in which they contract to provide comprehensive health care for a fixed cost per person. The fixed cost per person established by these third-party payors may be independent of the cost of the specific device used. Medicare and other third-party payors are increasingly scrutinizing whether to cover new products and the level of reimbursement for covered products.

In the United States, glucose self-monitoring devices and test strips are generally covered by Medicare and other third-party payors. We believe that the FreeStyle System will be covered under existing policies. International market acceptance of our products may depend, in part, upon the availability of reimbursement within prevailing health care payment systems. Reimbursement and health care payment systems in international markets vary significantly by country, and include both government sponsored health care and private insurance. We cannot assure you that any international reimbursement approvals will be obtained in a timely manner, if at all. Our failure to receive international reimbursement approvals could have a material adverse effect on market acceptance of our products in the international markets in which such approvals are sought.

We believe that in the future, reimbursement will be subject to increased restrictions both in the United States and in international markets. We further believe that the overall escalating cost of medical products and services will continue to lead to increased pressures on the health care industry, both domestic and international, to reduce the cost of products and services, including our current products and products under development. There can be no assurance that third-party reimbursement and coverage will be available or adequate in either the United States or international markets or that future legislation, regulation or reimbursement policies of third-party payors will not otherwise adversely affect the demand for our existing products or products currently under development by us or our ability to sell our products on a profitable basis. The unavailability of third-party payor coverage or the inadequacy of reimbursement could have a material adverse effect on our business, financial condition and results of operations.

We outsource several key parts of our operations and any interruption in the services provided could harm our business.

We currently outsource several aspects of our business, including the manufacture of FreeStyle meters, lancing devices and lancets, the operation of our website, the functioning of our procurement systems, and our customer service support staff. Since outsourcing leaves us without direct control over these business functions, interruptions in the services of our third-party providers may be difficult or impossible to remedy in a timely fashion. In addition, we may be unable to obtain the necessary resources from our third-party providers to meet realized growth in our business.

We may have warranty claims that exceed our reserves.

We may face warranty exposure, which could adversely affect our operating results. FreeStyle carries a 5-year warranty against defects in materials and workmanship. We will be responsible for all claims, actions, damages, liens,

liabilities, costs and expenses for defects attributable to this product. We have established reserves for the liability associated with product warranties. However, any unforeseen warranty exposure could adversely affect our operating results.

We currently have only one distributor in Europe, and if we lose this distributor or are unable to attract additional distributors, we may never realize international revenues.

We recently entered into an agreement for the exclusive marketing and sale of FreeStyle in several European countries, subject to regulatory approval by each of those countries. We will be substantially dependent on this distributor in these markets. We also intend to attract other distributors in additional international markets, and if we fail to do so, we may never realize significant international revenues.

We are subject to additional risks associated with international operations.

Foreign regulatory agencies often establish requirements different from those in the United States. Fluctuations in exchange rates of the U.S. dollar against foreign currencies may affect demand for our products overseas. In addition, our international sales may be adversely affected by export license requirements, the imposition of governmental controls, political and economic instability, trade restrictions, changes in tariffs and difficulties in staffing and managing international operations.

All our operations are currently conducted at a single facility, and a disaster at this facility is possible and could result in a prolonged interruption of our business.

We currently conduct all our scientific, manufacturing and management activities at a single facility in Alameda, California near known earthquake fault zones. Our sole supplier of FreeStyle meters is also currently manufacturing these devices in the San Francisco Bay Area. In addition, we are located adjacent to a major international airport. We have taken precautions to safeguard our facilities, including insurance, health and safety protocols, and off-site storage of computer data and biological inventories. However, a natural disaster, such as an earthquake, fire, flood, outbreak of infectious disease or an airplane runway disaster, could cause substantial delays in our operations, cause us to incur additional expenses and adversely affect our reputation with customers.

Risks Related to Operating in our Industry

Our industry is subject to rapid technological change, which could make our products obsolete or cause us to lose our competitive advantage over our competitors.

In order to be successful, we must continue to develop innovative products in our field that are technologically superior to those of our competitors. Our present or future products could be rendered obsolete or uneconomical by technological advances by one or more of our current or future competitors. In addition, the introduction or announcement of new products by us or others could result in a delay or decrease in sales of existing products, as customers evaluate these new products. Our future success will depend on our ability to compete effectively against current technologies as well as respond effectively to technological advances. Furthermore, if a cure for diabetes is established, our monitoring products would no longer be necessary.

Our success will depend on our ability to attract and retain key personnel and scientific staff.

We believe our future success will depend upon our ability to successfully manage our growth, including attracting and retaining scientists, engineers and other highly skilled personnel. Our employees are at-will and not subject to employment contracts. Hiring qualified management and technical personnel will be difficult due to the limited number of qualified professionals. Competition for these types of employees is intense. We have in the past experienced difficulty in recruiting qualified personnel. Failure to attract and retain personnel, particularly management and technical personnel, would materially harm our business.

If we fail to protect our intellectual property rights, our competitors may take advantage of our ideas and compete directly against us.

We rely on patent protection, as well as a combination of copyright, trade secret and trademark laws, and nondisclosure, confidentiality agreements and other contractual restrictions to protect our proprietary technology. However,

these legal means afford only limited protection and may not adequately protect our

rights or permit us to gain or keep any competitive advantage. For example, our patents may be challenged, invalidated or circumvented by third parties. Our patent applications and the notices of allowance we have received may not be issued as patents in a form that will be advantageous to us. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by employees. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. Even if our intellectual property rights are adequately protected, litigation may be necessary to enforce our intellectual property rights, which could result in substantial costs to us and result in a substantial diversion of management attention. If our intellectual property is not adequately protected, our competitors could use our intellectual property to enhance their products and compete more directly with us, which could result in a decrease in our market share.

Because the medical device industry is litigious, we may be sued for allegedly violating the intellectual property rights of others.

The medical device industry is characterized by a substantial amount of litigation over patent and other intellectual property rights. Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of patent litigation actions is often uncertain. Our competitors may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them. In addition, because patent applications can take many years to issue, there may be applications now pending of which we are unaware, which may later result in issued patents which our products may infringe. There could also be existing patents that one or more of our products may inadvertently be infringing of which we are unaware.

To address patent infringement or other intellectual property claims, we may have to enter into licensing agreements or agree to pay royalties at a substantial cost to our business. We may be unable to obtain necessary licenses. If we are unsuccessful in our defense against such a claim, and if we are unable to license the technology at issue or to design around the patent, we could be prevented from selling our products and our business would suffer.

Our rights to the use of technologies licensed to us by third-parties are not within our control, and without these technologies, our products may not be successful and our business would be harmed.

We rely on licenses to use various technologies that are material to our business. We do not own the patents that underlie these licenses. Our rights to use these technologies and employ the inventions claimed in the licensed patents are subject to our licensors abiding by the terms of those licenses and not terminating them. In most cases, we do not control the prosecution or filing of the patents to which we hold licenses. Instead, we rely upon our licensors to prevent infringement of those patents. Some of the licenses under which we have rights, such as the license from the University of Texas at Austin, provide us with exclusive rights in specified fields, but we cannot assure you that the scope of our rights under these and other licenses will not be subject to dispute by our licensors or third-parties.

Risks Related to this Offering

Our common stock has not been publicly traded, and we expect that the price of our common stock will fluctuate substantially.

Prior to this offering, there has been no public market for shares of our common stock. An active public trading market may not develop following completion of this offering or, if developed, may not be sustained. The price of the shares of common stock sold in this offering will be determined by negotiation between the underwriters and us. This price will not necessarily reflect the market price of the common stock following this offering. The market price for the common stock following this offering will be affected by a number of factors, including:

- the announcement of new products or product enhancements by us or our competitors;
- announcements of technological or medical innovations in the monitoring or treatment of diabetes;

- product liability claims or other litigation;

- quarterly variations in our or our competitors' results of operations;

- changes in governmental regulations or in the status of our regulatory approvals or applications;

- regulatory or reimbursement developments in the United States or other countries;

- changes in earnings estimates or recommendations by securities analysts; and

- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

There is a large number of shares that may be sold in the market following this offering which may cause the price of our common stock to decline.

After this offering, we will have approximately shares of common stock outstanding, or shares if the underwriters' over-allotment is exercised in full. The shares sold in this offering, or shares if the underwriters' over-allotment is exercised in full, will be freely tradeable without restriction or further registration under the federal securities laws unless purchased by our affiliates. The remaining 25,170,239 shares of common stock outstanding after this offering and 4,312,722 shares issuable upon exercise of outstanding options and warrants to purchase shares of common stock, will be available for sale in the public market as follows:

<TABLE>
<CAPTION>

Number of Shares	Date of Availability for Sale
<C>	<S>
0	Immediately after the date of this prospectus
25,170,239	180 days after the effective date of the registration statement containing this prospectus (subject in some cases to volume and other limitations)
4,312,722	At various times after 180 days following the effective date of the registration statement containing this prospectus

</TABLE>

The above table assumes the effectiveness of the lock-up agreements with the underwriters under which holders of substantially all of our common stock have agreed not to sell or otherwise dispose of their shares of common stock. Approximately 13.3 million of the shares that will be available for sale after the expiration of the lock-up period will be subject to volume restrictions because they are held by our affiliates. In addition, Bear, Stearns & Co. Inc. may waive these lock-up restrictions prior to the expiration of the lock-up period without prior notice.

If our common stockholders sell substantial amounts of common stock in the public market, or the market perceives that such sales may occur, the market price of our common stock could fall. After this offering, the holders of approximately 20,599,805 shares of common stock will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Furthermore, if we were to include in a company-initiated registration statement shares held by those holders pursuant to the exercise of their registration rights, those sales could impair our ability to raise needed capital by depressing the price at which we could sell our common stock.

You will experience immediate and substantial dilution.

We expect the initial public offering price of our shares to be substantially higher than the net tangible book value per share of the outstanding common stock. Accordingly, investors purchasing shares of common stock in this offering will:

- pay a price per share that substantially exceeds the value of our assets after subtracting liabilities; and

- contribute % of the total amount invested to date to fund us, but will own only % of the shares of common stock outstanding. To the extent outstanding stock options or warrants are exercised, there will be further dilution to new investors.

Our principal stockholders, executive officers and directors own a significant percentage of our stock, and as a result, the trading price for our shares may be depressed and these stockholders can take actions that may be adverse to your interests.

Our executive officers and directors and entities affiliated with them will, in the aggregate, beneficially own approximately % of our common stock following this offering. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. These stockholders, acting together, will have the ability to exert substantial influence over all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, they could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to you.

Our charter documents and Delaware law may inhibit a takeover that stockholders consider favorable and could also limit the market price of your stock.

Our amended and restated certificate of incorporation and by-laws will contain provisions that could delay or prevent a change in control of our company. Some of these provisions:

- authorize the issuance of preferred stock which can be created and issued by the board of directors without prior stockholder approval, commonly referred to as "blank check" preferred stock, with rights senior to those of common stock; and

- provide for a classified board of directors.

In addition, we are governed by the provisions of Section 203 of Delaware General Corporate Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These and other provisions in our amended and restated certificate of incorporation and by-laws and under Delaware law could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than it would be without these provisions.

We do not expect to pay dividends in the foreseeable future and stockholders must rely on stock appreciation for any return on investment.

We do not intend to pay dividends on our common stock for the foreseeable future. As a result, only the appreciation, if any, of the price of our common stock will provide a return to investors.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" may contain forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. These risks and other factors include those listed under "Risk Factors" and elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Risk Factors." These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of

activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform our prior statements to actual results.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of common stock that we are selling in this offering will be approximately $ million based on the assumed initial public offering price of $ per share, the mid-point of the range on the front cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $ million.

We intend to use the net proceeds of this offering, together with our cash on hand, primarily to fund continued sales and marketing efforts and for research and development activities. We expect to use the remainder of the net proceeds for working capital and general corporate purposes, including capital expenditures. Pending the uses outlined above, we will invest the net proceeds of this offering in short-term, interest-bearing, investment grade securities.

The amounts actually expended for such purposes may vary significantly and will depend on a number of factors, including the amount of our future revenues and the other factors described under "Risk Factors." Accordingly, we will retain broad discretion in the allocation of the net proceeds of this offering. In addition, should we determine to employ cash resources for the acquisition of complementary businesses, products or technologies, the amounts available for the purposes cited above may be significantly reduced. Although we evaluate potential acquisitions in the ordinary course of business, we have no specific understandings, commitments, or agreements with respect to any acquisition or investment at this time.

DIVIDEND POLICY

Since the formation of TheraSense, Inc., we have never declared or paid dividends on our capital stock. We currently expect to retain our future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our actual capitalization as of June 30, 2000. Our capitalization is also presented:

- on a pro forma basis to give effect to the conversion of all outstanding shares of convertible preferred stock into shares of common stock immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect the sale in this offering of shares of common stock at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, the issuance of shares to Disetronic Group upon conversion of a $2.5 million promissory note and the filing of an amendment to our certificate of incorporation.

<TABLE>
<CAPTION>

	As of June 30, 2000		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data) (unaudited)		
<S>	<C>	<C>	<C>
Long-term obligations, less current portion....	$ 4,971	$ 4,971	$4,971
Convertible preferred stock, $0.001 par value; 20,609,647 shares authorized, 20,078,792 shares issued and outstanding, actual; no			

shares authorized, issued and outstanding, pro forma and pro forma as adjusted.....	62,883	--	--
Stockholders' equity (deficit):			
Preferred stock, $0.001 par value; no shares authorized, issued or outstanding, actual and pro forma; 5,000,000 shares authorized, no shares issued or outstanding, pro forma as adjusted.....	--	--	--
Common stock, $0.001 par value; 200,000,000 shares authorized; 5,008,559 shares issued and outstanding, actual; 25,087,351 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted.....	5	25	
Additional paid-in capital.....	7,515	70,378	
Notes receivable from stockholders.....	(295)	(295)	
Deferred stock-based compensation, net.....	(5,727)	(5,727)	
Accumulated deficit.....	(34,190)	(34,190)	
Total stockholders' equity (deficit).....	(32,692)	30,191	
Total capitalization.....	$ 35,162	$ 35,162	$

</TABLE>

In addition to the shares of common stock to be outstanding after the offering, we may issue additional shares of common stock under the following plans and arrangements:

- 521,013 shares issuable upon exercise of outstanding warrants as of June 30, 2000 at a weighted average exercise price of $2.07 per share;

- 2,672,948 shares issuable upon exercise of outstanding options under our 1997 Stock Plan at a weighted average exercise price of $1.73 per share as of June 30, 2000; and

- a total of 8,307,196 shares available for future issuance under our employee stock plans.

You should read the capitalization table together with the sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements and related notes beginning on page F-1.

DILUTION

Our pro forma net tangible book value at June 30, 2000 was approximately $30.2 million, or $1.20 per share, after giving effect to the conversion of all outstanding shares of our convertible preferred stock into shares of common stock upon completion of this offering. Pro forma net tangible book value per share is equal to our total tangible assets less our total liabilities, divided by the total number of shares of our common stock outstanding. After giving effect to the sale of the shares of our common stock offered in this offering at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at June 30, 2000 would have been approximately $, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates the per share dilution to the new investors:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share at June 30, 2000.....	$1.20	
Increase in pro forma net tangible book value per share attributable to this offering.....		
Pro forma net tangible book value per share as adjusted after this offering.....		
Dilution per share to new investors in this offering.....		$

</TABLE>

If the underwriters exercise their over-allotment option in full, there will

be an increase in pro forma net tangible book value to $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ to new investors.

The following table summarizes, on a pro forma basis as of June 30, 2000, the total number of stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by the existing stockholders and by the new investors in this offering before deducting the underwriting discounts and commissions and estimated offering expenses payable by us:

<TABLE>
<CAPTION>

	Shares Purchased		Total Consideration		Average Price
	Numbers	Percent	Amount	Percent	Per Share
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	25,087,351	%	$63,250,415	%	$2.52
New investors.....		%		%	$
Total.....		100%	$	100%	

</TABLE>

If the underwriters exercise their over-allotment option in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding after this offering.

Assuming the exercise in full of all options and warrants outstanding and exercisable as of June 30, 2000, the average price per share paid by our existing stockholders would be reduced by $ per share to $ per share.

The preceding discussion and tables assume no exercise of stock options or warrants outstanding as of June 30, 2000. As of June 30, 2000, there were:

- 521,013 shares issuable upon exercise of outstanding warrants at a weighted average exercise price of $2.07 per share;
- 2,672,948 shares issuable upon exercise of outstanding options under our 1997 Stock Plan at a weighted average exercise price of $1.73 per share,
- shares issuable to Disetronic Group upon conversion of a convertible promissory note; and
- a total of 8,307,196 shares available for future issuance under our employee stock plans.

After this offering and assuming the exercise in full of all options and warrants outstanding and exercisable as of June 30, 2000, our pro forma net tangible book value per share as of June 30, 2000 would be $ per share, representing an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors.

SELECTED FINANCIAL DATA
(in thousands, except per share data)

The selected financial data set forth below are derived from our financial statements. The statement of operations data for the fiscal years ended December 31, 1996, and the balance sheet data as of December 31, 1996 and 1997 are derived from our audited financial statements not included in this prospectus. The statement of operations data for the fiscal years ended December 31, 1997, 1998 and 1999 and the balance sheet data as of December 31, 1998 and 1999 are derived from our audited financial statements included in this prospectus. The statement of operations data for the six months ended June 30, 1999 and 2000 and the balance sheet data as of June 30, 2000 are derived from our unaudited financial statements included in this prospectus. Our unaudited financial statements have been prepared by us on a basis consistent with our audited financial statements and, in management's opinion, include all adjustments necessary, consisting only of normal recurring adjustments, for a fair presentation of such information. The results of operations for the six months ended June 30, 2000 are not necessarily indicative of the results to be expected for the entire fiscal year, for any other interim period or for any future fiscal year. The selected financial data set forth below should be read in conjunction with our financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

<TABLE>
<CAPTION>

	Period from April 3, 1996 (inception) to December 31, 1996	Years Ended December 31, 1997	1998	1999	Six Months Ended June 30, 1999	2000
					(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:						
Research grant revenue..	$618	$ --	$ 60	$ 60	$ --	$ 3
Product sales.....	--	--	--	25	--	8
License income.....	--	--	--	--	--	500
Total revenues.....	618	--	60	85	--	511
Cost of products sold...	--	--	--	--	--	296
Gross profit.....	618	--	60	85	--	215
Operating expenses:						
Research and development.....	228	977	3,056	7,672	2,989	5,841
Selling, general and administrative.....	199	703	1,810	5,557	2,126	9,787
Total operating expenses.....	427	1,680	4,866	13,229	5,115	15,628
Income (loss) from operations.....	191	(1,680)	(4,806)	(13,144)	(5,115)	(15,413)
Interest income (expense), net.....	(9)	163	142	86	162	354
Net income (loss).....	182	(1,517)	(4,664)	(13,058)	(4,953)	(15,059)
Dividend related to beneficial conversion feature of preferred stock.....	--	--	--	--	--	(14,773)
Net income (loss) available to common stockholders.....	$182	$(1,517)	$(4,664)	$(13,058)	$(4,953)	$(29,832)
Net income (loss) per common share, basic and diluted.....		$ (1.66)	$ (2.31)	$ (4.32)	$ (1.79)	$ (8.03)
Weighted-average shares used in computing net loss per common share, basic and diluted.....		914	2,015	3,024	2,766	3,713
Pro forma net loss per common share, basic and diluted (unaudited)....				$ (0.91)		$ (0.68)
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted (unaudited)....				14,393		22,206

</TABLE>

<TABLE>
<CAPTION>

	As of December 31, 1996	1997	1998	1999	As of June 30, 2000
					(unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Cash and cash equivalents.....	$122	$ 4,088	$11,438	$ 2,322	$ 29,624
Working capital.....	121	3,595	10,956	792	30,168
Total assets.....	178	4,680	12,379	7,281	43,810
Deferred revenue.....	--	72	11	512	657
Long-term obligations, less current portion.....	--	--	520	2,576	4,971
Convertible preferred stock.....	--	5,526	17,361	20,472	62,883

</TABLE>

Deferred stock-based compensation, net	--	--	--	(1,244)	(5,727)
Retained earnings (accumulated deficit)	107	(1,410)	(6,074)	(19,132)	(34,190)
Total stockholders' equity (deficit)	129	(1,387)	(6,047)	(18,159)	(32,692)

</TABLE>

See our financial statements and related notes for a description of the calculation of the historical and pro forma net loss per common share and the weighted-average number of shares used in computing the historical and pro forma per common share data.

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

The following discussion should be read in conjunction with our financial statements and related notes appearing elsewhere in this prospectus. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of selected factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We develop and sell easy to use glucose self-monitoring systems that dramatically reduce the pain of testing for people with diabetes. Our initial product, FreeStyle, received FDA clearance in January 2000, and we commenced commercial shipments on June 28, 2000. We are marketing and selling FreeStyle in the United States through wholesalers, retailers, health care professionals and direct to consumers over the telephone and our website. To date, we have generated nominal revenues.

Since our inception in 1996, we have devoted substantially all of our resources to research and development activities. We have incurred significant operating losses and negative cash flows from operations in each full fiscal year since inception. We have incurred net losses of $1.5 million in 1997, $4.7 million in 1998, $13.1 million in 1999 and $15.1 million for the six months ended June 30, 2000. As of June 30, 2000, we had an accumulated deficit of $34.2 million. We expect to incur significant additional losses as we expand our product launch and related sales and marketing efforts and continue to develop new products.

Revenues are generated from sales of our FreeStyle System kit and from the recurring sales of test strips and lancets. Our return policy allows end users to return FreeStyle System kits to us for a full cash refund within 30 days of purchase. In addition, sales of our FreeStyle System kit and test strips to our retailers and wholesalers are made under arrangements allowing rights to return these products where the shelf life has expired. Our FreeStyle System kit and test strips currently have an 18 month shelf life, and retailers and wholesalers can return these products to us up to six months beyond such expiration date. As a result of these rights of return and the current unavailability of historical trends in sales and product returns, we defer revenue recognition on sales of test strips until resold by the retailers and wholesalers to end users, and we defer revenues on FreeStyle System kits until 30 days after purchase by the end user. We recognize revenue on direct product sales over the telephone or our website to end users upon shipment for test strips and lancets, and 30 days after purchase on sales of FreeStyle System kits. Our current sales terms to retailers and wholesalers provide for customer payment within 60 days of shipment on initial orders and payment within 30 days for subsequent orders. We believe our terms to retailers, wholesalers and end users, including their rights to return, are similar to our competitors' terms.

Manufacturers typically sell their glucose monitoring devices at substantial discounts to list prices or offer customer rebates to expand their installed base of products and thus increase the market for their disposable test strips and lancets. Similarly, we have been offering and expect to continue to offer such discounts and rebates on our FreeStyle System kits to establish an installed base of systems from which we expect to generate recurring revenues from our disposable test strips and lancets. Due to the recent commencement of our initial sales, we do not have significant historical trends in rebates claimed by end users. As a result, we record an allowance for 100% of the allowable rebate as a reduction of revenues reported. As we accumulate trend data in rebates claimed, we may change the percentage of the allowable rebate recorded as a reduction of revenues.

The initial product mix of FreeStyle System kits when compared to test

strips and lancets will negatively impact our gross margins for the foreseeable future, as FreeStyle System kits have lower gross margins. Due to these lower margins, as well as the investment in inventory and receivables required in connection with our FreeStyle product launch, we will require a substantial amount of additional working capital. In the event we establish an installed base of systems, we expect to generate a substantial portion of revenues through recurring sales of our FreeStyle test strips and lancets, as well as sales of FreeStyle System kits to new users.

Cost of products sold consists of payments to our manufacturing and distribution partners, expenses relating to our disposable test strip manufacturing, internal operations, warranties, amortization of deferred stock-based compensation and royalties payable under technology licenses. We offer a five-year warranty on our FreeStyle meter. We manufacture our disposable test strips ourselves at our facility in Alameda, California. We outsource the manufacturing, packaging and testing of our FreeStyle meters to Flextronics, an electronics

contract manufacturer. Our FreeStyle lancing device and disposable lancets are manufactured by Gainor Medical North America LLC, a wholly-owned subsidiary of Matria Healthcare, Inc. Our distribution services are performed by Livingston Health Care Systems Inc.

Research and development expenses include costs associated with the design, development, testing and enhancement of our products. These costs consist primarily of salaries and related personnel expenses, fees paid to outside service providers, expenditures for purchases of laboratory supplies and clinical trials, amortization of deferred stock-based compensation and overhead allocated to product development. Commencing in June 2000, we transitioned the recording of manufacturing-related costs from research and development expense to cost of revenues. All research and development costs are expensed as incurred. Our research and development efforts are periodically subject to significant non-recurring costs and fees that can cause significant variability in our quarterly research and development expenses.

Selling, general and administrative expenses primarily consist of salaries, commissions and related expenses for personnel engaged in sales, marketing, customer service and administrative functions, costs associated with advertising, promotional and other marketing activities, tradeshow expenses, legal expenses, regulatory fees, amortization of deferred stock-based compensation and general corporate expenses.

Deferred stock-based compensation consists of amortization of deferred compensation in connection with stock option grants and sales of stock to employees and non-employees at exercise or sales prices below the estimated fair market value of our common stock. As of June 30, 2000, we have recorded aggregate deferred stock-based compensation of $6.3 million, of which $5.7 will be amortized to expenses on a straight line basis through 2004. This amount is being amortized over the respective vesting periods of these equity instruments, which is typically four years. Deferred stock-based compensation has been allocated according to employees and their respective departments.

In September 2000, we entered into a five-year exclusive distribution agreement with Disetronic Group for FreeStyle in Germany, Switzerland, Denmark, Austria, Sweden, Finland, Norway and the Netherlands. In connection with this agreement, we received an advance purchase order from Disetronic of $1.5 million, which will be recognized as products are shipped. In addition, we issued Disetronic a note for $2.5 million which is automatically convertible into shares of common stock upon the completion of this offering.

Results of Operations

Six Months Ended June 30, 1999 and June 30, 2000

Total revenues. No revenues were reported for the six months ended June 30, 1999. Revenues reported for the six months ended June 30, 2000 totaled $0.5 million, principally consisting of a distribution license fee payment. The income recognized related to a specific non-refundable negotiation fee on a potential distribution arrangement, which was never consummated. For the majority of the product shipped during our FreeStyle product launch, which commenced on June 28, 2000, revenues were deferred awaiting sale through to end users. As of June 30, 2000, deferred revenues approximated $0.7 million, attributable to one significant retail trade customer.

Cost of products sold. No cost of products sold was reported for the six months ended June 30, 1999. Cost of products sold for the six months ended June 30, 2000 was $0.3 million, or 58% of total revenues. Cost of products sold

principally related to start-up production costs, as there was no cost associated with the license fee income earned. There was no stock-based compensation expense reported in cost of products sold as the amount attributable to June 2000 was insignificant. Prior to our product launch on June 28, 2000, costs associated with start-up manufacturing-related activities, including stock-based compensation expense, were reported as research and development expenses.

Gross profit. No gross profit was reported for the six months ended June 30, 1999. Gross profit for the six months ended June 30, 2000 was $0.2 million, or 42% of total revenues.

Research and development expenses. Research and development expenses increased from $3.0 million for the six months ended June 30, 1999 to $5.8 million for the six months ended June 30, 2000, representing an increase of $2.8 million or 95%. This increase was primarily attributable to the hiring of additional personnel, overhead costs associated with our new facility, materials and supplies used in the product development efforts and the payment of fees to outside service providers. Amortization of deferred stock-based compensation was $0.2 million for the six months ended June 30, 2000. Stock-based compensation expense for the corresponding period in 1999 was insignificant.

Selling, general and administrative expenses. Selling, general and administrative expenses increased from $2.1 million for the six months ended June 30, 1999 to $9.8 million for the six months ended June 30, 2000, representing an increase of $7.7 million, or 360%. This increase was primarily attributable to recruiting and hiring our U.S. direct sales force, advertising, marketing activities and other spending associated with the launch of FreeStyle, higher facilities rent and overhead costs, increased travel costs primarily attributable to our new sales force, and establishing customer service and support operations. Amortization of deferred stock-based compensation was $0.3 million for the six months ended June 30, 2000. Stock-based compensation expense for the corresponding period in 1999 was insignificant.

Interest income, net. Net interest income increased from $0.2 million for the six months ended June 30, 1999 to $0.4 million for the six months ended June 30, 2000, representing an increase of $0.2 million or 118%. Interest income results from our interest on cash and cash equivalents, while interest expense is associated with borrowings under lines of credit and capital lease obligations. Interest income for the six months ended June 30, 2000 increased due to higher average cash and cash equivalents balances, resulting from the net proceeds of a private equity offering completed in February 2000. Interest expense for the six months ended June 30, 2000 increased to a lesser extent, reflective of additional borrowings under available lines of credit, amortization of discount associated with warrants issued in connection with certain lines of credit and capital lease obligations arising under a sale and leaseback transaction.

Years Ended December 31, 1997, 1998 and 1999

Total revenues. Revenues recorded in 1998 and 1999 principally related to research grants and the sale of clinical evaluation units. There was no cost of products sold and nominal gross profits recorded in fiscal years 1997, 1998 and 1999.

Research and development expenses. Research and development expenses increased from $1.0 million in 1997 to $3.1 million in 1998 and to $7.7 million in 1999. The increase in research and development expenses from 1997 to 1998 was primarily attributable to expansion in the product development efforts on both FreeStyle and our continuous glucose monitoring system. The increase in research and development expenses from 1998 to 1999 was principally due to the hiring of additional personnel and increased spending associated with the development of FreeStyle.

Selling, general and administrative expenses. Selling, general and administrative expenses increased from $0.7 million in 1997 to $1.8 million in 1998 and $5.6 million in 1999. The increase from 1997 to 1998 was primarily attributable to increased personnel costs. The increase from 1998 to 1999 was primarily attributable to increased personnel costs, marketing expenses, and costs associated with moving into our new facility in August 1999.

Interest income, net. Net interest income remained relatively comparable at $0.2 million in 1997 and $0.1 million in 1998 and 1999, respectively. Interest income results from our interest on cash and cash equivalents, while interest expense is associated with borrowings under lines of credit and capital lease obligations. Interest expense increased in 1999 attributable to increased

borrowings under lines of credit and purchase of office equipment under a capital lease.

Provision for income taxes. We incurred net operating losses for the years ended December 31, 1997, 1998 and 1999, and, accordingly, we did not pay any federal or state income taxes. As of December 31, 1999,

we had accumulated approximately $17.5 million in both federal and state net operating loss carryforwards, respectively, to reduce future taxable income. We also had federal and state research and development tax credit carryforwards as of December 31, 1999 of approximately $0.5 million and $0.4 million respectively. If not utilized, the federal carryforward will expire in various amounts beginning in 2018. The state research credit can be carried forward indefinitely. Our utilization of the net operating losses may be subject to substantial annual limitations under Section 382 of the Internal Revenue Code of 1986, as amended. The annual limitations may result in the expiration of net operating losses prior to utilization. We have not recorded a benefit from our net operating loss carryforwards because we believe that it is uncertain that we will have sufficient income from future operations to realize the carryforwards prior to their expiration. Accordingly, we have established a valuation allowance against the deferred tax asset arising from the carryforwards.

Liquidity and Capital Resources

Since our inception we have financed our operations primarily through private placements of convertible preferred stock resulting in net proceeds of $62.9 million. We have also financed our operations through equipment financing arrangements and other loans with $7.3 million in principal outstanding at June 30, 2000. Borrowings under these arrangements are repaid monthly at interest rates of between 8.5% and 16.6% per annum. As of June 30, 2000, we had cash and cash equivalents of $29.6 million.

Net cash used in operating activities was approximately $1.1 million, $4.5 million, $11.8 million and $17.0 million for the years ended December 31, 1997, 1998, 1999 and for the six months ended June 30, 2000, respectively. For such periods, net cash used in operating activities resulted primarily from net losses. In addition, cash used in operations for the six months ended June 30, 2000 reflects our investment in working capital, principally inventories to support the launch of FreeStyle.

Net cash used in investing activities was approximately $0.5 million, $0.6 million, $3.3 million for the years ended December 31, 1997, 1998, and 1999, respectively. These investing activities consisted of capital expenditures. The increase in fiscal year 1999 was the result of purchases of machinery and equipment for manufacturing our FreeStyle disposable test strips in addition to expenses associated with our move into a new facility in August 1999. For the six months ended June 30, 2000, net cash provided by investing activities of $0.2 million included $1.6 million in proceeds from the sale of capital assets under a sale and leaseback transaction.

Net cash provided by financing activities was approximately $5.5 million, $12.5 million, $6.0 million and $44.1 million for the years ended December 31, 1997, 1998, 1999 and the six months ended June 30, 2000, respectively. The net cash provided by financing activities was primarily attributable to the proceeds from private placements of equity securities and proceeds from long-term borrowings.

We expect to have negative cash flow from operations for at least the next 12 months. We also expect increasing sales and marketing expenses related to the introduction of FreeStyle, increasing research and development expenses, as well as expenses for additional personnel and product enhancement efforts. Our future capital requirements will depend on a number of factors, including market acceptance of FreeStyle, the resources we devote to developing and supporting our products, continued progress of our research and development of potential products, the need to acquire licenses to technology and the availability of other financing. Our capital expenditures for the year ended December 31, 1999 were $3.3 million, and our anticipated capital requirements for the next 12 months will be at a comparable level. We believe that our current cash balances, together with the net proceeds of this offering and revenue to be derived from sales of FreeStyle, will be sufficient to fund our operations for at least the next 12 months. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to raise additional capital or incur indebtedness to fund our operations. Additional equity or debt financing, if required, may not be available on acceptable terms, or at all. If we are unable to obtain additional capital, we may be required to reduce our selling and marketing activities for FreeStyle, delay, reduce the scope of or eliminate our research and development programs, or

relinquish rights to technologies or products that we might otherwise seek to develop

or commercialize. In the event that we do raise additional equity financing, investors in this offering will be further diluted.

Quantitative and Qualitative Discussion of Market Risk

Although we transact our business in U.S. dollars, future fluctuations in the value of the U.S. dollar may affect the price competitiveness of our products, particularly once we commence sales in Europe. However, we do not believe that we currently have any significant direct foreign currency exchange rate risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our invested cash without significantly increasing risk of loss. As of June 30, 2000, our cash and cash equivalents consisted primarily of money market funds maintained at one major U.S. financial institution. The recorded carrying amounts of cash and cash equivalents approximate fair value due to their short-term maturities. We do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments, but an increase in market rates could negatively impact the interest expense associated with our long-term debt.

Inflation

The impact of inflation on our business has not been material for the fiscal years ended December 31, 1997, 1998 and 1999 or for the six months ended June 30, 2000.

Recently Issued Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, or FIN No. 44, "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of APB 25. This interpretation clarifies the definition of the employee for purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain conclusions cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of FIN No. 44 is not expected to have a material impact on our financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, or SAB 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. We have complied with the guidance in SAB 101 for all periods presented.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, or SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. To date, we have not engaged in derivative and hedging activities and do not believe that the implementation of SFAS No. 133 will have any significant impact on our financial position or results of operations. We will adopt SFAS No. 133, as amended, in fiscal year 2001.

BUSINESS

This prospectus may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Risk Factors."

Overview

We develop and sell easy to use glucose self-monitoring systems for people

with diabetes that dramatically reduce the pain of testing. Using our proprietary technologies, we have developed products that are less painful to use than current products on the market. FreeStyle, our first product, can accurately measure glucose levels in a blood sample that is a fraction of the sample size required by other systems. This small sample requirement enables users to obtain the sample from their forearms, and thereby dramatically reduces the pain and inconvenience associated with a larger blood sample taken from their fingertips. Our FreeStyle blood glucose monitoring system received FDA clearance in January 2000. We began selling FreeStyle in the United States in June 2000.

The cost to the health care system associated with the treatment of diabetes and its complications is significant. According to the American Diabetes Association, the total health care costs in the United States of treating people with diabetes were estimated to be $98.0 billion in 1997. The blood glucose market is the largest self-test market for medical diagnostic products in the world. The size of the blood glucose self-monitoring market is approximately $1.9 billion in the United States and $3.3 billion worldwide. The world market has grown rapidly over the past 15 years and is expected to grow at an estimated rate of 12% per year through 2004. Self-monitoring of blood glucose has become a standard of care and glucose self-monitoring devices are typically fully reimbursable.

We believe that FreeStyle is well positioned to capture a substantial share of the blood glucose self-monitoring market. In addition, we believe that FreeStyle and other products based on our proprietary technologies can expand this market by eliminating pain, one of the major obstacles to frequent testing. We are also developing a continuous glucose monitoring device that will enable people with diabetes to accurately and discretely measure their glucose levels on a continuous basis.

Our goal is to market our products wherever blood glucose monitors are sold. Our direct sales force sells and promotes FreeStyle in the United States. We distribute and sell FreeStyle through wholesalers and national retailers, such as Wal-Mart, Walgreens and CVS, to health care institutions, as well as over the telephone and our website. In September 2000, we entered into an international distribution agreement with Disetronic Group for the distribution of FreeStyle in selected European countries. Disetronic's products account for approximately 80% of the insulin pump market in Europe. Insulin pump users are typically highly motivated insulin-dependent diabetes patients who frequently test blood glucose levels. In addition, we plan to sell our products internationally through relationships with other partners that have strong distribution networks to our target markets.

Market Opportunity

Diabetes is a chronic, life-threatening disease for which there is no known cure. People with diabetes suffer from high or low levels of blood glucose resulting from deficiencies in the production of, or response to, insulin. Diabetes currently afflicts close to 16 million people in the United States although only 10 million, or approximately 66%, are diagnosed. The share of the U.S. population diagnosed with diabetes increased 33% between 1990 and 1998, primarily due to increasingly sedentary lifestyles, inappropriate diets leading to obesity, and the aging of the population. Worldwide approximately 175 million people, or 3% of the population, have been diagnosed with diabetes. Further, the reported prevalence of diabetes worldwide is expected to increase to 239 million by 2010, with most of the increase occurring in developing countries due to improved rates of diagnosis and changing lifestyles.

Diabetes and its Complications

Food is broken down into glucose, or sugar, which is used by the body to generate energy. Insulin, a hormone produced by specialized cells in the pancreas, allows the cells of the body to convert available glucose into energy. People with diabetes do not fully break down or metabolize glucose because their cells are resistant to insulin or insulin-producing cells in their pancreases are destroyed or exist in reduced numbers. This results in dramatically fluctuating glucose levels in the body.

People with diabetes experience significant short-term and long-term negative effects on health and life expectancy at both high levels of glucose, known as hyperglycemia, and low levels of glucose, known as hypoglycemia. Recurring high glucose levels inhibit the immune system and result in fatigue, slow healing and lower resistance to infection. In severe cases, high glucose levels can lead to coma and death. Low glucose levels can lead to fainting, weakness and, in severe cases, unconsciousness, permanent loss of cognitive power, and death.

Type 1 and Type 2 Diabetes. Diabetes is typically classified into two primary types. Type 1 diabetes, sometimes referred to as juvenile onset diabetes, is the more serious form of the disease and is characterized by a severe lack of insulin secretion by the pancreas. Type 1 diabetes usually appears in people under the age of 35, and most commonly in children between the ages of 10 and 16. In the United States, approximately 1.5 million people suffer from Type 1 diabetes. To maintain body chemistry balance and sustain life, people with Type 1 diabetes require frequent monitoring and life-long, daily insulin injections or the use of an insulin pump. The predominant risk factor for Type 1 diabetes is family history of diabetes.

Type 2 diabetes, sometimes referred to as adult onset diabetes, is the most prevalent form of the disease. In Type 2 diabetes, the pancreas produces some insulin, but glucose levels are still not adequately controlled because the cells have become less receptive to insulin. There is a spectrum of severity in Type 2 diabetes, from people whose disease is mild and even undiagnosed, to people who manage their disease by diet and exercise, to people who use various oral medications and to people who require the use of insulin. In the United States, approximately 14.5 million people suffer from Type 2 diabetes. The predominant risk factors for Type 2 diabetes are:

.genetic predisposition, including family history and ethnicity;

.lifestyle, including diet, physical inactivity, obesity and stress;

.aging; and

.history of diabetes during pregnancy.

Diabetes is on the rise in the United States, particularly among a younger population base including children, teenagers, and most rapidly in adults ages 30 through 39. We believe the number of people afflicted with Type 2 diabetes will steadily grow as a result of the growing number of obese people. The correlation between Type 2 diabetes and obesity is overwhelming. A recent study conducted by the Centers for Disease Control and Prevention found that obese people were four times more likely to develop diabetes than people of normal weight. The percentage of people in the United States considered obese rose from 12% to 18% of the general population from 1991 to 1998. In addition to obesity, we believe that the number of people who develop diabetes will naturally grow as the U.S. population ages. The prevalence of diabetes in people 65 years of age or greater is 18% in the United States.

Physical Complications. Diabetes is the sixth leading direct cause of death by disease in the United States, with a death due to diabetic complications occurring every three minutes. The failure to frequently monitor and control blood glucose levels can also lead to an array of serious medical complications including:

.heart disease, with death rates two to four times higher than people without diabetes;

.stroke, with incidence rates two to four times higher than people without diabetes;

. amputations, with more than half the number of lower limb amputations occurring among people with diabetes;

. kidney failure, with more than 40% of new cases of end-stage kidney disease occurring among people with diabetes;

.blindness, with up to 24,000 new cases annually; and

. nerve damage, with 60% to 70% of people with diabetes suffering from mild to severe forms of nervous system disease.

Psychological and Social Complications. Diabetes is a disease that requires constant vigilance. Everyday activities such as eating, exercise, travel and sleep may be severely impacted. This may affect personal relationships, lifestyle and morale. People with diabetes, like patients with other chronic diseases, are more than five times as likely to experience depression than the general population. Additionally, social stigmas and lifestyle complications associated with blood glucose self-monitoring are significant. For example:

. Every night many children with diabetes and their parents must wake up in the middle of the night to test the child's glucose levels to avoid dangerous episodes of sleeping hypoglycemia.

. Children at school may suffer the embarrassment of being repeatedly

excused from class to test themselves in the nurse's office before and after meals and prior to playing sports.

. Adults should test themselves before driving to ensure they will not become hypoglycemic while driving, which could cause them to lose concentration or consciousness.

Importance of Glucose Monitoring

Every person's glucose level varies during the course of a day depending upon factors such as diet, insulin availability, exercise, stress, and illness. Normal blood glucose levels fluctuate between 80 to 120 milligrams per deciliter, or mg/dL. In a person with diabetes, these levels can fluctuate dramatically from less than 20 mg/dL to more than 1000 mg/dL. To successfully manage glucose levels within the normal range, a person with diabetes must first measure his or her glucose level and then manage this level by adjusting insulin intake, oral medication, diet and exercise.

Several studies have confirmed that through increased blood glucose monitoring of at least four tests per day followed by intensive treatment with insulin, people with diabetes can maintain near-normal glucose levels and eliminate or reverse the complications of the disease. The U.S. multi-year, multi-site Diabetes Complications and Control Trial, or the DCCT, determined that close control of blood glucose levels could prevent the onset and the progression of severe, long-term complications of Type 1 diabetes. This landmark study concluded that:

. serious consequences of diabetes were reduced significantly for the intensively managed patient group as a whole; and

. progression of the three primary conditions that were evaluated was significantly reduced in the intensively managed group relative to the conventional group: eye disease by 76%, kidney disease by 50% and nerve disease by 60%.

Similarly, the United Kingdom Prospective Diabetes Study found that intensively-managed Type 2 patients had a 25% reduction in the risks of selected clinical complications, such as eye disease and kidney disease, over a 10-year period.

Limitations of Existing Glucose Monitoring Products

Notwithstanding the proven benefits of frequent monitoring and intensive management of glucose levels, a significant number of people with diabetes fail to test at their recommended frequency, or at all. We believe this

under testing is due to the limitations of existing products, many of which are painful and inconvenient to use. To obtain a sample, users are generally required to prick one of their fingertips with a lancing device, which typically consists of a spring-loaded needle that penetrates a measured distance into the finger. Users must then draw a sample of blood from the finger, which often requires squeezing of the fingertips and may require another finger prick if a sufficient volume of blood is not obtained the first time. After drawing a blood sample, users generally are required to drop the blood sample on a disposable test strip or place the test strip on the blood sample.

Although fingertips provide a good source for a blood sample, they also contain many specialized sensory nerve endings that experience pain from both the lancing and the manipulation of the finger. The level of pain and discomfort is compounded by the fact that fingertips offer limited surface area, and therefore, tests are often conducted in areas that are sore from repeated daily tests. Users may also suffer pain or discomfort after the test is complete when the wound caused by the lancing device is touched or disturbed during the users' normal daily activities.

In addition to the problems with pain, requiring people with diabetes to obtain a large sample of blood from their fingertips can be inconvenient and may cause discomfort in social situations. Generally, the larger the blood sample the messier the clean up following the test. Occasionally, blood continues to ooze from the wound on the fingertip following the test, which can lead to contamination of contacted objects. Drawing a large amount of blood in public can be especially embarrassing to school-age children who often avoid, or may be prevented from, playing with their classmates following a test because of the fear that the excess blood may cause contamination. Many frequent testers develop calluses on their fingertips that cause a loss of sensation, are unattractive and make subsequent testing more difficult.

The evolution of blood glucose self-monitoring has been characterized by incremental technological improvements in ease of testing, accuracy and in the reduction in blood sample size. The few notable improvements often resulted in a significant increase in market size and share gains for innovators. Since the mid-1980s, however, there have been only minor enhancements to blood glucose self-monitoring products. Manufacturers have generally decreased the size of the meter and developed additional meter features but have largely failed to address what we believe to be the most significant barrier to testing--the pain from drawing large blood samples from fingertips.

The major technology limitation of currently available products has been the requirement of a minimum blood sample volume of 1.5 to 10 microliters to accurately measure blood glucose levels. Current strip technology either measures the rate of the blood glucose reaction on an electrochemical test strip or the color change on an optical test strip. These types of measurements require a relatively large blood sample and are prone to inaccuracy from interfering substances in the blood or external factors such as temperature or altitude extremes.

People with Type 1 diabetes are encouraged to test four or more times a day, and those with Type 2 diabetes are typically expected to test two or more times per day. However, a study conducted by Yankelovich Partners on our behalf surveyed 505 people with diabetes in April 2000 and found that pain and the fear of pain were leading factors in deterring testing at the recommended levels. The study concluded that 34% of people with diabetes do not test often enough or at all, with painful finger sticks being a major reason. In addition, 68% of these people said that they would test more frequently if testing were not painful.

As a result, we believe a significant market opportunity exists for a glucose self-monitoring system that requires a sufficiently small sample of blood so users can avoid the pain, inconvenience and social embarrassment of drawing large blood samples from their fingertips.

The TheraSense Solution

We develop and sell glucose self-monitoring systems that dramatically reduce the pain of testing based on patented sensor technologies that can measure glucose concentrations in very small volumes of blood or other

body fluids. Because our proprietary electrochemistry technology enables us to develop products that reduce the pain and inconvenience of glucose testing for people with diabetes, we believe we will be able to gain market share and expand the established blood glucose monitoring market. Our diabetes products, both those already available commercially and others under development, should help to reduce the serious complications of diabetes by removing one of the most significant barriers to more compliant testing--pain.

We are developing a series of products based on our core technologies in electrochemical sensors. While our initial products are designed to measure glucose, these technologies can be used to measure a wide variety of biochemicals in body fluids. Our initial product, FreeStyle, is an in vitro, or outside of the body, blood glucose monitoring product that we believe offers the following significant advantages over existing blood glucose self-monitoring devices:

- Reduction in Pain. Our product maintains accurate glucose measurements while requiring a tiny blood sample of 0.3 microliters, just a fraction of the sample size required by other systems. The extremely small volume of blood required enables people using FreeStyle to obtain blood not only from their fingertips as required by most other systems on the market today, but alternatively from their forearm, a process that is considerably less painful. As evidence of this benefit, nine out of 10 people in our clinical studies found using FreeStyle less painful than their current finger stick based system.

- Reduction in Chronic Soreness from Testing. An alternative location also eliminates the pain and soreness associated with repeated daily testing on a small surface area. In addition, our easy to use system does not require pumping, squeezing or other methods to remove a sufficient amount of blood to obtain an accurate reading.

- Improved Quality of Life. The ability to test on the forearm using FreeStyle may afford people with diabetes more discretion, reducing many of the social limitations that have deterred people with diabetes from testing in the past. Due to the small blood sample required, FreeStyle allows users to test their glucose levels without the inconvenience and embarrassment that results from the large blood samples required by other

systems. By using FreeStyle, people with diabetes generally experience less disruption in their day to day lives from the testing procedure.

There are other important attributes of blood glucose monitoring systems that are expected in a high-quality, cost-effective product. We believe that FreeStyle meets or exceeds these attributes as follows:

- Ease of Use. FreeStyle offers a testing method that allows people with diabetes to quickly and efficiently obtain blood and measure their blood glucose levels in about 15 seconds, among the quickest in the industry. The lancing device and monitor are compact and portable, allowing active people with diabetes to conveniently carry the system to test anywhere at anytime.

- Accuracy. The unique electrochemical measurement technique embodied in our proprietary technology allows FreeStyle to produce accurate and precise results from a tiny sample of blood. The accuracy of FreeStyle is unaffected by temperature fluctuations within its operating range or interfering substances such as acetaminophen and Vitamin C in the blood. Other systems require a relatively large blood sample to get an accurate reading and some are prone to inaccuracy from temperature fluctuations and interfering substances. In addition, the FreeStyle meter beeps when there is an adequate blood sample for an accurate reading resulting in less wasting of under-filled strips. Other systems may provide inaccurate glucose measurements because they do not precisely indicate when there is enough blood on the strip.

- Full-Feature Capability. FreeStyle has competitive feature capabilities. For example, FreeStyle can store 250 test results with dates and times, provide a 14-day glucose average, and in the future will connect to a personal computer through FreeStyle Connect, a data management system for analyzing glucose levels on an ongoing basis.

- Competitively Priced. FreeStyle offers its advanced technologies at a price comparable to other products on the market and is in a class of products approved for reimbursement by Medicare and many other third-party payors.

We believe that our continuous glucose monitoring system under development will offer significant advantages over other current methods. Our system would improve people with diabetes' ability to normalize glucose levels, warn against dangerously high or low glucose levels, improve people with diabetes' compliance and enable health care professionals to establish improved treatment protocols.

Our Strategy

Our objective is to be a leading provider of innovative glucose self-monitoring products that reduce the pain of testing, are easy to use, accurate and cost effective, and improve the lives of people with diabetes. To achieve this objective, we are pursuing the following business strategies:

- Establish FreeStyle as a leading blood glucose self-monitoring device. We plan to create global awareness of the advantages of FreeStyle among health care professionals, people with diabetes and the people who influence them. We intend to continue to expand our health care professional sales force and multi-media communication outreach programs to stimulate awareness and demand for FreeStyle. We believe an increased awareness of FreeStyle's less painful, more discrete and easy process will lead many current testers to switch to FreeStyle. In addition, we believe we can expand the market to those people who have been diagnosed with diabetes but are currently not testing or are under-testing.

- Accelerate mass market distribution. We intend to market, sell and distribute our products wherever blood glucose monitors are sold. We will expand our national accounts sales force in the United States to ensure broad retail distribution. Our products are currently being sold by national retailers such as Wal-Mart, Walgreens, Eckerd and CVS. In addition, we intend to expand our e-Business strategy to establish a platform for awareness, self-referral, and distribution.

- Focus on our core competencies in electrochemistry and sensor manufacturing technologies. We plan to continue to focus our internal resources on our core competencies--electrochemistry and sensor manufacturing technologies. Consequently, we have entered into strategic partnerships to enhance speed to market and cost effectiveness for those business functions not included in our core competencies. For example, we have a strategic relationship with Flextronics International, which

assisted us with the FreeStyle meter development and is currently manufacturing our meters and assembling our FreeStyle System kits. By partnering, we believe that we will be able to quickly and efficiently build infrastructure and services needed to meet anticipated market demand.

- Provide high quality customer service. We intend to continue to provide all of our customers with easy, comprehensive access to our products and services through the use of innovative technologies and partnerships supported by an educated and caring customer service team. Our approach is to partner with a service organization while maintaining a small team of in-house service specialists to monitor quality. We offer 24x7 customer service with access to dedicated representatives via telephone or Internet. In addition, we use the Internet as a platform to enable customers to purchase our products online, enhance awareness for our products, establish e-mail management, facilitate loyalty programs, and provide product support and training.

- Establish an international presence for FreeStyle. We intend to expand our international sales efforts for FreeStyle and enter new global markets by forming relationships with international partners who have established relationships with health care professionals and have developed distribution channels. For example, we recently entered into an alliance with Disetronic Group for the distribution of FreeStyle in Germany, Switzerland, Denmark, Austria, Sweden, Norway, Finland and the Netherlands.

- Leverage our proprietary technology platform. We intend to leverage our proprietary electrochemical sensor technologies to develop new glucose monitoring products. We intend to expand our current FreeStyle product family by developing enhanced versions of FreeStyle, as well as potentially developing a less-featured, low-priced version of FreeStyle and a hospital version of FreeStyle for multiple users. We are also developing a continuous glucose monitoring system that is intended to provide continuous glucose readings through the use of a small self-insertable sensor, which will

alert the user if glucose levels are too high or too low. We intend to focus on developing new applications for our core technologies, including their potential use as a self-test device to support treatment of other diseases and monitoring drug concentrations in the body.

Our Products

FreeStyle Blood Glucose Monitoring System. Our initial product, the FreeStyle Blood Glucose Monitoring System, received FDA clearance in January 2000, and we began selling FreeStyle in June 2000. The FreeStyle System kit includes: a FreeStyle meter, an initial supply of proprietary FreeStyle test strips, a FreeStyle lancing device, FreeStyle lancets, FreeStyle control solution and instructional materials.

- FreeStyle meter. The FreeStyle meter contains a large display screen to read test results, a slot where the test strip is inserted to get a blood glucose reading, and buttons to change the calibration code and review results in memory. It also contains a data port for interfacing with FreeStyle Connect data management software, which allows users to download information from the meter to personal computers and analyze glucose levels on an ongoing basis. The ergonomically designed meter fits easily in the hand and weighs 2.1 ounces. The meter displays blood glucose results in a range of 20 to 500 mg/dl. From the time the sample is acquired until the result is displayed on the meter takes about 15 seconds. The meter has the ability to store the last 250 blood glucose test results and to display a 14-day blood glucose average.

- FreeStyle test strips. FreeStyle test strips are proprietary disposable sensors that are used with the FreeStyle meter to measure glucose. The test strips are clearly marked to indicate proper placement in the meter. Inserting the test strip into the meter activates the system and either side of the test strip can be used for measurement. The FreeStyle meter beeps when sufficient blood has been drawn into the test strip, and beeps twice when the test is complete. The FreeStyle meter may only be used with proprietary FreeStyle test strips.

- FreeStyle lancing device and lancets. The FreeStyle lancing device is proprietary and designed specifically to make blood sample acquisition from the forearm reliable and convenient. It requires no mechanical or vacuum assistance. The lancing device offers five adjustable depth settings to allow for comfort and adequate sample size. Although

FreeStyle lancets are available, other standard lancets are compatible with the system. A new, sterile lancet is inserted into the lancing device every time a test is administered.

. FreeStyle control solution. The FreeStyle control solution contains a fixed amount of glucose that may be used periodically to ensure the FreeStyle System is functioning correctly and users are following correct testing procedures.

FreeStyle Connect. In May 2000, we received FDA clearance for FreeStyle Connect, a data management software product that will be available in two versions for health care professionals and end users later this year. FreeStyle Connect downloads data from FreeStyle to a personal computer and displays glucose values in eight different statistical reports, including the number of blood glucose values above, within, and below a given target range. The FreeStyle meter stores up to 250 glucose values each with time and date. This data will allow health care providers to help multiple patients adjust their diet, exercise and medication to improve and maintain their health.

Products Under Development

Additional FreeStyle Products. We plan to continue developing products that will extend our technology platform such as a premium system with enhanced features including more memory and a record of diabetes management events. We may also develop a low-priced system with less features for the price-sensitive consumer as well as a hospital version of FreeStyle for multiple users. We will also continue to identify and develop products that fulfill unmet consumer needs and address strategic or competitive issues.

Continuous Glucose Monitoring System. We are also developing a continuous monitoring device that will utilize a miniaturized electrochemical sensor that can be inserted under the skin by the user to continuously measure and display glucose levels and store the results for further analysis by the user or a physician. The increased number of glucose readings will allow people with diabetes to more effectively adjust insulin, oral medication, diet and exercise and should result in significantly improved health outcomes for people with diabetes. The continuous system is being designed to offer people with diabetes the following benefits:

.accurate and discrete measurement of glucose levels on a continuous basis;

.elimination of the anxiety of not knowing glucose levels between periodic measurements;

.minimally invasive insertion procedure and comfortable to wear;

.warnings against dangerously high or low glucose levels, even while sleeping; and

.ability to improve health through intensively managed therapy from continuous glucose information.

We believe each sensor used with our system, by sampling the fluid between cells, will provide up to three days of continuous glucose measurement. The accuracy and precision of a continuous glucose monitoring system will be dependent on the initial calibration. Therefore, our system will have a built-in FreeStyle meter that will allow for accurate and convenient calibration using FreeStyle test strips. The integrated calibration will help eliminate the risk of human errors during data entry. The display, which will be worn as a pager, will translate the sensor's information into a numerical value and periodically, or on demand, display the glucose level and the trend. Such information will allow users to determine whether glucose levels are rising, falling or remaining stable. Since there are no wires connecting the display unit and the sensor system, the display unit can be conveniently worn on the belt, carried in a purse or left on a bed stand at night.

Clinical trials are expected to commence in the next 12 months. We expect that our continuous glucose monitoring system will require PMA approval which is a considerably more extensive and uncertain regulatory approval process than the 510(k) clearance process that was applicable to FreeStyle. Therefore, even if the product is successfully developed, it will not be commercially available for several years.

Our Sensor Technologies

We have developed and patented two miniaturized electrochemical sensor technologies. The first, NanoSample technology, is used in our FreeStyle

System. The second, Wired Enzyme chemistry, will be used in our continuous glucose monitoring system, which is under development.

NanoSample Technology

NanoSample technology enables FreeStyle to measure glucose levels in blood samples of only 0.3 microliters, a fraction of the sample size required by leading competitive products. We have pioneered techniques to obtain high accuracy and precision as well as fast response times when measuring glucose in sub-microliter, or nanoliter, sample sizes. This technology allows us to measure the total electrical charge generated by the reaction of all of the glucose in the sample, a process referred to as coulometry. In contrast, competitors' products generally determine the glucose level by taking a measurement of the current generated by the sensor at a point in time, a process referred to as amperometry, which requires the use of a larger blood sample to achieve accurate results. Use of coulometry with our chemistry substantially eliminates some of the errors frequently associated with amperometry, such as dependence of sensor output on temperature and other commonly found substances in the blood, such as acetaminophen or Vitamin C, which can distort the glucose measurement.

Wired Enzyme Chemistry

Our Wired Enzyme chemistry is allowing us to develop miniaturized, self-insertable, biocompatible sensors. We are currently using this technology to develop our continuous glucose monitoring system. Our glucose monitoring system sensor, which will be inserted under the skin by the user, will react with the glucose near or at the implant site to produce an electrical signal that enables glucose concentration measurement. We believe our technology will successfully address the core technical issues that have limited the performance of other implantable glucose sensors, as reported in technical literature. We also believe our system will be calibrated easily and accurately.

Marketing and Sales

United States

We have developed a marketing and sales approach to generate awareness of FreeStyle and penetrate and expand the glucose self-monitoring market. Our primary targets are people with diabetes, people who know people with diabetes and health care professionals. Following FDA clearance in January 2000, we recruited and hired a national sales force of approximately 50 people that covers the major population regions of the United States. The sales force calls on the health care professionals who strongly influence the health care decisions made by people with diabetes, a group which includes endocrinologists, certified diabetes educators, internal medicine physicians, family and general practitioners, and pharmacists. The goal of our sales force is to educate and train health care professionals on the benefits of our products. This, we believe, will ultimately result in recommendations and referrals for our products. We believe that our strategy of selling through our own direct sales force is an important factor in market penetration.

Our direct-to-consumer advertising campaign is aimed at health care professionals, people with diabetes, and people who know people with diabetes. Our belief is that pain is such an important issue in glucose testing that it is recognized and understood not only by people with diabetes, but also their co-workers, friends, and families, each of whom will be willing to tell others. To further generate awareness and penetrate the market, our sales and marketing organization provides a wide range of programs, support materials and events that support our national sales force. These include public relations efforts, product training, conference and trade show attendance, and educational and promotional literature.

We sell our products through traditional retail channels and distributors. We also sell directly to end users through customer phone orders and through our website. Although there is substantial competition from existing products, the consolidation of the retail industry has reduced the need for a substantial direct retail sales force. Examples of the top retailers and distributors in each of our distribution channels to which we have sold products include:

<TABLE>

<S>	<C>	<C>
. Wal-Mart	.Walgreens	.CVS
. Longs	.Eckerd	.Rite Aid
. Meijer	.Bergen Brunswig	.McKesson
. Cardinal	.AmeriSource	.American Sales
. Drugstore.com	.SelfCare.com	.DrugEmporium.com

</TABLE>

International

We intend to expand our international sales efforts for FreeStyle and enter new global markets by establishing relationships with international partners who have established relationships with healthcare professionals and developed distribution channels. For example, in September 2000, we entered into an agreement with Disetronic Group for the exclusive distribution of FreeStyle in Germany, Austria, Switzerland, Denmark, Sweden, Finland, Norway and the Netherlands. Disetronic is a leading international supplier of drug delivery systems, including insulin injection pens and insulin pumps used to continuously deliver insulin to intensively managed diabetes patients. Disetronic products represent approximately 80% of the insulin pump market in Europe. Insulin pump users are typically highly motivated insulin-dependent diabetes patients who frequently test blood glucose levels. Under terms of the agreement, Disetronic will have exclusive responsibility for sales, marketing and customer service in its territory in Europe. Disetronic will market FreeStyle to Disetronic's pump users in Europe and North America.

Distribution

To establish a worldwide distribution capability for end users, health care professionals and retail customers, we have established relationships with expert distribution partners. For retail order management and shipping of all products, we have partnered with Livingston Healthcare Services, Inc., a company that specializes in providing outsource distribution services for large pharmaceutical and medical device companies. Livingston has an extensive network of distribution centers and a sophisticated order management and product tracking system. Livingston also manages our billing process utilizing our web based e-Business system or a direct phone-order system from our customer services department. Our relationship with Livingston allows us to meet shipment, delivery and billing expectations while minimizing our internal infrastructure requirements. This allows customers access to products with the broadest range of options currently available in the marketplace--retail, web and direct phone supply.

Customer Service

We have implemented a responsive and extensive 24x7 customer service support system, a standard of service expected in the industry, through our relationship with ICT. ICT is an international telemarketing and e-support company, with a medical marketing division which has developed a special facility and dedicated customer care agents for us. ICT's agents have the systems capability to handle large volumes of our customer contacts at any time, both through the phone or our web site. We select and train the ICT agents who work on our account, as well as maintain in-house customer service personnel that monitor quality.

e-Business Strategy

We launched a web site for our customers in March 2000, prior to the launch of FreeStyle. We believe that our e-Business plans will have an important impact on our future product offerings, as well as enhance our distribution, support and marketing efforts. Via our web site, customers can order products, ask support questions, obtain shipping information and watch product demonstration videos. We will continue to expand our web capabilities and support for all customer types by providing retail customers a unique business-to-business solution for ordering and shipment tracking, and offer health care providers specialized services and content. Through our web presence we have developed direct marketing relationships with all our customer classes: retailers, end users and health care providers. In addition, we have partnered with ProCure.com to develop, implement, host, maintain and expand our web presence.

Manufacturing

The primary components of the FreeStyle system kit are the FreeStyle meter, FreeStyle test strips, FreeStyle lancing devices, FreeStyle lancets and control solution. Flextronics is solely responsible for manufacturing the meter and assembling the kits. Flextronics assisted us in the design of the meter. Flextronics has more than 11 years experience building blood glucose meters, and has facilities in Asia, Europe and the

Americas. Flextronics has demonstrated strong process control and knowledge of

just-in-time and total quality management techniques and has software tools to handle product tracking. We have an on-site manager at Flextronics who is responsible for the day-to-day interface between the two businesses. Production release to finished goods inventory is done through our quality assurance department. Our contract with Flextronics expires in November 2005, and is renewable annually thereafter.

The FreeStyle test strips are manufactured at our facility in Alameda, California. We have developed a high volume manufacturing process for the test strips that we believe is robust, cost effective, and scaleable to meet the anticipated growth of the business. The test strip is composed of chemicals, adhesive and printed Melinex, a polyester similar to the material used in credit cards. The FreeStyle lancing device, lancets and control solution are manufactured by outside suppliers. These partnerships minimize our capital investment, help to keep our costs down and allow us to compete cost-effectively with larger volume manufacturers of blood glucose self-monitoring systems.

Gainor Medical North America LLC, a wholly-owned subsidiary of Matria Healthcare, is a supplier for the lancing device industry that distributes approximately half of the world's lancets. We jointly developed with Gainor Medical the lancing device used to obtain our blood samples. Gainor Medical also manufactures the lancing device and distributes our lancets. Gainor Medical has an exclusive right to manufacture the lancing device for a period of seven years. In addition, the lancing device can use conventional lancets, which are widely available.

Each of the production processes utilized in the manufacture of our products has been verified and validated, as required by the FDA's quality system regulations. As a medical device manufacturer, our manufacturing facility and the facilities of Flextronics and Gainor Medical are subject to periodic unannounced inspection by regulatory authorities and such operations may undergo compliance inspections conducted by the FDA and corresponding state agencies. In addition, we are currently pursuing ISO registration.

Intellectual Property

We rely on a combination of copyright, patent, trademark, trade secret and other intellectual property laws, nondisclosure agreements and other measures to protect our proprietary rights. As of September 30, 2000, we had 15 issued U.S. patents, had received notices of allowance with respect to nine U.S. patent applications, and had numerous additional U.S. patent applications pending. The issued and allowed patents cover, among other things: coulometric measurement of small samples of body fluid; the Wired Enzyme chemistry; one point calibration of the continuous glucose monitoring system product; manufacturing processes for the continuous glucose monitoring system sensor; and the components of the continuous glucose monitoring system product. We have filed numerous foreign patent applications on our technology. We have applied to register the trademarks TheraSense, FreeStyle, The Technology of Caring, NanoSample and Wired Enzyme.

In addition to developing our own technology, we have entered into several license agreements. We have acquired patents from the University of Texas at Austin, or UTA, developed by Professor Adam Heller, a co-founder of our company, and his collaborators. We also fund ongoing research at UTA in the field of biosensors, and we obtain some of the intellectual property rights to resulting inventions. We have also obtained non-exclusive, worldwide licenses to patents related to medical diagnostic devices. We pay for these licenses through a combination of fixed payments and royalties on sales of covered products. In addition to these in-licenses, we have out-licensed exclusive rights to specific patents to two companies for use in measuring specific biochemicals outside the diabetes field. We do not expect these out-license agreements to generate material income for us.

Research and Development

Our research and development efforts are currently focused on developing further enhancements to FreeStyle as well as developing our continuous glucose monitoring product. Our research and development staff consists of 35, including five who hold Ph.D. degrees. Our research and development staff has extensive

experience in the glucose monitoring industry and has been instrumental in technology development and commercialization of current glucose monitoring products. Collectively, we have over 200 years experience in developing test strip technology. Research and development expenses, including clinical and regulatory expenses, were $1.0 million for 1997, $3.1 million in 1998, $7.7 million in 1999 and $5.8 million for the six months ended June 30, 2000. We

expect research and development expenses to increase in the future as we seek to enhance our existing products and develop additional products.

We also fund biosensor research under a Sponsored Research Agreement with UTA. We have specific rights with regards to inventions resulting from the research. The research is currently under the direction of Professor Adam Heller and is focused on improvements to implantable glucose sensors and on extension of the Wired Enzyme technology to measurement of other biochemicals.

Competition

The medical device industry is subject to intense competition. Four companies, Roche Diagnostics, Lifescan, Inc., a division of Johnson & Johnson, Bayer Corporation and MediSense, a division of Abbott Laboratories, currently account for over 90% of sales of all blood glucose self-monitoring systems. In addition, other companies are developing and/or marketing minimally invasive or noninvasive glucose monitoring devices and technologies that could compete with our proposed continuous glucose monitoring product. There are also a number of academic and other institutions involved in various phases of our industry's technology process. Many of these competitors have significantly greater financial and human resources than we do.

We believe that the principal competitive factors in our market include:

- .improved outcomes for people with diabetes through painless and accurate testing methods;
- .technological leadership and superiority;
- .ease of use;
- .customer focus and service;
- .effective marketing and distribution;
- .acceptance by health care professionals;
- .speed to market; and
- .exclusivity agreements between third-party payors and competitive brands.

Government Regulation

Our products are medical devices subject to extensive regulation by the FDA and other regulatory bodies. FDA regulations govern, among other things, the following activities that we will perform:

- .product design and development;
- .product testing;
- .product manufacturing;
- .product labeling;
- .product storage;
- .premarket clearance or approval;
- .advertising and promotion; and
- .product sales and distribution.

FDA's Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device we wish to commercially distribute in the United States will require either prior 510(k) clearance or prior PMA approval from the FDA. Devices deemed to pose lower risk are placed in either class I or II, which requires the manufacturer to submit a premarket notification requesting permission for commercial distribution; this is known as 510(k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device or a pre-amendment class III device for which PMA applications have not been called for by the FDA, are placed in class III, requiring PMA approval.

510(k) Clearance Pathway. To obtain 510(k) clearance, we must submit a premarket notification demonstrating that the proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMA applications. The FDA's 510(k) clearance pathway usually takes from four to twelve months from the date the application is submitted, but it can take significantly longer.

Blood glucose testing systems have generally qualified for clearance under 510(k) procedures. We received 510(k) clearance for FreeStyle in January 2000 for use on the forearm. We also have obtained 510(k) clearance for FreeStyle Connect, our data management system that enables downloading of blood glucose data stored in a user's FreeStyle monitor to a personal computer for use by the user or their health care provider. In February 2000, we submitted a 510(k) application that would permit FreeStyle to be used on alternate testing sites, including the thigh, calf, upper arm, and hand. There can be no assurance, however, that this submission will receive 510(k) clearance in a timely fashion, or at all.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval. The FDA requires each manufacturer to make this determination in the first instance, but the FDA can review any such decision. If the FDA disagrees with a manufacturer's decision not to seek a new 510(k) clearance, the FDA may require a manufacturer to seek 510(k) clearance or PMA approval. The FDA also can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or PMA approval is obtained. We have made and plan to continue to make additional product enhancements to our FreeStyle System that we believe do not require new 510(k) clearances.

PMA Approval Pathway. If the FDA denies 510(k) clearance for one of our products or if one of our products is not eligible for 510(k) clearance, we must follow the PMA approval pathway for that product before marketing commences. A PMA application requires proof of the safety and effectiveness of the device to the FDA's satisfaction. A PMA application must provide extensive pre-clinical and clinical trial data and also information about the device and its components, including, among other things, device design, manufacturing and labeling. After approval of a PMA, a new PMA or PMA supplement is required in the event of a significant modification to the device, it's labeling or its manufacturing process. The PMA pathway is much more costly, lengthy and uncertain than 510(k) clearance. It generally takes from one to three years or even longer from submission.

We anticipate that our continuous glucose monitoring systems will require PMA approval. We are currently completing pre-clinical testing of this device and anticipate beginning clinical trials in the next 12 months. No assurance can be given that a PMA application will ever be submitted, or if submitted, that approval will ever be obtained for this device in a timely fashion, if at all.

Clinical Trials. A clinical trial is almost always required to support a PMA application and is sometimes required for a 510(k) premarket notification. Such trials generally require submission of an application for an Investigational Device Exemption, or IDE, to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE must be approved in advance by the FDA for a specified

number of patients, unless the product is deemed a non-significant risk device and eligible for more abbreviated IDE requirements. Clinical trials may begin once the IDE application is approved by the FDA and the appropriate institutional review boards at the clinical trial sites. We anticipate that we will be required to file an IDE application to test our continuous glucose monitoring system in humans. No assurance can be given that an IDE application will ever be submitted or approval obtained to study the continuous glucose monitoring systems in humans, or if obtained, that the results of any clinical testing will result in approval of the product Our clinical trials must be conducted in accordance with FDA regulations.

Pervasive and Continuing FDA Regulation

After a device is placed on the market, numerous regulatory requirements apply. These include: the quality system regulation, or QSR, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations; the FDA's general prohibition against promoting products for

unapproved or "off-label" uses and other restrictions on labeling; and the Medical Device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur.

We are subject to unannounced inspection by the FDA and the Food and Drug Branch of the California Department of Health Services. Neither the FDA nor the California Department of Health Services has inspected our manufacturing facilities nor the manufacturing lines of our subcontractors, and neither we nor our subcontractors can assure you that we will successfully pass such an inspection or achieve or maintain compliance in the future. Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include the following sanctions:

- .fines, injunctions, and civil penalties;
- .recall or seizure of our products;
- .operating restrictions, partial suspension or total shutdown of production;
- .refusing our request for 510(k) clearance or PMA approval of new products;
- .withdrawing 510(k) clearance or PMA approvals that are already granted; and
- .criminal prosecution.

International

International sales of medical devices are subject to foreign government regulations, which vary substantially from country to country. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA approval, and the requirements may differ. The primary regulatory environment in Europe is that of the European Union, which consists of 15 countries encompassing most of the major countries in Europe. Other countries, such as Switzerland, have voluntarily adopted laws and regulations that mirror those of the EU with respect to medical devices. The EU has adopted numerous directives and standards regulating the design, manufacture, clinical trial, labeling, and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear CE conformity marking, indicating that the device conforms with the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout Europe. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a "Notified Body." This third-party assessment may consist of an audit of the manufacturer's quality system and specific testing of the manufacturer's product. An assessment by a Notified Body in one country within the EU is required in order for a manufacturer to commercially distribute the product throughout the EU. During this process, we must demonstrate compliance with designated manufacturing and quality requirements known as the "ISO" requirements.

We intend to pursue a CE Mark from the EU for FreeStyle. We also intend to pursue certification of our manufacturing facilities to ISO 9001/EN46001 quality system requirements. While no additional premarket approvals in individual EU countries are required, prior to marketing of a device bearing the CE Mark, practical complications with respect to market introduction may occur. For example, differences among countries have arisen with regard to labeling requirements.

Third-Party Reimbursement

Self-monitoring of blood glucose is a standard of care in the United States and other developed countries. The costs associated with the purchase of blood glucose monitoring products such as meters and test strips by people with diabetes are generally reimbursed. FreeStyle is currently being reimbursed through Medicare, Medicaid, open formulary plans, and certain preferred provider organizations in the United States. International market acceptance of our products may depend, in part, upon the availability of reimbursement within prevailing health care payment systems. Reimbursement and health care payment systems in international markets vary significantly by country, and include both government-sponsored health care and private insurance. Reimbursement has not yet been determined for our continuous glucose monitoring system.

Advisory Boards

Medical Advisory Board

We have established a medical advisory board, consisting of individuals with recognized expertise in fields relating to diabetes treatment, to advise us concerning long-term product planning, research, development and marketing. Members of our medical advisory board consult and meet formally and informally with us. Several of the members of our medical advisory board are employed by academic institutions and may have commitments to or agreements with other entities that may limit their availability to us. Members of our medical advisory board may also serve as consultants to other medical product companies. The members of our medical advisory board have agreed, however, to maintain the confidentiality of all proprietary information we disclose to them. In addition, any ideas, inventions, developments, improvements and works of authorship developed by the members of our medical advisory board relating to diabetes testing devices are our property.

Currently, the following persons comprise our medical advisory board:

Richard Bergenstal, MD is an endocrinologist and is currently the Executive Director of the International Diabetes Center in Minneapolis, Minnesota. Dr. Bergenstal's focus has been the development of diabetes treatment algorithms and education of primary care physicians to improve the level of clinical care for people with diabetes. Dr. Bergenstal received the Charles H. Best Medal from the American Diabetes Association for distinguished service for his role as an investigator in the Diabetes Control and Complications Trial.

John B. Buse, MD, Ph.D. is an endocrinologist and is currently an Associate Professor, Division of Endocrinology, at the University of North Carolina Medical School, Chapel Hill, North Carolina. Dr. Buse has both a large clinical practice as Director of the Diabetes Program and research practice as Director of Endocrinology Clinics at UNC. Dr. Buse has published widely on diabetes and drug therapies and is a frequent presenter at professional conferences around the world.

Alan Moses, MD is an endocrinologist and is currently the Chief Medical Officer of the Joslin Clinic and Diabetes Center in Boston, Massachusetts. Dr. Moses is also an Associate Professor of Medicine at Harvard Medical School and participates in the administration and leadership of numerous diabetes related clinical and research initiatives. Dr. Moses' research is focused on severe insulin resistance and novel routes of drug delivery and therapies for diabetes. He is known as being a vocal advocate for issues involving children with diabetes.

Anne L. Peters, MD is an endocrinologist and is currently a Director of the University of Southern California Diabetes Program in Los Angeles, California. She has researched and published on diabetes drug therapies, clinical treatment of diabetes and has a particular research interest in outcomes studies in diabetes.

Philip Raskin, MD is an endocrinologist and is currently a Professor of Medicine for the Department of Internal Medicine at Southwestern Medical School, University of Texas Health Science Center in Dallas. Dr. Raskin was involved in the DCCT study and was recognized for achieving the best clinical results among all the clinical study sites.

Harry Shamoon, MD is an endocrinologist and is currently a Professor for the Department of Medicine, Division of Endocrinology and Metabolism at the Albert Einstein College of Medicine in New York. Dr. Shamoon is a leading expert on hypoglycemia and diabetes and was involved as an investigator in the DCCT. He is on the National Board of Directors for the American Diabetes Association and the American Board of Endocrinology and Metabolism.

Educator Advisory Board

We have also established an educator advisory board of consultants with expertise in educating people with diabetes. The educator advisory board meets formally and informally and provides us advice on training materials, patient/product acceptance criteria and product marketing. The members of the educator advisory board have agreed to maintain the confidentiality of all proprietary information we disclose to them.

Currently the following persons comprise our educator advisory board:

Nancy Bristow, RN, BSN, CDE is the Clinical Nurse of the Diabetes and Endocrine Associates of Tarrant County in Fort Worth, Texas. She supports numerous people with diabetes and endocrinologists and has been involved in

clinical studies with several local universities and major diabetes related companies.

Nedra Christensen, RD, Ph.D. is an Assistant Professor at Utah State University, Logan, Utah. She has practiced diabetes clinical dietetics with the Joslin Clinic, Vanderbilt University and children's diabetes camps. Dr. Christensen publishes extensively on diabetes treatment and dietetics.

Carol H. Homko, RN, CDE, MS, Ph.D. is the Clinical Nurse Practitioner at the General Clinical Research Center at Temple University Hospital in Philadelphia. Her academic and clinical focus has been on diabetes and pregnancy.

Judy Kohn, RN, CDE is the Program Coordinator for the Diabetes Center at the John Muir Medical Center in Walnut Creek, California. She has an active clinical diabetes practice and teaches classes around the country to both people with diabetes and healthcare professionals.

Marsha McCleskey, RD, MS, CDE is the Clinical Dietitian for the Diabetes and Endocrine Associates of Tarrant Co. in Fort Worth, Texas. She teaches people in a large clinical practice, consults and speaks extensively on diabetes care. She has a particular interest in diabetes data management.

Jim Pichert, Ph.D. is the Diabetes Education Program Director of the Diabetes Research and Training Center at the Vanderbilt University Medical Center, in Nashville, Tennessee. He has researched and published extensively on educational methods that improve diabetes care. He has held numerous national positions in diabetes professional organizations and is a popular speaker on improved diabetes outcomes with innovative teaching methods.

Employees

As of September 30, 2000, we had 137 full-time employees, including 57 in sales and marketing, 26 in operations and manufacturing, 35 in research and development, six in customer service and 13 in general and administrative functions. None of our employees are represented by a collective bargaining agreement and we have never experienced any work stoppage. We believe that our employee relations are good.

Facilities

We lease approximately 54,500 square feet of manufacturing and office space in Alameda, California under a lease expiring in April 2009. We believe that this facility will meet our space requirements for research, development and administration, as well as manufacturing of sensors, for approximately the next 12 months. We also have an option to acquire additional contiguous space to expand our facilities as necessary and believe this will be satisfactory for the next twelve months.

Legal Proceedings

We are not currently subject to any material pending or threatened legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table sets forth, as of September 30, 2000, information about our executive officers, directors and our Chief Scientific Advisor:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
W. Mark Lortz.....	49	Chairman of the Board, Chief Executive Officer and President
Adam Heller, Ph.D.	67	Co-Founder and Chief Scientific Advisor
Charles T. Liamos.....	41	Vice President and Chief Financial Officer
Ephraim Heller.....	38	Co-Founder, Vice President of Business Development and Director
Tae Andrews.....	38	Vice President of Marketing and Sales
Eve Conner, Ph.D.....	55	Vice President of Quality Assurance and Regulatory Affairs
Holly Kulp.....	43	Vice President of Professional Relations and Customer Services
Claire Heiss.....	53	Vice President of Operations
Timothy Goodnow, Ph.D.	39	Vice President of Research and Development

Annette J. Campbell-White(1)	53	Director
Mark J. Gainor	44	Director
Ross A. Jaffe, M.D.(2)(1)	42	Director
Michael McNamara(1)	43	Director
Robert R. Momsen(2)	53	Director
Richard P. Thompson(2)	48	Director

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(1) Member of Compensation Committee
(2) Member of Audit Committee

W. Mark Lortz has served as our President and Chief Executive Officer since December 1997 and Chairman of the Board since October 1998. From July 1991 to October 1997, Mr. Lortz held several positions at LifeScan, a Johnson & Johnson diversified healthcare company, including Vice President, Operations and Group Vice President, Worldwide Business Operations and International Franchise Development. Mr. Lortz holds an M.B.A. in Management from Xavier University and a B.S. in Engineering Science from Iowa State University.

Adam Heller, Ph.D. co-founded TheraSense with Ephraim Heller in December 1996 and has served as our Chief Scientific Advisor since the founding. Since August 1988, Dr. Heller has been the Ernest Cockrell, Sr. Chair in Engineering at the University of Texas at Austin. He is a Member of the National Academy of Engineering of the United States of America. Dr. Heller was awarded an honorary doctorate by Sweden's Uppsala University and major awards of the American Chemical Society, the Royal Society of Chemistry (U.K.) and The Electrochemical Society. Dr. Heller has a Ph.D. in Chemistry, and an M.Sc. in Chemistry and Physics from the Hebrew University in Jerusalem. He did postdoctoral research at the University of California, Berkeley and at Bell Laboratories.

Charles T. Liamos joined TheraSense in April 1998 as our Director of Purchasing and Finance, and in July 1999 he was promoted to Vice President and Chief Financial Officer. From May 1995 to April 1998, Mr. Liamos was Director, Worldwide Sourcing at LifeScan. He holds a B.S. in Business Administration from the University of Vermont and is a graduate of the General Electric Financial Management Program.

Ephraim Heller served as our President from our founding in December 1996 until October 1997, and currently serves as a director and as our Vice President of Business Development. Prior to co-founding TheraSense, from August 1991 to December 1996, Mr. Heller was the Founder and President of E. Heller & Company, a company involved in the development and commercialization of new technologies in material science. Mr. Heller holds an M.B.A. from Yale University and a B.A. in Physics from Harvard University.

Tae Andrews has served as our Vice President of Marketing and Sales since May 1999. From January 1997 to May 1999, Mr. Andrews was the Vice President of Marketing for Enamelon, Inc., a start-up oral care

technology company. From July 1994 to January 1997, Mr. Andrews was the Senior Product Manager for Kraft Foods. Before embarking on his marketing career, Mr. Andrews was a U.S. Air Force Intelligence Officer responsible for leading teams of electrical engineers in developing intelligence collection systems and gathering military intelligence worldwide. Mr. Andrews holds an M.B.A. from Columbia University and a B.S. in Engineering and Political Science from the United States Naval Academy.

Eve Conner, Ph.D. has served as our Vice President of Quality Assurance and Regulatory Affairs since January 1998. From June 1996 to December 1998 she served as Vice President, Clinical/Regulatory Affairs and Quality Assurance for Somnus Medical Technologies, a manufacturer of electrosurgical devices used in connection with upper airway obstruction management. From October 1991 to June 1996, Ms. Conner was Vice President, Regulatory/Clinical Affairs and Quality Assurance for Baxter Healthcare's Novacor Division, a manufacturer of implantable heart assist devices. Ms. Conner holds a Ph.D. in Pharmacology from the University of Minnesota and a B.A. in Biology from Keuka College.

Holly Kulp has served as our Vice President of Professional Relations and Customer Service since January 1999. From October 1986 to December 1998, she held numerous positions at LifeScan, including the position of Vice President of Quality Assurance, Regulatory Affairs and Legal from April 1994 through December 1998. Ms. Kulp holds an M.Ed. in Medical Education from Vanderbilt University and a B.S. in Dietetics and Distributed Sciences from David Lipscomb University.

Claire Heiss has served as our Vice President of Operations since August

1999. Most recently, Ms. Heiss served as the Vice President and General Manager of Cooking Products for AB Electrolux's Frigidaire Company from May 1994 to November 1997. Ms. Heiss holds a B.S. in Industrial Engineering from the University of Illinois.

Timothy Goodnow, Ph.D. will join as our Vice President of Research and Development in November 2000. Prior to joining TheraSense, from July 1998 to June 1999, Dr. Goodnow served in the capacity of Vice President of Research and Development for ZymeQuest, Inc., a start-up company specializing in the development of enzymic blood conversion processing systems for use in blood transfusion medicine. From June 1999 to October 2000, Dr. Goodnow held the position of Vice President of Research and Development for Verax Biomedical, a blood safety start-up company. He also served in various positions of increasing responsibility, including Vice President of Research Development for Baxter Healthcare/Dade Behring from January 1983 to July 1998. Dr. Goodnow holds a B.S. and Ph.D. in Chemistry from the University of Miami.

Annette J. Campbell-White has served on our board of directors since April 1997. She has been the Managing Partner of MedVenture Associates I, II and III, which are venture partnerships investing primarily in early stage businesses in the health care field, since May 1986. Ms. Campbell-White currently serves on the board of directors of ArthroCare Corporation. Ms. Campbell-White holds a B.S. degree and an M.S. degree in Chemical Engineering, both from the University of Cape Town, South Africa.

Mark J. Gainor has served on our board of directors since January 2000. Mr. Gainor currently serves as President of Lucor Holdings, LLC, a private investment company investing primarily in health care technology companies. From January 1999 to August 2000, Mr. Gainor served as President of the diabetes management services subsidiary of Matria Healthcare, Inc. From 1986 to January 1999, Mr. Gainor was President and Chief Executive Officer of Gainor Medical Management LLC, a multi national manufacturer and distributor of diabetic supplies, which was acquired by Matria Healthcare, Inc. in January 1999. Mr. Gainor serves on the board of Matria. Mr. Gainor has a degree in Business Administration and Commerce from the University of Alberta, Canada.

Ross A. Jaffe, M.D. has served on our board of directors since October 1998. Dr. Jaffe joined Brentwood Venture Capital in August 1990, and continues to serve as a Managing Member of Brentwood VIII Ventures LLC, the general partner of Brentwood Associates VIII, L.P. and Brentwood Affiliates Fund II, L.P. Dr. Jaffe is a Managing Director of Versant Ventures, a healthcare-focused venture capital firm that was formed in

November 1999. Dr. Jaffe holds an M.D. from the Johns Hopkins University School of Medicine and completed his residency in internal medicine at the University of California, San Francisco. He received an M.B.A. from Stanford University and an A.B. in Policy Studies from Dartmouth College.

Michael McNamara has served on our board of directors since May 1997. He has served as President, Americas Operations of Flextronics International Ltd. since April 1994. Mr. McNamara received a B.S. from the University of Cincinnati and an M.B.A. from Santa Clara University.

Robert R. Momsen has served on our board of directors since October 1998. He has been a General Partner at InterWest Partners, a private venture capital firm, since August 1981. Mr. Momsen serves as a director of ArthroCare Corporation and Coulter Pharmaceutical Inc. Mr. Momsen received a B.S. in electrical engineering and an M.B.A., both from Stanford University.

Richard P. Thompson has served on our board of directors since November 1998. He has been President, Chief Executive Officer and a director of Aradigm Corporation since 1994 and was Chief Financial Officer of Aradigm from April 1996 until December 1996. He was named Chairman of the Board of Aradigm in August 1999. From 1991 to 1994, Mr. Thompson was President of LifeScan, Inc. In 1981, Mr. Thompson founded LifeScan, which was sold to Johnson & Johnson Company in 1986. Mr. Thompson holds a B.S. in biological sciences from the University of California at Irvine and an M.B.A. from California Lutheran University.

Executive officers are appointed by our board of directors and serve until their successors have been duly elected and qualified. Ephraim Heller, our Vice President of Business Development and a Director, is the son of Dr. Adam Heller, our Chief Scientific Advisor. There are no other family relationships among any of our directors, executive officers or advisors.

Board of Directors

We currently have nine authorized directorships, one of which is vacant. In

accordance with the terms of our amended and restated certificate of incorporation, the terms of office of the directors are divided into three classes:

- Class I, whose term will expire at the annual meeting of stockholders to be held in 2001;
- Class II, whose term will expire at the annual meeting of stockholders to be held in 2002; and
- Class III, whose term will expire at the annual meeting of stockholders to be held in 2003.

The Class I directors are Mr. Ephraim Heller and Ms. Campbell-White, the Class II directors are Messrs. Lortz and Gainor and Dr. Jaffe and the Class III directors are Messrs. McNamara, Momsen and Thompson. At each annual meeting of stockholders, or special meeting in lieu thereof, after the initial classification of the board of directors, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu thereof. The authorized number of directors may be changed only by resolution of the board of directors or a super-majority vote of the stockholders. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management.

Board Committees

Our audit committee consists of Messrs. Momsen and Thompson and Dr. Jaffe. The audit committee reviews and monitors our financial statements and internal accounting procedures, makes recommendations to our board of directors regarding the selection of independent accountants and consults with and reviews the services provided by our independent accountants.

Our compensation committee will consist of Ms. Campbell-White, Mr. McNamara and Dr. Jaffe. The compensation committee reviews and recommends to the board of directors the compensation and benefits of our executive officers and administers our stock plans and employee benefit plans.

We have two option committees--a primary option committee and a secondary option committee. The primary option committee is comprised of Mr. Lortz, and the secondary option committee is comprised of Mr. Ephraim Heller. The function of the primary option committee is to determine stock option grants for employees and consultants who are not executive officers or directors. The secondary option committee fulfills this function when the primary option committee is unavailable.

Compensation Committee Interlocks and Insider Participation

Prior to establishing the compensation committee, the board of directors as a whole performed the functions delegated to the compensation committee. No member of the board of directors or the compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Director Compensation

We reimburse our non-employee directors for their expenses incurred in connection with attending board and committee meetings, but do not compensate them for their services as board or committee members. In the past, we have granted non-employee directors options to purchase our common stock under our 1997 Stock Plan. Specifically, during fiscal 1997, the board granted Mr. McNamara an option to purchase 43,334 shares of our common stock with an exercise price of $0.14 per share, and, during fiscal 1998, the board granted Mr. Thompson an option to purchase 30,000 shares of our common stock with an exercise price of $0.28 per share. In September 2000, the board granted each of Messrs. Gainor, McNamara, Momsen, Thompson, Ms. Campbell-White and Dr. Jaffe an option to purchase 30,000 shares of our common stock with an exercise price of $5.00 per share.

Our board continues to have discretion to grant options to non-employee directors from time to time under our 2000 Stock Plan. Each non-employee director who joins our board following this offering will receive a nondiscretionary, automatic grant of options to purchase 30,000 shares of our common stock upon joining our board of directors. In addition, each of our non-

employee directors will receive yearly nondiscretionary, automatic grants of options to purchase 10,000 shares of our common stock, pursuant to our 2000 Stock Plan.

Executive Compensation

The following table summarizes the compensation earned for services rendered to us in all capacities for the year ended December 31, 1999 by our chief executive officer and our four other most highly paid executive officers. These executives are referred to as the named executive officers elsewhere in this prospectus.

Summary Compensation Table

<TABLE>
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Name and Position	1999 Annual Compensation Salary	Bonus	Long-Term Compensation Securities Underlying Options
<S>	<C>	<C>	<C>
W. Mark Lortz..... Chief Executive Officer	$218,334	--	144,990
Charles T. Liamos..... Vice President Finance and Chief Financial Officer	$141,875	--	117,875
Eve Conner, Ph.D. ..... Vice President Quality Assurance and Regulatory Affairs	$150,000	$15,000	--
Holly Kulp..... Vice President Customer Service and Professional Relations	$137,500	$15,000	150,000
Fredric C. Colman(1)..... Former Vice President Research and Development	$152,000	$18,000	38,475

</TABLE>

(1) Mr. Colman's employment with us terminated as of June 2000.

1999 Option Grants

The following table summarizes the stock options granted to each named executive officer during the year ended December 31, 1999, including the potential realizable value over the 10-year term of the options, based on assumed rates of stock appreciation of 5% and 10%, compounded annually. These assumed rates of appreciation comply with the rules of the Securities and Exchange Commission and do not represent our estimate of future stock price. Actual gains, if any on stock option exercises will be dependent on the future performance of our common stock. The assumed 5% and 10% rates of stock appreciation are based on the assumed initial public offering price of $ per share, the mid-point of the range on the cover of this prospectus.

In the year ended December 31, 1999, we granted options to purchase up to an aggregate of 1,568,245 shares to employees, directors and consultants. All options were granted under our 1997 Stock Plan at exercise prices at or above the fair market value of our common stock on the date of grant, as determined in good faith by our board of directors. Option shares generally vest over four years.

<TABLE>
<CAPTION>

	Individual Grants					
					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees	Exercise Price Per Share	Expiration Date	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
W. Mark Lortz.....	144,990	9.65%	$0.50	03/05/09		
Charles T. Liamos.....	87,500	5.82%	$0.70	07/16/09		
	30,375	2.02%	$0.50	03/05/09		

Eve Conner, Ph.D.	--	--	--	--
Holly Kulp.....	150,000	9.98%	$0.50	01/15/09
Fredric C. Colman(1)....	38,475	2.56%	$0.50	03/05/09

(1) Mr. Colman's employment with us terminated as of June 2000.

Aggregate Option Exercises and Option Values

The following table describes for the named executive officers their option exercises for the year ended December 31, 1999, and exercisable and unexercisable options held by them as of December 31, 1999.

The value realized and the value of unexercised in-the-money options at December 31, 1999 are based on the assumed initial public offering price of $ per share, the mid-point of the range on the cover of this prospectus, less the per share exercise price, multiplied by the number of shares issued or issuable, as the case may be, upon exercise of the option. All options were granted under our 1997 Stock Plan.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 1999		Value of Unexercised In-The-Money Options at December 31, 1999	
			Exercisable	Unexercisable	Exercisable	Unexercisable
W. Mark Lortz.....	144,990	$	--	--	--	--
Charles T. Liamos.....	117,875	$	--	--	--	--
Holly Kulp.....	--	--	--	150,000	$	$
Eve Conner, Ph.D.	--	--	40,625	109,375	$	$
Frederic C. Colman(1)...	38,475	$	--	--	--	--

(1) Mr. Colman's employment with us terminated as of June 2000.

Change of Control and Severance Agreements

We have agreements with each of our executive officers that contain provisions that will be triggered in the event of a change of control. Upon a change of control, our executive officers will receive accelerated vesting on 75% of their then unvested shares and the remaining unvested shares will vest in the event their employment relationship is terminated thereafter. In addition, Mr. Lortz is entitled to receive a severance payment equal to six months of his then current salary in the event he is terminated without cause.

Benefit Plans

1997 Stock Plan

Our 1997 Stock Plan was adopted by our board of directors in March 1997, and our stockholders initially approved the plan in April 1997. Our 1997 Stock Plan provides for the grant of incentive stock options, which may provide for preferential tax treatment, to our employees, and for the grant of nonstatutory stock options to our employees, directors and consultants. We have reserved an aggregate of 5,493,556 shares of our common stock for issuance under this plan. As of September 30, 2000, 1,394,651 shares had been issued pursuant to the exercise of options, options to purchase 3,791,709 shares of common stock were outstanding, and 307,196 shares were available for future grant. Following this offering, we will not grant any additional stock options under our 1997 Stock Plan. Instead we will grant options under our 2000 Stock Plan. The 1997 Stock Plan provides that in the event of a change in control, each outstanding option will be assumed or an equivalent option will be granted in its place by the successor corporation. If the successor corporation refuses to assume or substitute for the options, the options will terminate as of the closing of the merger or sale of assets.

2000 Stock Plan

In connection with this offering, our board of directors approved the 2000 Stock Plan in September 2000, and the Plan will be submitted to our stockholders for approval prior to the completion of this offering. Our 2000 Stock Plan provides for the grant of incentive stock options to our employees, and for the grant of nonstatutory stock options and stock purchase rights to our employees, directors and consultants.

Number of Shares of Common Stock Available under the 2000 Stock Plan. We have reserved a total of 7,000,000 shares of our common stock for issuance pursuant to the 2000 Stock Plan plus (i) any shares which have been reserved but not issued under our 1997 Stock Plan and (ii) any shares returned to our 1997 Stock Plan as a result of termination of options, each as of the effective date of termination of the 1997 Stock Plan. In addition, our 2000 Stock Plan provides for annual increases in the number of shares available for issuance under our 2000 Stock Plan on the first day of each fiscal year, beginning with our fiscal year 2002, equal to the lesser of 5% of the outstanding shares of common stock on the first day of our fiscal year, 2,500,000 shares or a lesser amount as our board may determine.

Administration of the 2000 Stock Plan. Our board of directors or a committee of our board administers the 2000 Stock Plan. In the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, the committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The administrator has the power to determine the terms of the options or stock purchase rights granted, including the exercise price, the number of shares subject to each option or stock purchase right, the exercisability of the options and the form of consideration payable upon exercise.

Options. The administrator determines the exercise price of options granted under the 2000 Stock Plan, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code and all incentive stock options, the exercise price must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option generally may not exceed ten years and the administrator determines the term of all other options.

No optionee may be granted an option to purchase more than 1,000,000 shares in any fiscal year. In connection with his or her initial service, an optionee may be granted an additional option to purchase up to 1,000,000 shares.

After termination of one of our employees, directors or consultants, he or she may exercise his or her option for the period of time stated in the option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months. However, an option may never be exercised later than the expiration of its term.

Stock Purchase Rights. The administrator determines the exercise price of stock purchase rights granted under our 2000 Stock Plan. Unless the administrator determines otherwise, the restricted stock purchase agreement will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the purchaser's service with us for any reason, including death or disability. The purchase price for shares we repurchase will generally be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The administrator determines the rate at which our repurchase option will lapse.

Transferability of Options and Stock Purchase Rights. Our 2000 Stock Plan generally does not allow for the transfer of options or stock purchase rights and only the optionee may exercise an option and stock purchase right during his or her lifetime.

Automatic Option Grants to Non-Employee Directors. Our 2000 Stock Plan also provides for the automatic grant of 30,000 shares of common stock to a director who first becomes a non-employee director (except those directors who become non-employee directors by ceasing to be employee directors) on or after the date of this offering. This option will vest as to one-third of the shares subject to the option on each anniversary of the date of grant. Each non-employee director will automatically be granted an option to purchase 10,000 shares each year following the date of our annual stockholder's meeting (except after the first such annual meeting if it is held within six months of the date of this offering) if on such date, he or she will have served on our board of directors for at least the previous six months. This option will vest as to 100% of the shares subject to the option on each anniversary of the date of grant. All options automatically granted to

non-employee directors will have a term of 10 years and the exercise price will be 100% of the fair market value per share of common stock on the date of grant.

Adjustments upon Merger or Asset Sale. Our 2000 Stock Plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation will assume or substitute an equivalent option or right for each outstanding option or stock purchase right. If there is no assumption or substitution of outstanding options or stock purchase rights, all such options and stock purchase rights shall immediately vest and the administrator will provide notice to the optionee that he or she has the right to exercise the option or stock purchase right as to all of the shares subject to the option or stock purchase right, including shares which would not otherwise be exercisable, for a period of 15 days from the date of the notice. The option or stock purchase right will terminate upon the expiration of the 15-day period.

Amendment and Termination of our 2000 Stock Plan. Our 2000 Stock Plan will automatically terminate in 2010, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the 2000 Stock Plan provided it does not adversely affect any option previously granted under it.

2000 Employee Stock Purchase Plan

Concurrently with this offering, we intend to establish an Employee Stock Purchase Plan. Our board of directors approved the 2000 Employee Stock Purchase Plan in September 2000, and the Plan will be submitted to our stockholders for approval prior to the completion of this offering.

Number of Shares of Common Stock Available under the Purchase Plan. A total of 1,000,000 shares of our common stock will be made available for sale. In addition, our Employee Stock Purchase Plan provides for annual increases in the number of shares available for issuance under the Employee Stock Purchase Plan on the first day of each fiscal year, beginning with our fiscal year 2002, equal to the lesser of 1.5% of the outstanding shares of our common stock on the first day of the fiscal year, 1,000,000 shares, or such lesser amount as may be determined by our board of directors.

Administration of the Purchase Plan. Our board of directors or a committee of our board administers the Purchase Plan. Our board of directors or its committee has full and exclusive authority to interpret the terms of the Employee Stock Purchase Plan and determine eligibility.

Eligibility to Participate. All of our employees are eligible to participate if they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted an option to purchase stock if such employee:

- immediately after grant owns stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or

- whose rights to purchase stock under all of our employee stock purchase plans accrues at a rate that exceeds $25,000 worth of stock for each calendar year.

Offering Periods and Contributions. Our Employee Stock Purchase Plan is intended to qualify under Section 423 of the Code and contains consecutive, overlapping 24-month offering periods. Each offering period includes four six-month purchase periods. The offering periods generally start on the first trading day on or after February 1 and August 1 of each year, except for the first such offering period which will commence on the first trading day on or after the effective date of this offering and will end on the last trading day on or before February 1, 2003.

Our Employee Stock Purchase Plan permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation which includes only a participant's base salary, wages, commissions, shift premium and overtime. A participant may purchase a maximum of 10,000 shares during a six-month purchase period.

Purchase of Shares. Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each six-month purchase period. The price is 85% of the lower of the fair market value of our common stock at the beginning of an offering period or after a purchase period end. If the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering

period, and will be paid their payroll deductions to date. Participation ends up to three months after termination of employment with us.

Transferability of Rights. A participant may not transfer rights granted under the Employee Stock Purchase Plan other than by will, the laws of descent and distribution or as otherwise provided under the Purchase Plan.

Adjustments upon Merger or Change in Control. In the event of our merger with or into another corporation or change in control, a successor corporation may assume or substitute each outstanding option. If the successor corporation refuses to assume or substitute for the outstanding options, the offering period then in progress will be shortened, and a new exercise date will be set.

Amendment and Termination of the Purchase Plan. Our Employee Stock Purchase Plan will terminate in 2010. However, our board of directors has the authority to amend or terminate our Purchase Plan, except that, subject to certain exceptions described in the Purchase Plan, no such action may adversely affect any outstanding rights to purchase stock under our Purchase Plan.

RELATED PARTY TRANSACTIONS

Common Stock Issuances

In April 1997, we issued 3,129,375 shares of our common stock to E. Heller & Co. at a price of $0.066 per share. E. Heller & Co. is controlled by Ephraim Heller, our Vice President of Business Development and a member of our board of directors. The shares issued to E. Heller & Co. are subject to a restricted stock purchase agreement. The terms of the agreement provide that the shares are subject to a right of repurchase in our favor, which lapses over a four year period. As of September 30, 2000, 2,764,452 of the shares are fully vested, and 364,923 of the shares remain subject to our right of repurchase.

In December 1997, we issued 447,500 shares of our common stock to W. Mark Lortz, our President, Chief Executive Officer and Chairman of the Board, at a price of $0.14 per share. In March 1999, we issued Mr. Lortz 144,990 shares of our common stock at a price of $0.50 per share. The shares issued to Mr. Lortz are subject to restricted stock purchase agreements. The agreements provide that the shares are subject to a right of repurchase in our favor, which right lapses over a four year period. As of September 30, 2000, an aggregate of 359,005 of the shares are fully vested, and 233,485 of the shares remain subject to our right of repurchase.

In July 1998, we issued 62,500 shares of our common stock to Charles T. Liamos, our Chief Financial Officer, at a price of $0.28 per share. In March 1999, we issued Mr. Liamos 30,375 shares of our common stock at a price of $0.50 per share, and, in September 1999, we issued Mr. Liamos 87,500 shares of our common stock at a price of $0.70 per share. The shares issued to Mr. Liamos are subject to restricted stock purchase agreements. The agreements provide that the shares are subject to a right of repurchase in our favor, which right lapses over a four year period. As of September 30, 2000, an aggregate of 72,735 of the shares are fully vested, and 107,640 of the shares remain subject to our right of repurchase.

Preferred Stock Issuances

From April 1997 through February 2000, we sold shares of our preferred stock in private financings as follows:

- 4,445,775 shares of Series A preferred stock at a price of $1.254 per share in April 1997;
- 7,142,857 shares of Series B preferred stock at a price of $2.10 per share in October 1998 and February 1999; and
- 8,490,160 shares of Series C preferred stock at a price of $5.00 per share in February 2000.

Each share of preferred stock will convert automatically into one share of common stock upon the closing of this offering. The purchasers of these shares of preferred stock are entitled to certain registration rights. See "Description of Capital Stock--Registration Rights." The investors in these financings included the following executive officers, directors and holders of more than 5% of our securities and their affiliated entities:

<TABLE>
<CAPTION>

Investor	Series A	Series B	Series C

Delphi Investors and affiliates	1,794,258	238,095	800,000
Sequoia Capital and affiliates	1,794,257	--	--
Brentwood Venture Capital(1)	--	3,123,236	400,000
InterWest Partners(2)	--	3,123,237	1,254,160
Lehman Brothers and affiliates	--	--	1,999,999
MedVentures Associates II(3)	797,448	476,190	200,000
MJG Partners, L.P.(4)			800,000
EGI-Fund (00) Investors, L.L.C.	--	--	1,260,000
Claire Heiss	--	--	10,000

(1) Ross A. Jaffe, M.D., one of our directors, is a Managing Member of Brentwood VIII Ventures LLC, the General Partner of Brentwood Associates VIII, L.P. and Brentwood Affiliates Fund II, L.P. The Brentwood Venture Capital shares include shares purchased by Brentwood Associates VIII, L.P. and Brentwood Affiliates Fund II, L.P.

(2) Robert R. Momsen, one of our directors, is a General Partner of InterWest Partners VI, L.P and InterWest Investors VI, L.P. The InterWest Partners shares include shares purchased by InterWest Partners VII, L.P., InterWest Partners VI, L.P., InterWest Investors, VII, L.P., and InterWest Investors, VI, L.P.
(3) Annette J. Campbell-White, one of our directors, is the Managing Partner of MedVentures Associates II.
(4) Mark J. Gainor, one of our directors, is President of MJG Partners, L.P.

Indemnification Agreements of Officers and Directors

Our amended and restated certificate of incorporation and by-laws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we intend to enter into indemnification agreements with each of our directors and officers prior to the completion of this offering. For further information, see "Description of Capital Stock--Limitation of Liability and Indemnification Matters."

Loans to Directors and Executive Officers

In December 1997 and March 1999, we loaned an aggregate of $135,145 to W. Mark Lortz, our President, Chief Executive Officer and Chairman of the Board, in connection with the purchase of an aggregate of 592,490 shares of our restricted common stock. The loans were made pursuant to two full-recourse promissory notes in the amounts of $62,650 and $72,495, respectively. The notes do not bear interest and are secured by the underlying shares of common stock. The notes are payable upon the earlier of December 1, 2001 and March 5, 2003, respectively, or termination of Mr. Lortz's employment with or services to us.

In July 1998, March 1999 and September 1999, we loaned an aggregate of $93,937.50 to Charles T. Liamos, our Chief Financial Officer, in connection with the purchase of an aggregate of 180,375 shares of our restricted common stock. The loans were made pursuant to three full-recourse promissory notes in the amounts of $17,500, $15,187.50 and $61,250, respectively. The notes do not bear interest and are secured by the underlying shares of common stock. The notes are payable upon the earlier of April 6, 2002, March 5, 2003 and September 1, 2003, respectively, or termination of Mr. Liamos' employment with or services to us.

Agreement with Flextronics

In November 1999 we entered into an agreement with Flextronics International related to the manufacturing of the FreeStyle meter. Flextronics is exclusively responsible for building the FreeStyle meter and assembling the FreeStyle System kits. We have an on-site manager at Flextronics who is responsible for the day-to-day interface between the two businesses. Production release to finished goods inventory is done through our quality assurance department. Pricing is based on production. Our contract with Flextronics expires in November 2005, and is renewable annually thereafter. Michael McNamara, a member of our board of directors, is President of Americas Operations of Flextronics.

Agreement with Gainor

Pursuant to an agreement with Gainor Medical North America LLC entered into in December 1998, Gainor Medical has provided financial support for the development of some of our glucose monitoring systems and related products. In exchange for such funding, we granted Gainor Medical the exclusive right to manufacture the components associated with the development of these products for a period of seven years from the date of the agreement. Mark J. Gainor, a principal of Gainor Medical Management LLC and a director and minority

shareholder of Matria Healthcare, Inc., which wholly owns Gainor Medical Management LLC, is a member of our board of directors.

Agreement with E. Heller & Co.

In October 2000, we entered into a Technology Purchase Agreement with E. Heller & Co., providing for the transfer and assignment of several licences and rights to us in exchange for $500,000. E. Heller & Co. is controlled by Ephraim Heller, a co-founder, our Vice President of Business Development and member of our board of directors.

PRINCIPAL STOCKHOLDERS

The following tables set forth information about the beneficial ownership of our common stock on September 30, 2000, and as adjusted to reflect the sale of the shares of common stock in this offering, by:

- each person known to us to be the beneficial owner of more than 5% of our common stock;
- each named executive officer;
- each of our directors; and
- all of our executive officers and directors as a group.

Unless otherwise noted below, the address of each beneficial owner listed on the tables is c/o TheraSense, Inc., 1360 South Loop Road, Alameda, CA 94501. We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the tables below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws. We have based our calculation of the percentage of beneficial ownership on 25,170,239 shares of common stock outstanding on September 30, 2000 and shares of common stock outstanding upon completion of this offering.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of September 30, 2000. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Executive Officers And Directors

<TABLE>
<CAPTION>

Beneficial Owner	Number of Shares Owned	Number of Shares Underlying Options Exercisable Within 60 Days of September 30, 2000	Percentage of Shares Outstanding Before	Percentage of Shares Outstanding After
<S>	<C>	<C>	<C>	<C>
Five Percent Stockholders				
Delphi Ventures(1)	2,832,354	--	11.25%	
Sequoia Capital(2)	1,794,257	--	7.13%	
Brentwood Venture Capital(3)	3,523,236	--	14.00%	
InterWest Partners(4)	4,377,397	--	17.39%	
MedVentures Associates II(5)	1,473,639	--	5.85%	
Lehman Brothers(6)	1,999,999	--	7.95%	
EGI-Fund Investors, L.L.C.	1,260,000	--	5.01%	
E. Heller & Co.	3,129,375	--	12.43%	
Directors and Named Executive Officers				
W. Mark Lortz(7)	592,490	91,145	2.71%	
Charles T. Liamos	180,375	13,593	*	
Fredric C. Colman	153,514	--	*	
Eve Conner, Ph.D.	68,500	17,906	*	
Holly Kulp	--	76,353	*	
Ephraim Heller(8)	3,129,375	--	12.43%	
Annette J. Campbell-White(5)	1,473,639	1,666	5.86%	
Mark J. Gainor(9)	800,000	1,666	3.18%	
Ross A. Jaffe, M.D.(3)	3,523,236	1,666	14.00%	
Michael McNamara	43,344	1,666	*	
Robert R. Momsen(4)	3,329,507	1,666	13.23%	

Richard Thompson.....	30,000	1,666	*
All directors and executive officers as a group (14 people)..	13,333,980	327,326	53.58%

</TABLE>

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* Less than one percent

(1) The Delphi Ventures shares include 2,389,337 shares purchased by Delphi Ventures III, L.P., 391,920 shares purchased by Delphi Ventures IV, L.P., 8,080 shares purchased by Delphi BioInvestments III, L.P., and 43,017 shares purchased by Delphi BioInvestments IV, L.P. The managing members of Delphi Management Partners III, L.L.C., which is the general partner of Delphi Ventures III, L.P. and Delphi BioInvestments III, L.P., disclaim beneficial ownership except to the extent of their pecuniary interest therein. The managing members of Delphi Management Partners IV, L.L.C., which is the general partner of Delphi Ventures VI, L.P. and Delphi BioInvestments IV, L.P., disclaim beneficial ownership except to the extent of their pecuniary interest therein. The address of Delphi Ventures is 3000 Sand Hill Road, Building 1, Suite 135, Menlo Park, California 94025.

(2) The Sequoia Capital shares include 1,618,421 shares purchased by Sequoia Capital VII, 78,947 shares purchased by Sequoia Technology Partners VII, 52,033 shares purchased by Sequoia 1997, LLC, and 44,856 shares purchased by Sequoia International Partners. The address of Sequoia Capital is 3000 Sand Hill Road, Building 4, Suite 280, Menlo Park, California 94025.

(3) The Brentwood Venture Capital shares include 3,382,306 shares purchased by Brentwood Associates VIII, L.P. and 140,930 shares purchased by Brentwood Affiliates Fund II, L.P. Dr. Jaffe is a managing member of Brentwood VIII Ventures LLC, the General Partner of Brentwood Associates VIII, L.P. and Brentwood Affiliates Fund II, L.P. Dr. Jaffe disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of Brentwood Venture Capital is 3000 Sand Hill Road, Building 1, Suite 260, Menlo Park, California 94025.

(4) The InterWest Partners shares include 1,000,000 shares purchased by InterWest Partners VII, L.P., 3,228,290 shares purchased by InterWest Partners VI, L.P., 47,890 shares purchased by InterWest Investors, VII, L.P., and 101,217 shares purchased by InterWest Investors, VI, L.P. Mr. Momsen is a general partner of InterWest Partners VI, L.P. and InterWest Investors VI, L.P., and a limited partner of InterWest Investors VIII, L.P. Mr. Momsen disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of InterWest Partners is 3000 Sand Hill Road, Building 3, Suite 255, Menlo Park, California 94025.

(5) Represents 1,473,639 shares owned by MedVentures Associates II. Ms. Campbell-White is a member of MedVenture Associates Management II Co., LLC, which is the general partner of MedVenture Associates II. Ms. Campbell-White disclaims beneficial ownership of these shares except to the extent of her pecuniary interest therein.

(6) The Lehman Brothers shares include 828,364 shares purchased by LB I Group, Inc., 729,480 shares purchased by Lehman Brothers Venture Partners L.P., and 442,155 shares purchased by Lehman Brothers Venture Capital Partners I, L.P. The address of Lehman Brothers is 3 World Financial Center, 8th Floor, New York, New York 10285-0800.

(7) Includes 592,490 shares held by the W. Mark Lortz And Patrice Rae Lortz, Co-Trustees or Successor Trustee, of the W. Mark Lortz and Patrice Rae Lortz Revocable Living Trust, under Agreement Dated February 10, 1999, as community property.

(8) Represents 3,129,375 shares owned by E. Heller & Co., of which Ephraim Heller is the controlling stockholder. Mr. Heller disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(9) Represents 800,000 shares owned by MJG Partners, L.P., of which Mr. Gainor is president. Mr. Gainor disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock, after giving effect to the conversion of all outstanding preferred stock into common stock and the amendment of our certificate of incorporation, will consist of 200,000,000 shares of common stock, $0.001 par value, and 5,000,000 shares of preferred stock, $0.001 par value. The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description you should refer to our certificate of incorporation and by-laws, effective upon completion of this offering, copies of which have been

filed as exhibits to the registration statement of which the prospectus is a part.

Common Stock

As of September 30, 2000, there were 25,170,239 shares of common stock outstanding and held by approximately 106 stockholders of record, assuming the automatic conversion of each outstanding share of preferred stock upon the closing of this offering. After this offering, there will be shares of our common stock outstanding, or shares if the underwriters exercise their over-allotment option in full.

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of legally available funds. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities of our company, subject to the prior rights of any preferred stock then outstanding. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the common stock. All outstanding shares of common stock are, and the common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

Preferred Stock

As of September 30, 2000, there were 20,078,792 shares of preferred stock outstanding. Upon the closing of this offering, all outstanding shares of preferred stock will be converted into common stock. Following the conversion, our certificate of incorporation will be restated to delete all references to the prior series of preferred stock, and 5,000,000 shares of undesignated preferred stock will be authorized.

The board of directors has the authority, without further action by the stockholders, to issue from time to time the preferred stock in one or more series and to fix the number of shares, designations, preferences, powers, and relative, participating, optional or other special rights and the qualifications or restrictions thereof. The preferences, powers, rights and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions, and purchase funds and other matters. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock or affect adversely the rights and powers, including voting rights, of the holders of common stock, and may have the effect of delaying, deferring or preventing a change in control of TheraSense.

Warrants

As of September 30, 2000, there were warrants outstanding to purchase 54,348 shares of Series A preferred stock and 466,665 shares of Series B preferred stock at a per share weighted average exercise price of $1.84 and $2.10, respectively, which, upon completion of this offering will be exercisable into an aggregate of 521,013 shares of common stock, at a per share weighted average exercise price of $2.07. The warrant

exercisable to purchase 54,348 shares of Series A preferred stock can be exercised at any time prior to December 31, 2001, at a per share exercise price of $1.84. Warrants exercisable to purchase 380,952, 47,619, 3,809, and 34,285 shares of Series B preferred stock, respectively, can be exercised at any time prior to the earlier of five years after the effective date of this offering, or October 7, 2009, August 24, 2008, April 1, 2007, or April 1, 2007, respectively, at a per share exercise price of $2.10.

Registration Rights

After this offering, the holders of 20,599,805 shares of common stock issued upon conversion of our preferred stock, and upon exercise of outstanding warrants, are entitled to rights with respect to the registration of such shares under the Securities Act of 1933, as amended. These shares are referred to as registrable securities. The registration rights provide that if we propose to register any of our securities under the Securities Act for our own

account, holders of common stock issuable upon conversion of the Series A, Series B and Series C preferred stock, or issuable upon exercise of outstanding warrants, are entitled to notice of such registration and are entitled to include their registrable securities in that registration, subject to various conditions. The underwriters of any such offering have the right to limit the number of shares included in such registration. These registration rights have been waived with respect to this offering.

In addition, commencing 180 days after the effective date of the registration statement of which this prospectus is a part, holders of at least 50% of the registrable securities may require us to prepare and file a registration statement under the Securities Act at our expense covering at least 50% of the registrable securities, provided that the shares to be included in such registration will generate anticipated aggregate net proceeds to TheraSense of at least $7,500,000. Under these demand registration rights, we are required to use our best efforts to cause the shares requested to be included in the registration statement, subject to customary conditions and limitations. We are not obligated to effect more than two of these stockholder-initiated registrations.

Once we become eligible to file a registration statement on Form S-3, the holders of registrable securities may require us to register all or a portion of their securities on a registration statement on Form S-3 and may participate in a Form S-3 registration by us, subject to specific conditions and limitations. Registration rights terminate no later than five years after this offering.

Anti-Takeover Effects of Provisions of our Amended and Restated Certificate of Incorporation and By-Laws and Delaware Law

Our amended and restated certificate of incorporation and by-laws, effective upon completion of this offering, contain provisions that could deter hostile takeovers or delay changes in control or management of TheraSense. The existence of these provisions, which are intended to enhance the likelihood of continuity and stability in the composition of, and policies formulated by, our board, could limit the price that investors might otherwise pay in the future for shares of our common stock.

Blank Check Preferred Stock. As noted above, our board of directors, without stockholder approval, will have the authority under our amended and restated certificate of incorporation to authorize the issuance of preferred stock, commonly referred to as "blank check" preferred stock with rights senior to those of common stock. As a result, preferred stock could be issued quickly and easily, could impair the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change of control or make removal of management more difficult.

Stockholder Meetings. Our amended and restated certificate of incorporation and by-laws provide that stockholders may not call a special meeting of the stockholders. Rather, special meetings of stockholders may only be called by the chairman of the board, the chief executive officer or the president of our company or by a resolution adopted by a majority of our board of directors. Our amended and restated by-laws also provide that stockholders may only conduct business at special meetings of stockholders that was specified in the notice of

the meeting. These provisions may discourage another person or entity from making a tender offer, even if it acquired a majority of our outstanding voting stock, because the person or entity could only take action at a duly called stockholders' meeting relating to the business specified in the notice of meeting.

Requirements For Advance Notification Of Stockholder Nominations And Proposals. Our amended and restated by-laws provide that a stockholder seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice of this intention in writing. To be timely, a stockholder must deliver or mail the notice and we must receive the notice at our principal executive offices not less than 60 days nor more than 90 days prior to the anniversary of the date on which we first mailed our proxy materials for the preceeding year's annual meeting of stockholders, except that in the case of our first annual meeting of stockholders as a public company, we must receive notice not less than 60 nor more than 90 days prior to March 31, 2001. The amended and restated by-laws also include a similar requirement for making nominations at special meetings and specify requirements as to the time, form and content of the stockholder's notice. These provisions could delay stockholder actions that are favored by the holders of a majority of our outstanding stock until the next stockholders' meeting.

Super-Majority Voting. Delaware law generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation, unless a corporation's certificate of incorporation requires a greater percentage. We have provisions in our certificate of incorporation which require a vote of at least 66 2/3% of the stockholders entitled to vote in the election of directors to amend in any respect or repeal the anti-takeover provisions of our certificate of incorporation and a vote of at least 66 2/3% of the voting power of the stockholders or board of directors to adopt, amend or repeal the by-laws of our company.

Delaware Anti-Takeover Statute. Section 203 of the Delaware General Corporation Law prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a Delaware corporation for three years following the date these persons become interested stockholders. Interested stockholders generally include:

- persons who are the beneficial owners of 15% or more of our outstanding voting stock; and

- persons who are our affiliates or associates and who hold 15% or more of our outstanding voting stock at any time within three years before the date on which such person's status as an interested stockholder is determined.

Subject to some exceptions, a "business combination" includes, among other things:

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

- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets having an aggregate market value equal to 10% or more of either the aggregate market value of all assets of the corporation determined on a consolidated basis or the aggregate market value of all our outstanding stock;

- transactions that result in our issuance or transfer of any of our stock to the interested stockholder, except pursuant to exercises, exchanges, conversions, distributions or offers to purchase with respect to securities outstanding prior to the time that the interested stockholder became such and that, generally, do not increase the interested stockholder's proportionate share of any class or series of our stock;

- any transaction involving us that has the effect of increasing the proportionate share of our stock of any class or series, or securities convertible into the stock of any class or series, that is owned directly or indirectly by the interested stockholder; or

- any receipt by the interested stockholder of the benefit (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits which we provided.

Section 203 does not apply to a business combination if:

- before a person becomes an interested stockholder, our board approves the transaction in which the interested stockholder became an interested stockholder or approves the business combination;

- upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of our voting stock outstanding at the time the transaction commences (other than specific, excluded shares); or

- following a transaction in which the person became an interested stockholder, the business combination is approved by our board and authorized at a regular or special meeting of stockholders (and not by written consent) by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock not owned by the interested stockholder.

These provisions of Delaware law and our amended and restated certificate of incorporation and by-laws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. Such provisions may also have the effect of preventing changes in our management. It is possible

that these provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Limitations of Liability and Indemnification Matters

We have adopted provisions in our amended and restated certificate of incorporation that limit the liability of our directors for monetary damages for breach of their fiduciary duties, except for liability that cannot be eliminated under the Delaware General Corporation Law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following:

- any breach of their duty of loyalty to the corporation or the stockholder;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and by-laws also provide that we shall indemnify our directors and executive officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law. We believe that indemnification under our by-laws covers at least negligence and gross negligence on the part of indemnified parties. Our by-laws also permit us to secure insurance on behalf of any officer, directors employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether our by-laws would permit indemnification.

We have entered into separate indemnification agreements with our directors and executive officers, in addition to indemnification provided for in our by-laws. These agreements among other things, will provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding arising out of such person's services as a director or executive officer or at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

Transfer Agent And Registrar

The transfer agent and registrar for the common stock is .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering there has been no public market for our common stock, and no predictions can be made regarding the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after the restrictions lapse, or the perception that such sales may occur, could adversely affect the prevailing market price.

Sale of Restricted Shares and Lock-Up Agreements

Upon completion of this offering, we will have an aggregate of outstanding shares of common stock, or shares if the underwriters exercise the over-allotment option in full. As of September 30, 2000, we had:

- 3,791,709 outstanding stock options to employees, consultants and directors for the purchase of an aggregate of 3,791,709 shares of common stock; and
- outstanding warrants to purchase 521,013 shares of preferred stock which will automatically convert into warrants to purchase an equal number of shares of common stock upon the completion of this offering.

The shares of common stock being sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless the shares are purchased by affiliates of our company, as that term is defined in Rule 144 of the Securities Act. All remaining shares were issued and sold by us in private transactions and are eligible for public sale if registered under the Securities Act or sold in accordance with Rule 144 or Rule 701 thereunder.

Eligibility of Restricted Shares for Sale in the Public Market

All of our officers and directors and substantially all of our stockholders have signed lock-up agreements under which they will agree not to transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 180 days after the date of this prospectus. Transfers or dispositions can be made sooner with the prior written consent of Bear, Stearns & Co. Inc.

Following the expiration of the lock-up period, approximately 29,482,961 shares of common stock, including shares issuable upon the exercise of outstanding options and warrants, will be available for sale in the public market subject to compliance with Rule 144, Rule 144(k) or Rule 701.

Rule 144

In general, under Rule 144, as currently in effect, beginning 90 days after the date of this prospectus, a person deemed to be our affiliate, or a person holding restricted shares who beneficially owns shares that were not acquired from us or our affiliate within the previous one year, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the then outstanding common stock, which represents approximately shares immediately after this offering, assuming no exercise of the underwriters' over-allotment option; or
- the average weekly trading volume of the common stock on The Nasdaq National Market during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 are subject to requirements relating to manner of sale, notice and availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who has not been one of our affiliates at any time during the ninety days preceding a sale, and who has beneficially owned the shares to be sold for at least two years, is entitled to sell those shares without regard to the volume, manner-of-sale or other limitations contained in Rule 144.

Rule 701

Rule 701 may be relied upon with respect to the resale of securities originally purchased from us by our employees, directors, officers, consultants or advisers prior to the closing of this offering and pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the SEC has indicated that Rule 701 will apply to stock options granted by us before this offering, along with the shares acquired upon exercise of such options. Securities issued in reliance on Rule 701 are deemed to be restricted shares and, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with the holding period requirements. As of September 30, 2000, 1,394,651 of our outstanding shares of common stock had been issued as a result of exercise of stock options, and all of these shares are subject to 180 day lock-up agreements.

Stock Options

We intend to file registration statements under the Securities Act covering approximately 12,098,905 shares of common stock reserved for issuance under our 1997 Stock Plan, 2000 Stock Plan and 2000 Employee Stock Purchase Plan. These registration statements are expected to be filed soon after the date of this prospectus and will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or are otherwise subject the contractual restrictions described above.

Registration Rights

In addition, after this offering, the holders of preferred shares and warrants convertible into an aggregate of 20,599,805 shares of common stock will be entitled to rights to cause us to register the sale of such shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares, other than shares purchased by our affiliates, becoming freely tradable without restriction under the Securities Act.

UNDERWRITING

Subject to the terms and conditions set forth in an agreement among the underwriters and us, each of the underwriters named below, through their representatives, Bear, Stearns & Co. Inc., Lehman Brothers, Inc. and U.S. Bancorp Piper Jaffray Inc. has severally agreed to purchase from us the aggregate number of shares of our common stock set forth opposite its name below:

<TABLE>
<CAPTION>

Underwriter	Number of Shares
<S>	<C>
Bear, Stearns & Co. Inc.	
Lehman Brothers, Inc.	
U.S. Bancorp Piper Jaffray Inc.	
Total	

</TABLE>

The underwriting agreement provides that the obligations of the several underwriters are subject to approval of various legal matters by their counsel and to various other conditions, including, among others, delivery of legal opinions by our counsel and the accuracy of the representations and warranties made by us in the underwriting agreement. Under the underwriting agreement, the underwriters are obliged to purchase and pay for all of the above shares of our common stock if any are purchased.

Public Offering Price

The underwriters propose to offer the shares of common stock directly to the public at the offering price set forth on the cover page of this prospectus and at that price less a concession not in excess of $ per share of common stock to other dealers who are members of the National Association of Securities Dealers, Inc. The underwriters may allow, and those dealers may reallow, concessions not in excess of $ per share of common stock to other dealers. After this offering, the offering price, concessions and other selling terms may be changed by the underwriters. Our common stock is offered subject to receipt and acceptance by the underwriters and subject to other conditions, including the right to reject orders in whole or in part. The underwriters have informed us that the underwriters do not expect to confirm sales of common stock to any accounts over which they exercise discretionary authority.

The following table summarizes the per share and total public offering price of the shares of common stock in the offering, the underwriting compensation to be paid to the underwriters by us and the proceeds of the offering, before expenses, to us. The information presented assumes either no exercise or full exercise by the underwriters of their over-allotment option.

<TABLE>
<CAPTION>

		Total	
		Without	With
	Per Share	Over-Allotment	Over-Allotment
<S>	<C>	<C>	<C>
Public offering price		$	$
Underwriting discounts and commissions payable by us			
Proceeds, before expenses, to us			

</TABLE>

The underwriting discount and commission per share is equal to the public offering price per share of our common stock less the amount paid by the underwriters to us per share of common stock.

We estimate total expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $ million.

Over-Allotment Option to Purchase Additional Shares

We have granted a 30-day over-allotment option to the underwriters to purchase up to an aggregate of additional shares of our common stock exercisable at the offering price less the underwriting discounts and commissions, each as set forth on the cover page of this prospectus. If the underwriters exercise this option in whole or in part, then each of the underwriters will be obligated to purchase additional shares of common stock in proportion to their respective purchase commitments as shown in the table set forth above, subject to various conditions.

Indemnification and Contribution

The underwriting agreement provides that we will indemnify the underwriters against liabilities specified in the underwriting agreement under the Securities Act or will contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-Up Agreements

All of our directors, officers and substantially all of our stockholders have agreed that they will not offer, sell, or agree to offer or sell, directly or indirectly, or otherwise dispose of any shares of common stock in the public market without the prior written consent of Bear, Stearns & Co. Inc. for a period of 180 days from the date of this prospectus. Bona fide gifts by individuals to immediate family members or transfers by a partnership to its partners are excepted from the restrictions of the lock-up agreements, provided the transferee agrees to be bound by similar restrictions.

In addition, we have agreed that for a period of 180 days from the date of this prospectus, we will not, without the prior written consent of Bear, Stearns & Co. Inc., offer, sell, agree to offer or sell, or otherwise dispose of any shares of common stock, except that we may issue, and grant options to purchase, shares of common stock under our stock option plans and employee stock purchase plan as long as the recipients of such securities are subject to the 180 day lock-up period. During this lock-up period, subject to various conditions, we may also issue additional equity securities in connection with collaborative and licensing arrangements, so long as the recipients of such securities are also subject to the 180 day lock-up period.

Nasdaq National Market Quotation

Prior to this offering, there has been no public market for our common stock. Consequently, the initial offering price for the common stock was determined by negotiations between us and the representatives of the underwriters. Among the factors that were considered in those negotiations, the primary factors were our results of operations in recent periods, estimates of our prospects and the industry in which we compete, an assessment of our management, the general state of the securities markets at the time of this offering and the prices of similar securities of generally comparable companies. We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol "THER." We cannot assure you, however, that an active or orderly trading market will develop for the common stock or that the common stock will trade in the public market after this offering at or above the initial offering price.

Stabilization, Syndicate Short Position and Penalty Bids

In order to facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market price of our common stock.

The underwriters may over-allot shares of our common stock in connection with this offering, thus creating a short position for their own account. Short sales involve the sale by the underwriters of a greater number of shares than they are committed to purchase in the offering. A short position may involve

either "covered" short sales or "naked" short sales. Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option to purchase additional shares in the offering described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters may close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Accordingly, to cover these short sales positions or to stabilize the market price of our common stock, the underwriters may bid for, and purchase, shares of our common stock in the open market. These transactions may be effected on the Nasdaq National Market or otherwise. Additionally, the representatives, on behalf of the underwriters, may also reclaim selling concessions allowed to an underwriter or dealer. Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales or to stabilize the market price of our common stock may have the effect of raising or maintaining the market price of our common stock or preventing or mitigating a decline in the market price of our common stock. As a result, the price of the shares of our common stock may be higher than the price that might otherwise exist in the open market. No representation is made as to the magnitude or effect of any such stabilization or other activities. The underwriters are not required to engage in these activities and, if commenced, may end any of these activities at any time.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to shares of common stock to be sold in this offering for sale to our directors, officers, employees, business associates, vendors and related persons. Purchases of reserved shares are to be made through an account at Bear, Stearns & Co. Inc. in accordance with Bear, Stearns & Co. Inc.'s procedures for opening an account and transacting in securities. The number of shares available for sale to the general public will be reduced to the extent that any reserved shares are purchased. Any reserved shares not purchased by our directors, officers, employees, business associates, vendors and related persons will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

LEGAL MATTERS

Various legal matters with respect to the validity of the common stock offered by this prospectus will be passed upon for us by Wilson Sonsini Goodrich & Rosati, P.C. San Francisco, California. An investment partnership comprised of members of Wilson Sonsini Goodrich & Rosati owns an aggregate of 33,157 shares of our common stock assuming conversion of all outstanding shares of preferred stock. Karen Dempsey, a member of Wilson Sonsini Goodrich & Rosati, is the Secretary of TheraSense. Various legal matters relating to the offering will be passed upon for the underwriters by Brobeck, Phleger & Harrison LLP, San Diego, California.

EXPERTS

The financial statements as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 included in this Prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1 with the Securities and Exchange Commission under the Securities Act with respect to the shares of common stock offered in this offering. This prospectus, which is a part of the registration statement, does not contain all of the information set forth in the registration statement, or the exhibits which are part of the registration statement, parts of which are omitted as permitted by the rules and regulations of the Securities and Exchange Commission. For further information about us and the shares of our common stock to be sold in this offering, please refer to the registration statement and the exhibits which are part of the registration statement. Statements contained in this prospectus as to the contents of any

contract or any other document are not necessarily complete. Each statement in this prospectus regarding the contents of the referenced contract or other document is qualified in all respects by our reference to the copy filed with the registration statement.

For further information about us and our common stock, we refer you to our registration statement and its attached exhibits, copies of which may be inspected without charge at the Securities and Exchange Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You can request copies of these documents by writing to the Securities and Exchange Commission and paying a duplicating fee. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information about the public reference rooms. The Commission maintains a World Wide Web site on the Internet at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, will file periodic reports, proxy and information statements and other information with the Commission. Our periodic reports, proxy and information statements and other information will be available for inspection and copying at the regional offices, public references facilities and Web site of the Commission referred to above.

THERASENSE, INC.

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of TheraSense, Inc.

The reincorporation and reverse stock split described in Note 12 to the financial statements has not been consummated at October 11, 2000. When it has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of TheraSense, Inc. (the "Company") at December 31, 1998 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion."

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 24, 2000, except for Note 12
as to which the date is October , 2000

THERASENSE, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,		June 30,	Pro Forma at June 30,
	1998	1999	2000	2000 (see Note 9)
			(unaudited)	
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and cash equivalents	$11,438,200	$ 2,322,424	$ 29,623,684	
Accounts receivable	--	25,000	599,848	
Inventories	--	--	5,771,598	
Deferred cost of products sold	--	--	491,753	
Prepaid expenses and other current assets	62,306	836,005	2,329,073	
Total current assets	11,500,506	3,183,429	38,815,956	
Property and equipment, net	878,119	3,998,451	4,892,672	
Other assets	--	98,711	100,930	
Total assets	$12,378,625	$ 7,280,591	$ 43,809,558	
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 129,393	$ 678,684	$ 4,030,467	
Accrued liabilities	234,394	585,160	2,210,062	
Deferred revenue	11,341	511,341	657,003	
Current portion of capital lease obligations	--	109,356	223,015	
Current portion of borrowings under lines of credit	169,086	507,276	1,527,798	
Total current liabilities	544,214	2,391,817	8,648,345	
Capital lease obligations, less current portion	--	219,367	1,810,263	
Borrowings under lines of credit, less current portion	520,060	2,356,166	3,160,400	
Total liabilities	1,064,274	4,967,350	13,619,008	
Commitments (Note 5)				
Convertible preferred stock, $0.001 par value:				
Authorized: 12,109,647 shares;				
Issued and outstanding: 10,104,065 shares in 1998, 11,588,632 shares in 1999 and 20,078,792 shares at				

June 30, 2000 (unaudited) and none pro forma (unaudited) (Liquidation preferences: $17,457,410, $20,575,002 and $63,025,802 at December 31, 1998, 1999 and June 30, 2000 (unaudited), respectively).....	17,361,342	20,471,813	62,882,739	$ --
Stockholders' equity (deficit):				
Common stock: $0.001 par value: Authorized: 25,000,000 shares Issued and outstanding: 4,582,750 shares in 1998, 4,976,932 shares in 1999 and 5,008,559 shares at June 30, 2000 (unaudited) and 25,087,351 shares pro forma (unaudited).....	4,583	4,977	5,009	25,087
Additional paid-in capital.....	160,923	2,543,858	7,515,353	70,378,014
Notes receivable from stockholders.....	(138,425)	(331,195)	(294,750)	(294,750)
Deferred stock-based compensation, net....	--	(1,244,418)	(5,727,174)	(5,727,174)
Accumulated deficit...	(6,074,072)	(19,131,794)	(34,190,627)	(34,190,627)
Total stockholders' equity (deficit)....	(6,046,991)	(18,158,572)	(32,692,189)	$ 30,190,550
Total liabilities, convertible preferred stock and stockholders' equity (deficit).....	$12,378,625	$ 7,280,591	$ 43,809,558	

</TABLE>

The accompanying notes are an integral part of these financial statements.

THERASENSE, INC.

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Research grant revenue..	$ --	$ 60,296	$ 60,296	$ --	$ 3,000
Product sales.....	--	--	25,000	--	8,251
License income.....	--	--	--	--	500,000
Total revenues.....	--	60,296	85,296	--	511,251
Cost of products sold and start-up manufacturing costs....	--	--	--	--	296,020
Gross profit.....	--	60,296	85,296	--	215,231
Operating expenses:					

Research and development	976,739	3,055,819	7,672,517	2,989,696	5,841,296
Selling, general and administrative	702,879	1,809,978	5,556,708	2,125,710	9,786,893
Total operating expenses	1,679,618	4,865,797	13,229,225	5,115,406	15,628,189
Loss from operations	(1,679,618)	(4,805,501)	(13,143,929)	(5,115,406)	(15,412,958)
Interest income	162,742	167,312	295,307	208,590	811,986
Interest and other expense	--	(25,762)	(209,100)	(46,252)	(457,861)
Net loss	(1,516,876)	(4,663,951)	(13,057,722)	(4,953,068)	(15,058,833)
Dividend related to beneficial conversion feature of preferred stock	--	--	--	--	(14,772,878)
Net loss available to common stockholders	$(1,516,876)	$(4,663,951)	$(13,057,722)	$(4,953,068)	$(29,831,711)
Net loss per common share, basic and diluted	$ (1.66)	$ (2.31)	$ (4.32)	$ (1.79)	$ (8.03)
Weighted-average shares used in computing net loss per common share, basic and diluted	913,875	2,015,032	3,023,636	2,766,159	3,712,999
Pro forma net loss per common share, basic and diluted (unaudited)			$ (0.91)		$ (0.68)
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted (unaudited)			14,392,632		22,205,717

</TABLE>

The accompanying notes are an integral part of these financial statements.

THERASENSE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999
AND THE SIX MONTHS ENDED JUNE 30, 2000

<TABLE>
<CAPTION>

	Limited Liability Corporation Interests	Common Stock		Additional Paid-In	Notes Receivable from	Deferred	Retained Earnings/	Total Stockholders'
	Amount	Shares	Amount	Capital	Stockholders	Stock-Based Compensation	Accumulated Deficit	Equity (Deficit)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, January 1, 1997	$ 21,821	--	$ --	$ --	$ --	$ --	$ 106,755	$ 128,576
Issuance of common stock in March 1997 in exchange for equity interest in TheraSense L.L.C.	(21,821)	3,750,000	3,750	18,071	--	--	--	--
Exercise of stock options in exchange for services received and notes receivable from stockholders	--	669,794	670	93,101	(91,993)	--	--	1,778
Net loss	--	--	--	--	--	--	(1,516,876)	(1,516,876)
Balances, December 31, 1997	--	4,419,794	4,420	111,172	(91,993)	--	(1,410,121)	(1,386,522)
Repurchase and retirement of common								

stock for cash.....	--	(53,203)	(53)	(3,353)	--	--	--	(3,406)
Exercise of stock options for cash and in exchange for notes receivable from stockholders.....	--	216,159	216	53,104	(52,500)	--	--	820
Repayment of notes receivable from stockholders.....	--	--	--	--	6,068	--	--	6,068
Net loss.....	--	--	--	--	--	--	(4,663,951)	(4,663,951)
Balances, December 31, 1998.....	--	4,582,750	4,583	160,923	(138,425)	--	(6,074,072)	(6,046,991)

</TABLE>

The accompanying notes are an integral part of these financial statements.

THERASENSE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999
AND THE SIX MONTHS ENDED JUNE 30, 2000--(Continued)

<TABLE>
<CAPTION>

	Limited Liability Corporation Interests	Common Stock		Additional Paid-In	Notes Receivable from	Deferred	Retained Earnings	Total Stockholders' Equity
	Amount	Shares	Amount	Capital	Stockholders	Stock-Based Compensation	(Accumulated Deficit)	(Deficit)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, December 31, 1998.....	--	4,582,750	4,583	160,923	(138,425)	--	(6,074,072)	(6,046,991)
Exercise of stock options for cash and in exchange for notes receivable from stockholders.....	--	394,182	394	198,566	(192,770)	--	--	6,190
Issuance of warrants to purchase Series B preferred stock.....	--	--	--	819,760	--	--	--	819,760
Deferred stock-based compensation.....	--	--	--	1,364,609	--	(1,364,609)	--	--
Amortization of deferred stock-based compensation.....	--	--	--	--	--	120,191	--	120,191
Net loss.....	--	--	--	--	--	--	(13,057,722)	(13,057,722)
Balances, December 31, 1999.....	--	4,976,932	4,977	2,543,858	(331,195)	(1,244,418)	(19,131,794)	(18,158,572)
Exercise of stock options for cash and in exchange for notes receivable from stockholders (unaudited).....	--	82,838	83	17,511	(6,068)	--	--	11,526
Repurchase of shares and cancellation of stockholder loan (unaudited).....	--	(51,211)	(51)	(14,333)	14,384	--	--	--
Repayment of notes receivable from stockholders (unaudited).....	--	--	--	--	28,129	--	--	28,129
Deferred stock-based compensation (unaudited).....	--	--	--	4,968,317	--	(4,968,317)	--	--
Amortization of deferred stock-based compensation (unaudited).....	--	--	--	--	--	485,561	--	485,561
Beneficial conversion feature related to issuance of Series C convertible preferred stock (unaudited).....				14,772,878				14,772,878

Deemed dividend related to beneficial conversion feature of Series C convertible preferred stock (unaudited).....				(14,772,878)				(14,772,878)
Net loss (unaudited)...	--	--	--	--	--	--	(15,058,833)	(15,058,833)
Balances, June 30, 2000 (unaudited).....	$ --	5,008,559	$5,009	$ 7,515,353	$(294,750)	$(5,727,174)	$(34,190,627)	$(32,692,189)

</TABLE>

The accompanying notes are an integral part of these financial statements.

THERASENSE, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net loss.....	$(1,516,876)	$(4,663,951)	$(13,057,722)	$(4,953,068)	$(15,058,833)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization.....	9,544	253,700	569,074	199,434	618,665
Amortization of discount on borrowings under lines of credit.....	--	--	74,268	3,573	134,238
Exercise of stock options for services received.....	1,778	--	--	--	--
Loss on sale of property and equipment.....	--	--	132	--	5,637
Amortization of deferred stock-based compensation.....	--	--	120,191	16,837	485,561
Changes in operating assets and liabilities:					
Accounts receivable..	--	--	(25,000)	--	(574,848)
Prepaid expenses and other current assets.....	(13,173)	(37,466)	(773,699)	(434,764)	(1,493,068)
Inventories.....	--	--	--	--	(5,771,598)
Deferred cost of products sold.....	--	--	--	--	(491,753)
Other assets.....	(23,025)	70,089	(98,711)	--	(2,219)
Accounts payable.....	315,993	(218,012)	549,291	243,094	3,351,783
Accrued liabilities..	115,400	111,988	350,766	44,125	1,624,902
Deferred revenue.....	60,296	(60,296)	500,000	--	145,662
Net cash used in operating activities.....	(1,050,063)	(4,543,948)	(11,791,410)	(4,880,769)	(17,025,871)
Cash flows from investing activities:					
Purchase of property and equipment.....	(508,975)	(634,309)	(3,323,407)	(490,631)	(1,364,944)
Proceeds from sale of property and equipment.....	--	--	--	--	1,603,769
Net cash provided by					

(used in) investing activities.....	(508,975)	(634,309)	(3,323,407)	(490,631)	238,825
Cash flows from financing activities:					
Proceeds from issuance of convertible preferred stock, net.....	5,525,502	11,835,840	3,110,471	3,110,471	42,410,926
Proceeds from issuance of common stock and exercise of stock options.....	--	820	6,190	3,208	11,526
Proceeds from lines of credit.....	--	758,590	3,090,953	321,404	2,000,000
Principle payments on lines of credit.....	--	(69,444)	(171,163)	(70,028)	(309,482)
Repurchase and retirement of common stock.....	--	(3,406)	--	--	--
Principle payments on capital lease obligation.....	--	--	(37,410)	--	(52,793)
Repayment of notes receivable from stockholders.....	--	6,068	--	--	28,129
Net cash provided by financing activities.....	5,525,502	12,528,468	5,999,041	3,365,055	44,088,306
Net increase (decrease) in cash and cash equivalents.....	3,966,464	7,350,211	(9,115,776)	(2,006,345)	27,301,260
Cash and cash equivalents, beginning of period.....	121,525	4,087,989	11,438,200	11,438,200	2,322,424
Cash and cash equivalents, end of period.....	$ 4,087,989	$11,438,200	$ 2,322,424	$ 9,431,855	$ 29,623,684
Noncash financing activities:					
Common stock issued for notes receivable from stockholders....	$ 91,993	$ 52,500	$ 192,770	$ --	$ 6,068
Repurchase of restricted common stock and cancellation of notes receivable.....	$ --	$ --	$ --	$ --	$ 14,384
Issuance of warrants to purchase Series B preferred stock in connection with borrowings under lines of credit.....	$ --	$ --	$ 819,760	$ 57,167	$ --
Acquisition of property and equipment under capital lease.....	$ --	$ --	$ 366,133	$ --	$ 1,757,348
Deferred stock-based compensation.....	$ --	$ --	$ 1,364,609	$ 288,771	$ 4,968,317
Cash paid for interest.....	$ --	$ 25,762	$ 134,833	$ 46,252	$ 434,668

</TABLE>

The accompanying notes are an integral part of these financial statements.

THERASENSE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--FORMATION AND BUSINESS OF THE COMPANY:

TheraSense, L.L.C. was formed in the state of California on April 3, 1996. TheraSense, Inc. was incorporated in the State of California and in March of

1997, all assets and liabilities of TheraSense L.L.C. were transferred to TheraSense, Inc. TheraSense, L.L.C. and TheraSense, Inc. are collectively referred to as the "Company." The Company develops and sells easy to use glucose self-monitoring systems that dramatically reduce the pain of testing for people with diabetes. In 2000, the Company commenced planned principal operations and emerged from the development stage.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Unaudited interim results

The accompanying balance sheet as of June 30, 2000, the statements of operations and of cash flows for the six months ended June 30, 1999 and 2000, and the statement of stockholders' equity (deficit) for the six months ended June 30, 2000 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations and cash flows for the six months ended June 30, 1999 and 2000. The financial data and other information disclosed in these notes to financial statements related to the six-month periods are unaudited. The results for the six months ended June 30, 2000 are not necessarily indicative of the results to be expected for the year ending December 31, 2000.

Use of estimates

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

Cash and cash equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include money market funds and various deposit accounts.

Inventories

Inventories are stated at the lower of cost (computed using first-in, first-out method) or market value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which is generally two to five years. Amortization of leased assets and leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the related assets, typically three to seven years. Upon sale or retirement of assets, the cost and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations.

Impairment of long-lived assets

The Company accounts for long-lived assets under Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires the Company to review for impairment of long-lived assets, whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset.

Concentration of credit risk and other risks and uncertainties

The Company's cash and cash equivalents are maintained with one major

financial institution in the United States. Deposits in this institution may exceed the amount of insurance provided on such deposits.

For financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the Company's financial statements, the carrying amounts approximate fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of notes payable and capital lease obligations approximate fair value.

The Company's accounts receivable are derived from revenue earned from customers located in the United States. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Revenues from one customer accounted for 100% of total revenues for the year ended December 31, 1998.

Revenues from two customers accounted for 71% and 29% of total revenues for the year ended December 31, 1999. One of these customers accounted for 100% of total accounts receivable at December 31, 1999.

The Company's products require clearance or approval from the United States Food and Drug Administration ("FDA") or international regulatory agencies prior to commercial sales. There can be no assurance the Company's products will receive the necessary approvals, or maintain such approvals once received. If the Company was denied approval or approval was delayed or revoked, it may have a material adverse impact on the Company. In January 2000, the Company received FDA approval for their first product, FreeStyle.

The Company is subject to risks common to companies in the medical diagnostic industry including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, product liability and the need to obtain additional financing.

The Company subcontracts the manufacturing of a majority of its products through one subcontractor in California. The Company believes that there are a number of alternative contract manufacturers that could produce the Company's products, but in the event of a reduction or interruption of supply, it could take a significant period of time to qualify an alternative subcontractor and commence manufacturing. The effect of such reduction or interruption in supply on results of operations would be material.

Revenue recognition

The Company's return policy allows end users to return products within 30 days of purchase. The Company defers revenues on direct product sales over the telephone or the website to end users, until return rights have lapsed. At that time, the Company recognizes revenues net of allowances for customer rebates. Sales to retailers and wholesalers are made under arrangements allowing rights to return product where the expected shelf life has expired. As a result of this return right, the Company defers revenue recognition on these sales until products are resold by the retailers and wholesalers to the end user and the thirty-day return period has lapsed.

The Company recognizes license and other upfront fees on a ratable basis over the term of the respective agreement. Any amounts received in advance of performance are recorded as deferred revenue.

Research and development grant agreements provide for periodic payments in support of the Company's research activities. Grant revenue is recognized as earned based on actual costs incurred or as milestones are achieved.

Research and development

Research and development costs are charged to operations as incurred.

Advertising costs

Advertising costs included in selling, general and administrative expenses, are expensed as incurred. No expenses were incurred in 1997, 1998 and 1999.

Income taxes

The Company accounts for income taxes under the liability method whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Segments

The Company operates in one segment, using one measurement of profitability to manage its business. As of December 31, 1998 and 1999, all long-lived assets are maintained in the United States. All revenue was generated in the United States during the years ended December 31, 1997, 1998 and 1999.

Accounting for stock-based compensation

The Company uses the intrinsic value method of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," in accounting for its employee stock options, and presents disclosure of pro forma information required under Statement of Financial Accounting Standards No. 123 or ("SFAS No. 123"), "Accounting for Stock-Based Compensation."

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force Issue No. 96-18. "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which require that such equity instruments be recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest.

Net loss per common share

Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted-average number of vested common stock shares outstanding for the period. Diluted net loss per share is computed giving effect to all potential dilutive common stock, including options, warrants and convertible preferred stock. Options, warrants, common stock subject to repurchase and convertible preferred stock were not included in the computation of diluted net loss per share because the effect would be antidilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per common share follows:

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Net loss per common share, basic and diluted:					
Net loss	$(1,516,876)	$(4,663,951)	$(13,057,722)	$(4,953,068)	$(15,058,833)
Dividend related to beneficial conversion feature of preferred stock	--	--	--	--	(14,772,878)
Net loss available to common stockholders	$(1,516,876)	$(4,663,951)	$(13,046,125)	$(4,953,068)	$(29,831,711)
Weighted-average common stock outstanding	3,829,083	4,439,214	4,840,006	4,748,319	5,036,141
Less: Weighted-average shares subject to repurchase	(2,915,208)	(2,424,182)	(1,816,370)	(1,982,160)	(1,323,142)

Weighted-average shares used in computing basic and diluted net loss per common share.....	913,875	2,015,032	3,023,636	2,766,159	3,712,999

</TABLE>

The following outstanding options, common stock subject to repurchase, convertible preferred stock and warrants were excluded from the computation of diluted net loss per share as they had an antidilutive effect:

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Options to purchase common stock.....	190,844	502,094	1,644,718	1,041,147	2,672,948
Common stock subject to repurchase.....	2,816,875	2,073,503	1,562,751	1,890,817	1,040,190
Convertible preferred stock.....	4,445,775	10,104,065	11,588,632	11,588,632	20,078,792
Warrants.....	54,348	101,967	521,013	140,062	521,013

</TABLE>

Recent accounting pronouncements

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44 ("FIN No. 44"), "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of APB 25. This interpretation clarifies the definition of the employee for purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award and the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain

conclusions cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of FIN No. 44 is not expected to have a material impact on the Company's financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. The Company has complied with the guidance in SAB 101 for all periods presented.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133 ("SFAS No. 133") "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company, to date, has not engaged in derivative and hedging activities and does not believe that the implementation of SFAS No. 133 will have a significant impact on its financial position or results of operations. The Company will adopt SFAS No. 133, as amended, in fiscal year 2001.

NOTE 3--BALANCE SHEET ACCOUNTS:

At December 31, 1998 and 1999, the Company held no inventory. At June 30, 2000, inventory consists of the following:

<TABLE>
<CAPTION>

	June 30, 2000

	(unaudited)
<S>	<C>
Raw materials	$3,505,282
Finished goods	2,266,316
	$5,771,598

</TABLE>

Property and equipment consist of the following:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1999
<S>	<C>	<C>
Laboratory equipment	$ 430,708	$ 997,964
Leasehold improvements	135,337	909,542
Office equipment	107,995	513,747
Computer equipment	483,403	895,779
Tooling	--	434,832
Manufacturing equipment	--	958,141
	1,157,443	4,710,005
Less: Accumulated depreciation and amortization	(279,324)	(711,554)
	$ 878,119	$3,998,451

</TABLE>

Included in office equipment are assets acquired under capital leases with a cost of $366,133 and accumulated amortization of $50,852 as of December 31, 1999. At December 31, 1998, there were no assets acquired under capital leases.

Accrued liabilities consist of the following:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1999
<S>	<C>	<C>
Accrued salaries and related expense	$ 75,303	$220,838
Accrued professional services	79,746	34,065
Accrued other outside services	14,260	103,403
Accrued other liabilities	65,085	226,854
	$234,394	$585,160

</TABLE>

NOTE 4--LINES OF CREDIT:

During 1998, the Company entered into an equipment line of credit agreement with a financial institution under which the Company could borrow up to $500,000 prior to July 10, 1998, for equipment purchases. Borrowings under the equipment line of credit are collateralized by the equipment purchased, accrue interest at the prime rate plus 1.25% (9.75% at December 31, 1999) and are repayable in monthly installments through June 2001.

During 1998, the Company entered into an equipment line of credit agreement under which the Company could borrow up to $2,500,000 for equipment purchases prior to December 31, 1999. During 1998, the Company executed two promissory notes under this agreement for $184,711 and $73,879 which accrue interest at the rate of 8.5% and 9.5%, respectively, and are repayable in forty-eight and thirty-six monthly installments, respectively. During 1999, the Company executed an additional two promissory notes under this agreement for $35,833 and $285,574 which accrue interest at the rate of 9.5% and 8.5%, respectively, and are repayable in thirty-six and forty-eight monthly installments,

respectively. All borrowings under the equipment line of credit are collateralized by the equipment purchased. In connection with this agreement, the Company issued warrants to purchase 47,619 Series B preferred shares (Note 6).

During 1999, the Company entered into a subordinated debt agreement with a lending company, under which the Company could borrow up to $5,000,000 for equipment purchases prior to July 7, 2000. In December of 1999, the Company executed a $2,000,000 promissory note under this agreement. The note accrues interest at an annual rate of 11.5% and is due in thirty-six monthly installments. All borrowings under the equipment line of credit are collateralized by the equipment purchased. In connection with this agreement, the Company issued warrants to purchase 380,952 Series B preferred shares (Note 6).

During 1999, the Company entered into a senior loan and security agreement with a lending company to borrow up to $2,000,000 for equipment purchases prior to December 31, 1999. The Company executed three promissory notes under this agreement for $253,864, $253,055 and $262,625. Principal and interest are payable in consecutive monthly installments, each of which are equal to 1.0% of the principal sum for months one through twelve and 3.075% of the principal sum for months thirteen through forty-eight yielding an annual effective interest rate of 16.58%. All borrowings under the equipment line of credit are collateralized by the equipment purchased. In connection with this agreement, the Company issued warrants to purchase 38,094 Series B preferred shares (Note 6).

Aggregate future principal payments under the lines of credit are as follows:

<TABLE>

<S>	<C>
2000	$ 775,766
2001	1,183,891
2002	1,210,474
2003	438,803
	3,608,934
Less: Current portion, net of discount	(507,276)
Less: Current portion of discount associated with warrants issued	(268,490)
Less: Discount associated with warrants issued, non-current portion	(477,002)
	$2,356,166

</TABLE>

Sale and leaseback transaction

During February 2000, the Company entered into a sale and leaseback transaction whereby the Company sold and leased back under capital lease agreements, assets with a net book value of $1,607,557 for total proceeds of $1,603,769, recognizing a loss on the sale of $3,788. In addition the Company leased $153,579 of computer equipment under a capital lease agreement.

NOTE 5--COMMITMENTS:

Facility lease

The Company leases its facilities under an operating lease agreement which expires in April 2009. The Company has the option to terminate the lease in April 2006. Under the terms of the agreement, the initial base monthly rent shall be adjusted every two and one-half years based on changes in the Consumer Price Index by amounts not to be less than 5%, nor exceed 7.5%, over each two and one-half year period. At the expiration of the lease term, the Company has the option to extend the facility lease for an additional five years. Future minimum facility lease payments are as follows:

<TABLE>

<S>	<C>
2000	$ 750,000
2001	756,250

</TABLE>

2002	787,500
2003	787,500
2004	813,748
Thereafter	3,686,462
	$7,581,460

Rent expense for the years ended December 31, 1997, 1998 and 1999 was $113,614, $223,892 and $619,766, respectively.

Capital lease obligations

During 1999, the Company acquired office furniture under a capital lease. Payments, comprising both principal and interest, are due in thirty-six equal monthly installments through July 2002. As of December 31, 1999, total future minimum lease payments are as follows:

2000	$ 148,179
2001	148,179
2002	98,785
Minimum payments	395,143
Less: Amount representing interest	(66,420)
Principal amount of minimum payments	328,723
Less: Current portion	(109,356)
	$ 219,367

Licensing agreements

The Company has entered into several licensing agreements with various universities, institutions and companies under which it obtained rights to certain patent, patent applications, and other technology. Future payments pursuant to these agreements are as follows:

Year ending December 31,	
2000	$ 220,000
2001	420,000
2002	620,000
2003	620,000
2004	620,000
	$2,500,000

In addition to the payments summarized above, the Company is required to make royalty payments based upon a percentage of net sales of any products developed from certain of the licensed technologies and milestone payments upon the occurrence of certain events as defined by the related agreements.

At June 30, 2000, the Company has included a $2.0 million paid-up licensing fee in prepaid expenses and other current assets, which will be amortized ratably to cost of product sales over the term of the license. At the Company's option the Company can extend this non-exclusive paid-up licensing agreement with future license payments.

NOTE 6--CONVERTIBLE PREFERRED STOCK:

Under the Company's Certificate of Incorporation, the Company's convertible preferred stock is issuable in series. The Company's Board of Directors is authorized to determine the rights, preferences and terms of each series. As of December 31, 1997, the convertible preferred stock comprised:

<TABLE>
<CAPTION>

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Costs	Liquidation Preference per Share	Annual Dividends per Share
<S>	<C>	<C>	<C>	<C>	<C>
Series A.....	4,500,123	4,445,775	$5,525,502	$1.25	$0.10

</TABLE>

As of December 31, 1998, the convertible preferred stock comprised:

<TABLE>
<CAPTION>

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Costs	Liquidation Preference per Share	Annual Dividends per Share
<S>	<C>	<C>	<C>	<C>	<C>
Series A.....	4,500,123	4,445,775	$ 5,525,502	$1.25	$0.10
Series B.....	7,609,524	5,658,290	11,835,840	$2.10	$0.16
	12,109,647	10,104,065	$17,361,342		

</TABLE>

As of December 31, 1999, the convertible preferred stock comprised:

<TABLE>
<CAPTION>

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Costs	Liquidation Preference per Share	Annual Dividends per Share
<S>	<C>	<C>	<C>	<C>	<C>
Series A.....	4,500,123	4,445,775	$ 5,525,502	$1.25	$0.10
Series B.....	7,609,524	7,142,857	14,946,311	$2.10	$0.16
	12,109,647	11,588,632	$20,471,813		

</TABLE>

As of June 30, 2000, the convertible preferred stock comprised (unaudited):

<TABLE>
<CAPTION>

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Costs	Liquidation Preference per Share	Annual Dividends per Share
<S>	<C>	<C>	<C>	<C>	<C>
Series A.....	4,500,123	4,445,775	$ 5,525,502	$1.25	$0.10
Series B.....	7,609,524	7,142,857	14,946,311	$2.10	$0.16
Series C.....	8,500,000	8,490,160	42,410,926	$5.00	$0.40
	20,609,647	20,078,792	$62,882,739		

</TABLE>

Dividends

The holders of Series A, Series B and Series C convertible preferred stock are entitled to receive dividends, out of any assets legally available, prior and in preference to any declaration or payment of any dividend for the common stock, at the rate stated above per share per annum, or, if greater (as determined on a per annum basis and on an as converted basis for the Series A, Series B and Series C preferred stock), an amount equal to that paid on any other outstanding stock of the Company. Such dividends are payable when, as and if declared by the Board of Directors, and are not cumulative. As of June 30, 2000, no dividends have been declared.

In February 2000, the Company issued 8,490,160 shares of Series C

convertible preferred stock at $5.00 per share for gross cash proceeds of $42,450,800. The issuance resulted in a beneficial conversion feature of $14,772,878, calculated in accordance with Emerging Issues Task Force No. 98-5 ("EITF No. 98-5"), "Accounting for Convertible Securities with Beneficial Conversion Features." The beneficial conversion feature is reflected as a preferred stock dividend in the Statement of Operations for the six months ended June 30, 2000.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of Series A, Series B and Series C convertible preferred stock are entitled to receive, prior and in

preference to any distribution of any of the assets of the Company to the holders of common stock by reason of their ownership, an amount per share equal to the rates stated above per share, (as adjusted for any stock splits, combinations, reorganizations and the like) plus any declared but unpaid dividends on such shares.

After payment has been made to the holders of the convertible preferred stock, any remaining assets and funds are to be distributed among the holders of common stock pro rata based on the number of shares of common stock held by each stockholder.

Mergers

A merger, reorganization or sale of all or substantially all of the assets of the Company in which the stockholders of the Company immediately prior to the transaction do not possess more than 50% of the voting power of the surviving entity (or its parent) immediately after the transaction shall be deemed to be a liquidation, dissolution or winding up.

Voting

The holders of the convertible preferred stock are entitled to the number of votes equal to the number of common stock into which the convertible preferred stock could be converted on the record date for the vote or written consent of stockholders, except as otherwise required by law.

Conversion

Each share of Series A, Series B and Series C convertible preferred stock, at the option of the holder and at any time after the date of issuance, is convertible into the number of fully paid and nonassessable common stock which results from dividing the convertible preferred stock issuance price by the conversion price at the time of conversion. The per share conversion price of Series A, Series B and Series C convertible preferred stock is $2.50, $4.20 and $5.00, respectively.

Conversion is automatic at its then effective conversion rate (i) immediately upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, in which the public offering price equals or exceeds $10.00 per share (as adjusted for any stock dividends, stock splits or recapitalizations) and the aggregate proceeds raised, equal or exceed $15,000,000, or (ii) at the election of stockholders of a majority of the outstanding Series A and Series B preferred shares and a majority of the outstanding Series C preferred shares.

Warrants

During April 1997, the Company issued warrants to purchase 54,348 shares of Series A convertible preferred stock at $1.84 per share in connection with the Series A financing. The warrants are exercisable at any time after July 31, 1997, and expire December 31, 2001. The Company has reserved 54,348 shares of Series A convertible preferred stock for issuance in the event of exercise.

During August 1998, the Company issued warrants to purchase 47,619 shares of its Series B convertible preferred stock at $2.10 per share in connection with the execution of an equipment line of credit agreement. The warrants are exercisable at any time and expire in August 2008 or five years from the effective date of the Company's initial public offering, whichever is earlier. The Company has reserved 47,619 shares of Series B convertible preferred stock

for issuance in the event of exercise.

The fair value of the above warrants was calculated using the Black-Scholes pricing model and deemed to be insignificant.

During April 1999, the Company issued warrants to purchase 38,094 shares of Series B convertible preferred stock at $2.10 per share in connection with the execution of an equipment line of credit. The warrants are exercisable at any time and expire in April 2007 or five years from the effective date of the Company's initial public offering, whichever is later. The fair value of the warrants calculated using the Black-Scholes pricing model, of $57,167, has been reflected as a discount on the debt and accreted as interest expense over the life of the line of credit. The Company has reserved 38,094 shares of Series B convertible preferred stock for issuance in the event of exercise.

During October 1999, the Company issued warrants to purchase a total of 380,952 shares of Series B convertible preferred stock at $2.10 per share in connection with the execution of an equipment line of credit. The warrants are exercisable at any time and expire in October 2009 or five years from the effective date of the Company's initial public offering, whichever is earlier. The fair value of the warrants calculated using the Black-Scholes pricing model, of $762,592, has been reflected as a discount on the debt and accreted as interest expense over the life of the line of credit. The Company has reserved 380,952 shares of Series B convertible preferred stock for issuance in the event of exercise.

NOTE 7--STOCKHOLDERS' EQUITY (DEFICIT):

Common stock

Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding.

The Company has issued a total of 4,758,334 shares of common stock under restrictive stock purchase agreements, under which the Company has the option to repurchase unvested shares of stock upon the termination of employment or severance of relationship with the Company. The number of shares subject to repurchase is generally reduced by 1/48th of the initial number subject to repurchase for each month that the holder continues to serve as a consultant, employee or director. As of December 31, 1999 and June 30, 2000, 1,562,751 and 1,040,190 (unaudited) shares of common stock are subject to repurchase, respectively.

Incentive Stock Plan

In March 1997, the Company approved the 1997 Stock Option Plan (the "Plan") under which the officers of the Company are authorized to enter into stock option agreements with selected individuals. The Board of Directors has the authority to determine to whom options will be granted, the number of shares, the term and exercise price (which cannot be less than estimated fair market value at date of grant for incentive stock options or 85% of estimated fair market value for nonqualified stock options). If an employee owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of estimated fair market value, as determined by the Board of Directors. Options granted under the Plan generally become exercisable 1/4 on the first anniversary of the vesting commencement date and an additional 1/48 of the total number of shares subject to the option shares shall become exercisable on the last day of each calendar month thereafter until all of the shares have become exercisable.

Activity under the Plan is as follows:

<TABLE>

<CAPTION>

	Shares Available for Grant	Outstanding Options: Number of Shares	Outstanding Options: Weighted Average Exercise Price	Outstanding Options: Aggregate Price
<S>	<C>	<C>	<C>	<C>
Shares reserved at Plan inception	1,436,170			
Options granted	(864,388)	864,388	$0.14	$ 121,014
Options exercised	--	(669,794)	$0.14	(93,771)
Options canceled	3,750	(3,750)	$0.14	(525)
Balances, December 31, 1997	575,532	190,844	$0.14	26,718
Additional shares reserved	500,000	--	--	--
Options granted	(532,700)	532,700	$0.28	147,056
Options exercised	--	(216,159)	$0.25	(53,320)
Options canceled	5,291	(5,291)	$0.15	(811)
Balances, December 31, 1998	548,123	502,094	$0.24	119,643
Additional shares reserved	1,500,000	--	--	--
Options granted	(1,568,245)	1,568,245	$0.77	1,211,198
Options exercised	--	(394,182)	$0.50	(198,960)
Options canceled	31,439	(31,439)	$0.33	(10,291)
Balances, December 31, 1999	511,317	1,644,718	$0.68	1,121,590
Additional shares reserved (unaudited)	1,057,385	--	--	--
Options granted (unaudited)	(1,179,800)	1,179,800	$3.05	3,601,300
Options exercised (unaudited)	--	(82,838)	$0.21	(17,594)
Options canceled/repurchased (unaudited)	119,642	(68,732)	$1.06	(73,193)
Balances, June 30, 2000 (unaudited)	508,544	2,672,948	$1.73	$4,632,103

</TABLE>

The options outstanding and currently exercisable by exercise price at December 31, 1999 are as follows:

<TABLE>
<CAPTION>

Outstanding Options: Exercise Price	Outstanding Options: Number Outstanding	Outstanding Options: Weighted Average Remaining Contractual Life (Years)	Options Currently Exercisable
<S>	<C>	<C>	<C>
$0.14	124,594	7.53	76,664
0.28	297,229	8.76	52,000
0.50	394,770	9.14	18,472
0.70	218,500	9.44	--
1.10	609,625	9.77	8,385
	1,644,718		155,521

</TABLE>

The options outstanding and currently exercisable by exercise price at June 30, 2000 (unaudited) are as follows:

<TABLE>
<CAPTION>

Outstanding Options

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Options Currently Exercisable
$0.14	62,656	7.14	45,442
0.28	265,625	8.24	71,307
0.50	362,349	8.64	63,081
0.70	218,500	8.95	27,312
1.10	598,844	9.27	83,276
3.00	1,042,624	9.70	--
3.50	122,350	9.93	--
	2,672,948		290,418

</TABLE>

Stock-based compensation

The Company has adopted the disclosure only provisions of SFAS No. 123. The Company calculated the fair value of each option on the date of grant using the minimum value method as prescribed by SFAS No. 123 with the following assumptions:

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Risk-free interest rate	5.97%	4.80%	5.55%	5.21%	6.48%
Expected life (in years)	4	4	4	4	4
Dividend yield	--	--	--	--	--

</TABLE>

As the determination of fair value of all options granted after such time as the Company becomes a public entity will include an expected volatility factor in addition to the factors described in the preceding table, the following results may not be representative of future periods.

Had compensation costs been determined based upon the fair value at the grant date, consistent with the methodology prescribed under SFAS No. 123, the Company's pro forma net loss and pro forma basic and diluted net loss per share under SFAS No. 123 would have been as follows:

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Net loss available to common stockholders-as reported	$(1,516,876)	$(4,663,951)	$(13,057,722)	$(4,953,068)	$(29,831,711)
Net loss available to common stockholders-pro forma	$(1,517,062)	$(4,666,570)	$(13,101,987)	$(4,971,579)	$(29,998,389)
Net loss per common share, basic and diluted-as reported	$ (1.66)	$ (2.31)	$ (4.32)	$ (1.79)	$ (8.03)
Net loss per common share, basic and diluted-pro forma	$ (1.66)	$ (2.32)	$ (4.33)	$ (1.80)	$ (8.08)

</TABLE>

The weighted average grant date fair value of options granted during the years ended December 31, 1997, 1998 and 1999 was $0.01, $0.02 and $0.15, respectively.

Deferred stock-based compensation

During 1999 and 2000, the Company issued options to certain employees under the Plan with exercise prices below the deemed fair market value of the Company's common stock at the date of grant. In accordance with the requirements of APB 25, the Company has recorded deferred stock-based compensation for the difference between the exercise price of the stock options and the fair market value of the Company's stock at the date of grant. This deferred stock-based compensation is amortized to expense on a straight line basis over the period during which the Company's right to repurchase the stock lapses or the options become vested, generally four years. At December 31, 1999 and June 30, 2000, the Company had recorded deferred compensation related to these options in the amounts of $1,118,400 and $4,454,182 (unaudited) net of cancellations, respectively, of which $76,121 and $396,087 (unaudited) had been amortized to expense during 1999 and the six months ended June 30, 2000, respectively.

Stock-based compensation expense related to stock options granted to non-employees is recognized on a straight line basis, as the stock options are earned. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The fair value of the stock options granted is calculated at each reporting date using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following assumptions:

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1997	1998	1999	1999	2000
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Risk-free interest rate	5.79%	4.93%	6.05%	5.81%	6.03%
Expected life (in years)	10	10	10	10	10
Dividend yield	--	--	--	--	--
Expected volatility	70%	70%	70%	70%	70%

</TABLE>

The stock-based compensation expense will fluctuate as the fair market value of the common stock fluctuates. In connection with the grant of stock options to non-employees, the Company recorded deferred stock-based compensation of none, none and $246,209 for the years ended December 31, 1997, 1998 and 1999 and $514,135 (unaudited) for the six months ended June 30, 2000, of which none, none and $44,070 has been amortized to expense in 1997, 1998 and 1999 and $89,474 (unaudited) has been amortized to expense in the six months ended June 30, 2000.

Notes receivable from stockholders

During 1997, 1998 and 1999, the Company sold common stock to certain of its officers in exchange for full recourse notes receivable. The notes are non-interest bearing, have due dates through March 2003, and are collateralized by the underlying shares of common stock.

NOTE 8--INCOME TAXES:

At December 31, 1999, the Company has approximately $17.5 million in both federal and state net operating loss carryforwards to reduce future taxable income. If not utilized, these carryforwards will expire in various amounts beginning in the year 2018 for federal and 2006 for state.

At December 31, 1999, the Company has research credit carryforwards of approximately $454,000 and $371,000 for federal and state income tax purposes, respectively. If not utilized, the federal carryforward will expire in various amounts beginning in 2018. The state research credit can be carried forward indefinitely.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in the case of an "ownership change" of a corporation. Any ownership changes, as defined, may restrict utilization of carryforwards.

Temporary differences and carryforwards which gave rise to significant portions of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1999
<S>	<C>	<C>
Net operating loss carryforwards	$ 1,793,000	$ 6,985,000
Tax credit carryforwards	227,000	776,000
Capitalized start-up costs	629,000	489,000
Depreciation and amortization	9,000	(8,000)
Other accruals and reserves not currently deductible for tax purposes	--	64,000
Valuation allowance	(2,658,000)	(8,306,000)
	$ --	$ --

</TABLE>

The Company has established a valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets.

NOTE 9--UNAUDITED PRO FORMA NET LOSS PER SHARE AND PRO FORMA:

Pro forma basic and diluted net loss per share have been computed to give effect to convertible preferred stock that will convert to common stock upon the closing of the Company's initial public offering (using the as-if-converted method) for the year ended December 31, 1999 and the six months ended June 30, 2000. A reconciliation of the numerator and denominator used in the calculation of pro forma basic and diluted net loss per common share follows:

<TABLE>
<CAPTION>

	Year Ended December 31, 1999	Six Months Ended June 30, 2000
		(unaudited)
<S>	<C>	<C>
Pro forma net loss per common share, basic and diluted:		
Net loss	$(13,057,722)	$(15,058,833)
Weighted-average shares used in computing net loss per common share, basic and diluted	3,023,636	3,712,999
Adjustments to reflect the effect of the assumed conversion of the preferred stock from the date of issuance	11,368,996	18,492,718
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted	14,392,632	22,205,717
Pro forma net loss per common share, basic and diluted	$ (0.91)	$ (0.68)

</TABLE>

Since April 1997 Dr. Adam Heller, the Chief Scientific Advisor, has performed consulting services for the Company. The terms of the consulting

agreements provide that the Company pay Dr. Heller a consulting fee of $1,200 per day, plus reimbursement for travel and business expenses. The agreement has a term of four years, and is terminable by Dr. Heller upon thirty days written notice. The agreement is also terminable by the Company for cause if Dr. Heller refuses or is unable to perform consulting services or otherwise breaches the agreement. Dr. Heller has also agreed not to consult with or be employed by one of the Company's competitors, or otherwise compete with the Company during the term of the agreement. Dr. Adam Heller is the father of Ephriam Heller. During 1997, 1998 and 1999, the Company paid Dr. Heller $31,965, $55,260 and $85,760, respectively, in connection with these agreements.

Pursuant to an agreement with Gainor Medical North America LLC ("Gainor Medical") entered into in December 1998, Gainor Medical has provided financial support for the development of some of the Company's glucose monitoring systems and related products. In exchange for such funding, the Company granted Gainor Medical the exclusive right to manufacture the components associated with the development of these products for a period of seven years from the date of the agreement. A principal of Gainor Medical Management LLC , is a member of the Company's Board of Directors. During 1999, purchases from Gainor totaled $4,675 and Gainor funded approximately $200,000 of product development costs.

In November 1999 the Company entered into an agreement with Flextronics International related to the manufacturing of the FreeStyle meter. The Company's contract with Flextronics expires in November 2005, and is renewable annually thereafter. A member of the Company's Board of Directors, is President of Americas Operations of Flextronics. During 1999, the Company paid $261,195 under this agreement. Approximately $32,606 is included in accounts payable at December 31, 1999.

NOTE 11--EMPLOYEE BENEFIT PLAN:

In October 1997, the Company adopted a defined contribution retirement plan (the "Plan"), which qualifies under Section 401(k) of the Internal Revenue Code of 1986. The Plan covers essentially all employees. Eligible employees may make voluntary contributions to the Plan up to 15% of their annual compensation, subject to statutory annual limitations, and the employer is allowed to make discretionary contributions. The Company has made no contributions to date.

NOTE 12--STOCK SPLIT AND REINCORPORATION

Stock split

In September 2000, the Board of Directors approved a two-for-one reverse stock split of its common and convertible preferred stock, subject to stockholder approval. All convertible preferred and common stock data and common stock option plan information in these financial statements has been restated to reflect the split. In addition, the conversion prices of the Company's preferred stock have also been adjusted to reflect the effect of the split.

Reincorporation

In September 2000, the Company's Board of Directors authorized the reincorporation of the Company in the state of Delaware. Following the reincorporation, the Company will be authorized to issue 200,000,000 shares of $0.001 par value common stock and 5,000,000 shares of $0.001 par value preferred stock. The Board of Directors has the authority to issue the undesignated preferred stock in one or more series and to fix the rights preferences, privileges and restrictions thereof. The accompanying financial statements have been retroactively restated to give effect to the reincorporation.

NOTE 13--SUBSEQUENT EVENTS (Unaudited):

Option grants

From July 1 to September 29, 2000, the Company issued a total of 1,217,650 options to purchase shares of common stock under the 1997 Stock Option Plan to employees and non-employees at exercise prices ranging from $4.00 to $5.00 per share. The total deferred stock-based compensation related to these grants amounted to $6,067,179 and will be amortized to expense over the vesting period.

Initial public offering

In September 2000, the Company's Board of Directors authorized management to file a registration statement with the Securities and Exchange Commission to permit the Company to sell its common stock to the public. Upon completion of the Company's initial public offering, all of the outstanding convertible preferred stock will be converted into shares of common stock.

2000 Stock Plan

In September 2000, the Board of Directors adopted the 2000 Stock Plan ("2000 Plan"), subject to stockholder approval. The 2000 Plan, which will terminate no later than 2010, provides for the granting of incentive stock options to employees and nonstatutory stock options to employees, directors and consultants. 7,000,000 shares of common stock are reserved for issuance plus any shares which have been reserved but not issued under the 1997 Stock Plan and any shares returned thereafter. In addition, the number of shares available for issuance will be increased on the first day of each fiscal year, commencing in 2002, by an amount equal to the lesser of (i) 2,500,000, (ii) 5.0% of the outstanding shares of common stock on the last day of the preceeding fiscal year or (iii) an amount as determined by the Board of Directors.

Under the terms of the 2000 Plan, on, or after the effectiveness of an initial public offering of the Company's stock, each newly-elected non-employee director will be granted a nonstatutory option to purchase 30,000 shares of common stock which vest annually over a three year period. Thereafter, on an annual basis, on the date of the annual stockholder meeting, commencing in 2002, each non-employee director will be granted a nonstatory option to purchase 10,000 shares of common stock which vest after one year. The exercise price of an option shall not be less than 100% of the fair market value of the common stock on the date of grant and the term shall not exceed 10 years.

2000 Employee Stock Purchase Plan

In September 2000, the Board of Directors adopted the 2000 Employee Stock Purchase Plan ("2000 ESPP"), subject to stockholder approval, under which eligible employees are permitted to purchase common stock at a discount through payroll deductions. 1,000,000 shares of common stock are reserved for issuance and will be increased on the first day of each fiscal year, commencing in 2002, by an amount equal to the lesser of (i) 1,000,000, (ii) 1.5% of the outstanding shares of common stock on such date or (iii) an amount as determined by the Board of Directors.

The 2000 ESPP contains consecutive, overlapping twenty-four month offering periods. Each offering period includes four six-month purchase periods. The price of the common stock purchased shall be the lower of 85% of the fair market value of the common stock at the beginning of an offering period or at the end of a purchase period. The initial offering period will commence on the effective date of the Company's initial public offering.

Distribution Agreement

In September 2000, the Company entered into an agreement for the exclusive distribution of its products in certain European countries and the nonexclusive distribution in North America. Under the terms of the agreement, the Company received a $1.5 million nonrefundable pre-payment which has been deferred and will be recognized as revenue as products are shipped. In connection with the agreement, the Company issued a $2.5 million convertible promissory note. The note bears interest at 7.0% per annum and upon completion of an equity financing with aggregate proceeds of $10,000,000, both principal and interest will be automatically converted into shares of the equity securities sold and at a price per share equal to the price of the equity securities sold. If the Company does not complete an equity offering both principal and interest will be due and payable upon the earlier of (i) the third anniversary of the note (ii) an event of default, as defined in the agreement or (iii) the occurrence of a redemption event, as set forth in the agreement.

Technology Purchase Agreement

In October 2000, the Company entered into a Technology Purchase Agreement with E. Heller & Co., providing for the transfer and assignment of several licenses and rights to the Company in exchange for $500,000. E. Heller & Co. is controlled by one of the Company's founders, who is also a member of the Company's Board of Directors.

[GRAPHIC APPEARS HERE]

[Graphic depicting the front of a FreeStyle box with four other different FreeStyle product boxes below it. Three columns of our retailers, wholesalers and "E"-tailers surround the boxes.]

You should only rely on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

Until , 2000, all dealers that effect transactions of these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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<TABLE>
<CAPTION>

</TABLE>

[LOGO OF THERASENSE]

Shares

Common Stock

PROSPECTUS

Bear, Stearns & Co. Inc.

Lehman Brothers

U.S. Bancorp Piper Jaffray

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all fees and expenses payable in connection with the registration of the common stock hereunder. All of the amounts shown are estimates except for the SEC registration fee, the NASD filing fee and The Nasdaq National Market listing fee.

<TABLE>
<CAPTION>

	Amount To Be Paid
<S>	<C>
SEC Registration Fee	$22,770
NASD Filing Fee	$ 9,125
Nasdaq National Market Listing Fee	$95,000
Printing and Engraving Expenses	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Transfer Agent and Registrar Fees and Expenses	*
Blue Sky fees and expenses	*
Miscellaneous Expenses	*
Total	*

</TABLE>

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

Article VIII of our amended and restated certificate of incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

Article VI of our amended and restated by-laws provides for the indemnification of officers, directors and third parties acting on our behalf if such person acted in good faith and in a manner reasonably believed to be in and not opposed to our best interest, and, with respect to any criminal action or proceeding, the indemnified party had no reason to believe his or her conduct was unlawful.

We intend to enter into indemnification agreements with our directors and executive officers, in addition to indemnification provided for in our by-laws, and we intend to enter into indemnification agreements with any new directors and executive officers in the future.

The underwriting agreement (Exhibit 1.1 hereto) provides for indemnification by the underwriters of us and our executive officers and directors, and indemnification of the underwriters by us for certain liabilities, including liabilities arising under the Securities Act, in connection with matters specifically provided in writing by the underwriters for inclusion in the registration statement.

We intend to purchase and maintain insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

Item 15. Recent Sales of Unregistered Securities

(a) Within the last three years, and through September 30, 2000, we have issued and sold the following unregistered securities:

- On August 24, 1998, we issued a warrant to acquire 47,619 shares of Series B preferred stock to Comdisco Ventures, at an exercise price of $2.10 per share.

- On October 23, 1998, we sold an aggregate of 6,400,573 shares of our Series B preferred stock at a price of $2.10 per share to twenty investors and their affiliates.

- On October February 23, 1999, we sold 742,284 shares of our Series B preferred stock at a price of $2.10 per share to Brentwood Associates.

- On April 1, 1999, we issued a warrant to acquire 3,809 shares of Series B preferred stock to Robert Kingsbrook, a principal of Phoenix Capital, and a warrant for 34,285 shares of Series B preferred stock to Phoenix Capital, both at an exercise price of $2.10 per share.

- On October 7, 1999, we issued a warrant to acquire 380,952 shares of Series B preferred stock to Comdisco Ventures, at an exercise price of $2.10 per share.

- On February 3, 2000, we sold an aggregate of 8,490,160 shares of our Series C preferred stock at a price of $5.00 per share to forty investors and their affiliates.

- On September 13, 2000, we issued a convertible promissory note in the amount of $2,500,000 to Disetronic Holding AG.

(b) Since our inception and through September 30, 2000, we have granted options to purchase 5,366,853 shares of common stock to employees, directors and consultants under our 1997 Stock Plan at exercise prices ranging from $0.14 to $5.00 per share. Of the 5,366,853 shares granted, 3,791,709 remain outstanding, 1,394,651 shares of common stock have been purchased pursuant to exercises of stock options and 180,493 shares have been canceled and returned to the 1997 Stock Plan.

The sales and issuances of securities in the transactions described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act, Regulation D promulgated thereunder or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving any public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in such transactions. All recipients had adequate access, through their relationship with TheraSense, to information about us.

(c) There were no underwritten offerings employed in connection with any of the transactions set forth in Item 15(a)

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Description of Document
<C>	<S>
*1.1	Form of Underwriting Agreement
3.1(a)	Certificate of Incorporation of TheraSense, Inc., a Delaware corporation, as currently in effect
3.1(b)	Amended and Restated Certificate of Incorporation of TheraSense, Inc. to be filed upon completion of the offering
3.2(a)	By-Laws of TheraSense, Inc. as currently in effect

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Description of Document

<C>	<S>
3.2(b)	By-Laws of TheraSense, Inc. as in effect upon completion of the offering
*4.1	Specimen Common Stock Certificate
*5.1	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation
10.1	1997 Stock Plan and forms of agreements thereunder
10.2	2000 Stock Plan and forms of agreements thereunder
10.3	2000 Employee Stock Purchase Plan and forms of agreement thereunder
10.4	Form of Director and Executive Officer Indemnification Agreement
10.5	Employment Letter from TheraSense, Inc. to W. Mark Lortz, dated as of October 6, 1997
+10.6	Technology Purchase Agreement between TheraSense and E. Heller & Co. dated as of October 10, 2000
+10.7	Cooperative Development Agreement between TheraSense, Inc. and Gainor Medical North America LLC, dated as of December 1, 1998
10.8	Standard Industrial/Commercial Single-Tenant Lease between TheraSense, Inc. and PlyProperties, a Partnership, dated as of February 26, 1999, and addendum thereto
+10.9	Master Purchase Agreement between TheraSense and Flextronics International USA, Inc., dated as of November 3, 1999
+10.10	Assignment of Patent Rights and Technology by and among Board of Regents of the University of Texas System, an agency of the State of Texas, Dr. Adam Heller, E. Heller & Company and ThersSense Inc. dated August 1, 1991
+10.11	First Amendment, dated March 19, 1998, to the Agreement entitled Assignment of Patent Rights and Technology by and among Board of Regents of the University of Texas System, an agency of the State of Texas, Dr. Adam Heller, E. Heller & Company and TheraSense Inc. dated August 1, 1991.
+10.12	License Agreement between TheraSense, Inc. and Asulab SA., dated February 23, 2000
10.13	Promissory Note dated December 1, 1997 for the principal aggregate amount of $62,650 issued by W. Mark Lortz to TheraSense
10.14	Promissory Note dated March 5, 1999 for the principal aggregate amount of $72,495 issued by W. Mark Lortz to TheraSense
10.15	Promissory Note dated July 30, 1998 for the principal aggregate amount of $17,500 issued by Charles T. Liamos to TheraSense
10.16	Promissory Note dated March 5, 1999 for the principal aggregate amount of $15,187.50 issued by Charles T. Liamos to TheraSense
10.17	Promissory Note dated September 1, 1999 for the principal aggregate amount of $61,250 issued by Charles T. Liamos to TheraSense
23.1	Consent of PricewaterhouseCoopers LLP, independent accountants
*23.2	Consent of Counsel (included in exhibit 5.1)
24.1	Power of Attorney (See page II-5)
27.1	Financial Data Schedule

</TABLE>

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*To be filed by amendment

+Confidential treatment has been requested for portions of this exhibit

(b) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Item 17. Undertakings

Insofar as indemnification by TheraSense for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons of TheraSense, we have been advised that in the opinion of the

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

We hereby undertake that:

(a) We will provide to the underwriters at the closing as specified in

the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) For purposes of determining any liability under the Securities Act of 1933, the information omitted from a form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by TheraSense pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, THERASENSE, Inc. has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Alameda, State of California, on the 11th day of October, 2000.

THERASENSE, INC.

/s/ W. Mark Lortz
By_____
W. Mark Lortz
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints W. Mark Lortz, Charles Liamos and Holly Kulp, and each of them, his attorneys-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments thereto, and to file the same, with all exhibits thereto in all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ W. Mark Lortz _____ W. Mark Lortz	President, Chief Executive Officer and Director (Principal Executive Officer)	October 11, 2000
/s/ Charles T. Liamos _____ Charles T. Liamos	Chief Financial Officer (Principal Financial and Accounting Officer)	October 11, 2000
/s/ Annette J. Campbell-White _____ Annette J. Campbell-White	Director	October 11, 2000
/s/ Mark J. Gainor	Director	October 11, 2000

Mark J. Gainor		
/s/ Ross A. Jaffe, M.D.	Director	October 11, 2000
Ross A. Jaffe, M.D.		

Signature	Title	Date
/s/ Michael McNamara	Director	October 11, 2000
Michael McNamara		
/s/ Robert R. Momsen	Director	October 11, 2000
Robert R. Momsen		
/s/ Ephraim Heller	Director	October 11, 2000
Ephraim Heller		
/s/ Richard P. Thompson	Director	October 11, 2000
Richard P. Thompson		

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10.4	Form of Director and Executive Officer Indemnification Agreement
10.5	Employment Letter from TheraSense, Inc. to W. Mark Lortz, dated as of October 6, 1997
+10.6	Technology Purchase Agreement between TheraSense and E. Heller & Co. dated as of October 10, 2000
+10.7	Cooperative Development Agreement between TheraSense, Inc. and Gainor Medical North America LLC, dated as of December 1, 1998
10.8	Standard Industrial/Commercial Single-Tenant Lease between TheraSense, Inc. and PlyProperties, a Partnership, dated as of February 26, 1999, and addendum thereto
+10.9	Master Purchase Agreement between TheraSense and Flextronics International USA, Inc., dated as of November 3, 1999
+10.10	Assignment of Patent Rights and Technology by and among Board of Regents of the University of Texas System, an agency of the State of Texas, Dr. Adam Heller, E. Heller & Company and ThersSense Inc. dated August 1, 1991
+10.11	First Amendment, dated March 19, 1998, to the Agreement entitled Assignment of Patent Rights and Technology by and among Board of Regents of the University of Texas System, an agency of the State of Texas, Dr. Adam Heller, E. Heller & Company and TheraSense Inc.

dated August 1, 1991.

+10.12 License Agreement between TheraSense, Inc. and Asulab SA., dated February 23, 2000

10.13 Promissory Note dated December 1, 1997 for the principal aggregate amount of $62,650 issued by W. Mark Lortz to TheraSense

10.14 Promissory Note dated March 5, 1999 for the principal aggregate amount of $72,495 issued by W. Mark Lortz to TheraSense

10.15 Promissory Note dated July 30, 1998 for the principal aggregate amount of $17,500 issued by Charles T. Liamos to TheraSense

10.16 Promissory Note dated March 5, 1999 for the principal aggregate amount of $15,187.50 issued by Charles T. Liamos to TheraSense

10.17 Promissory Note dated September 1, 1999 for the principal aggregate amount of $61,250 issued by Charles T. Liamos to TheraSense

23.1 Consent of PricewaterhouseCoopers LLP, independent accountants

Exhibit Number	Description
*23.2	Consent of Counsel (included in exhibit 5.1)
24.1	Power of Attorney (See page II-5)
27.1	Financial Data Schedule

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*To be filed by amendment

+Confidential treatment has been requested for portions of this exhibit

Exhibit 3.1(a)

CERTIFICATE OF INCORPORATION
OF THERASENSE, INC.

ARTICLE I

The name of this corporation is TheraSense, Inc.

ARTICLE II

The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

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

ARTICLE IV

This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is 70,609,647 shares, of which 50,000,000 shares shall be Common Stock, par value $0.001 per share, and 20,609,647 shares shall be Preferred Stock, par value $0.001 per share. Of the authorized shares of Preferred Stock, 4,500,123 shares shall be designated as Series A Preferred Stock, 7,609,524 shares shall be designated as Series B Preferred Stock and 8,500,000 shares shall be designated as Series C Preferred Stock.

ARTICLE V

The relative powers, preferences special rights, qualifications, limitations and restrictions granted to or imposed on the respective classes of the shares of capital stock or the holders thereof are as follows:

(1) Dividends.

(a) Preference Dividends. The holders of shares of Series A Preferred
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Stock, Series B Preferred Stock and Series C Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in

preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, at the rate of $0.10, $0.16 and $0.40 per share per annum for the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, respectively, or, if greater (as determined on a per annum basis and on an as converted basis

for the Preferred Stock), an amount equal to that paid on any other outstanding shares of this corporation.

(b) Dividends Noncumulative. Dividends on shares of Common Stock and
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Preferred Stock under this Section 1 shall be payable when, as and if declared by the Board of Directors of the corporation, and shall not be cumulative, and no right shall accrue to holders of Common Stock or Preferred Stock under this Section 1 by reason of the fact that dividends on said shares are not declared in any prior period.

(2) Liquidation Preference. In the event of any liquidation, dissolution,
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or winding up of the corporation, either voluntary or involuntary, distributions to the shareholders of the corporation shad be made in the following manner:

(a) Preferred Stock Preference. The holders of Series A Preferred
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Stock, Series B Preferred Stock and the Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Common Stock of the corporation, an amount equal to $1.254, $2.10 and $5.00 for each outstanding share of Series A Preferred Stock, Series B Preferred Stock and the Series C Preferred Stock, respectively, plus a further amount equal to any dividends declared but unpaid on such shares. (The foregoing preferential amount payable to the holders of Preferred Stock shall be referred to as the "Preferred Stock Preference.") If upon such liquidation, dissolution or winding up of the corporation, the assets of the corporation are insufficient to provide for the cash payment described above to the holders of Preferred Stock, such assets as arc available shall be paid to the holders of Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive.

(b) Remaining Assets. After payment or setting apart of payment of
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the-Preferred Stock Preference, the holders of Common Stock shall be entitled to receive the remaining assets of the corporation pro rata based upon the number of shares of Common Stock held.

(c) Reorganization or Merger. A merger or reorganization of the
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corporation with or into any other corporation or corporations or a sale, transfer or other conveyance of all or substantially all of the assets of the

corporation, in which transaction the corporation's shareholders immediately prior to such transaction own immediately after such transaction less than 50% of the equity securities of the surviving corporation or its parent, shall be deemed to be a liquidation within the meaning of this Section 2.

(d) Any securities to be delivered to the holders of the Preferred Stock and/or Common Stock pursuant to Section 2(c) above shall be valued as follows:

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

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

(B) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors of this corporation.

(ii) The method of valuation of securities subject to investment letter of other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in (i)(A), (B) or (C) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors of this corporation.

(e) In the event the requirements of subsection 2(c) are not complied with, the corporation shall forthwith either:

(i) cause such closing to be postponed until such time as the requirements of this Section 2(c) have been complied with, or

(ii) cancel such transaction, in which event the rights preferences, privileges and restrictions of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences, privileges and restrictions existing immediately prior to the date of the first notice referred to in Section 2(f) hereof.

(f) The corporation shall give each holder of record Preferred Stock written notice of such a Section 2(c) transaction not later than twenty (20) days prior to the shareholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such

transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of Section 2(c), and the corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of a majority of the shares of Preferred Stock then outstanding.

(3) Voting Rights.

(a) Generally. Except as otherwise required by law and provided in Section 3(b), the bolder of each share of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Preferred Stock could be converted on the record date for the vote or consent of shareholders written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock. The holder of each share of Preferred Stock shall be entitled to notice of any shareholders' meeting in accordance with the bylaws of the corporation and upon any other matter submitted to a vote of shareholders, except those matters required by law to be submitted to a class vote. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all

shares of Common Stock into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half rounded upward to one).

(b) Election of Directors. The holders of the then outstanding shares of Series C Preferred Stock, voting as a separate class, shall be entitled to elect two (2) members of the corporation's Board of Directors. The holders of the then outstanding shares of Series B Preferred Stock, voting as a separate class, shall be entitled to elect two (2) members of the corporation's Board of Directors. The holders of the then outstanding shares of Series A Preferred Stock, voting as a separate class, shall be entitled to elect two (2) members of the corporation's Board of Directors. The holders of the then outstanding shares of Common Stock, voting as a separate class, shall be entitled to elect two (2) members of the corporation's Board of Directors. The holders of the then outstanding shares of Preferred Stock and Common Stock, voting together as a separate class, shall be entitled to elect the remaining directors of the corporation's Board of Directors.

(c) Cumulative Voting. No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the

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

(d) Removal of Directors. The Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected. During such time or times that the corporation is subject to Section 2115 of the CGCL, the provisions of this subsection (d) shall be subject to Sections 302 and 303 of the CGCL.

(4) Conversion. The holders of the Preferred Stock have conversion rights as follows (the "Conversion Rights'):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the

corporation or any transfer agent for the Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the applicable Issuance Price by the applicable Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The Issuance Price per share for the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock shall be $1.254, $2.10 and $5.00, respectively. The initial Conversion Price per share for the Series A Preferred Stock, Series B

Preferred Stock and Series C Preferred Stock shall be $1.254, $2.10 and $5.00, respectively. The initial Conversion Price of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock shall be subject to adjustment as hereinafter provided. The number of shares of Common Stock into which a share of Series A Preferred, Series B Preferred Stock and Series C Preferred Stock is convertible is hereinafter referred to as the "Conversion Rate" of such series.

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Rate (i) immediately prior to the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the corporation to the public in which the public offering price exceeds (prior to underwriter's discounts or commissions and offering expenses) $10.00 per share (adjusted for any subsequent stock splits, stock dividends, reclassifications or recapitalization) and the aggregate gross proceeds raised exceeds $15,000,000 or (ii) on the date upon which the corporation obtains the consent of the holders of (x) at least a majority of the Series A Preferred and Series B Preferred Stock then outstanding, voting together as a single class, and (y) a majority of the Series C Preferred Stock then outstanding, voting as a separate class. In the event of the automatic conversion of the Preferred Stock upon a public offering as aforesaid, the person(s) entitled to receive the Common Stock issuable upon such conversion of Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities.

(c) Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for the Preferred Stock, and shall give written notice to the corporation at such office that such holder elects to convert the same; provided however, that in the event of an automatic conversion pursuant to Section 4(b), the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the corporation or its transfer agent, and provided further that the corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless the certificates evidencing such shares of Preferred Stock are either delivered to the corporation or its transfer agent as provided above, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in the case of a lost certificate, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of

shares of Common Stock to which the holder shall be entitled as aforesaid and a check payable to the bolder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such

conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, or in the cast of automatic conversion on the date of closing of the offering and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933 (other than an automatic conversion pursuant to Article IV, Section 4(b)(i)) or in connection with the sale of the corporation by merger, sale of all or substantially all of the assets or otherwise, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering or the closing of such sale of the corporation as the case may be, in which event the person(s) entitled to receive the Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities or the closing of such sale of the corporation as the case may be.

(d) Fractional Shares. In lieu of any fractional shares to which the holder of Preferred Stock would otherwise be entitled, the corporation may pay cash equal to such fraction multiplied by the then effective Conversion Price for the applicable Series of Preferred Stock or round such fractional share up to a whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock of each holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(e) Adjustment of Conversion Price. The Conversion Price of Preferred Stock shall be subject to adjustment from time to time as follows:

(i) If the corporation shall issue (or, pursuant to Section 4(e)(i)(C)(z) hereof, shall be deemed to have issued) any Common Stock other than "Excluded Stock" (as defined below) for a consideration per share less than the Conversion Price for any Series of Preferred Stock in effect immediately prior to the issuance of such Common Stock (excluding stock dividends, subdivisions, split-ups, combinations, dividends or recapitalizations which are covered by Sections 4(c) (iii), (iv), (v) and (vi)), the Conversion Price for such series of Preferred Stock in effect immediately after each such issuance shall forthwith (except as provided in this Section 4(e)) be adjusted to a price equal to the quotient obtained by dividing:

(A) an amount equal to the sum of

(x) the total number of shares of Common Stock outstanding (including any shares of Common Stock issuable upon conversion of outstanding of Preferred Stock, issuable upon exercise of outstanding options or deemed to have been issued pursuant to subdivision (C)(z) of this clause 4(e)(i)) immediately prior to such issuance multiplied by the Conversion Price for such Series of Preferred Stock in effect immediately prior to such issuance, plus

(y) the aggregate consideration received by the corporation upon such issuance, by

(B) the total number of shares of Common Stock outstanding immediately prior to such issuance of Common Stock (including any shares of Common Stock issuable upon conversion of outstanding Preferred Stock, issuable upon exercise of outstanding options or deemed to have been issued pursuant to subdivision (C)(z) of this clause (4)(e)(i)) plus the number of shares of Common Stock issued in the transaction which resulted in the adjustment pursuant to this Section 4(e)(i).

(C) For the purposes of any adjustment of the Conversion Price for any Series of Preferred Stock pursuant to this clause (i), the following provisions shall be applicable:

(x) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor after deducting any discounts or commissions paid or incurred by the corporation in connection with the issuance and sale thereof.

(y) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as reasonably determined in good faith by the Board of Directors of the corporation, in accordance with generally accepted accounting treatment; provided, however, that if, at the time
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of such determination, the corporation's Common Stock is traded in the over-the-counter market or on a national or regional securities exchange, such fair market value as determined by the Board of Directors of the corporation shall not exceed the aggregate "Current Market Price" (as defined below) of the shares of Common Stock being issued.

(z) In the case of the issuance of (i) options to purchase or rights to subscribe for Common Stock, (ii) securities by their terms convertible into or exchangeable for Common Stock, or (iii) options to purchase or rights to subscribe for such convertible or exchangeable securities:

(1) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subdivisions (x) and (y) above), if any, received by the corporation upon the issuance of such options or rights plus the minimum purchase price provided in such options or rights for the Common Stock covered thereby;

(2) the aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration received by the corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued

dividends), plus the additional minimum consideration, if any, to be received by the corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subdivisions (x) and (y) above);

(3) on any change in the number of shares of Common Stock deliverable upon exercise of any such options or rights or conversion of or exchange for such convertible or exchangeable securities, or on any change in the minimum purchase price of such options, rights or securities, other than a change resulting from the antidilution provisions of such options, rights or securities, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have obtained had the adjustment made upon (x) the issuance of such options, rights or securities not exercised, converted or exchanged prior to such change or (y) the options or rights related to such securities not converted or exchanged prior to such change, as the case may be, been made upon the basis of such change; and

(4) on the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have obtained had the adjustment made upon the issuance of such options, rights, convertible or exchangeable securities or options or rights relate to such convertible or exchangeable securities, as the case may be, been made upon the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options or rights, upon the conversion or exchange of such convertible or exchangeable securities or upon the exercise of the options or rights related to such convertible or exchangeable securities, as the case may be.

(ii) "Excluded Stock" shall mean:

(A) all shares of Common Stock issued and outstanding on the date this certificate is filed with the Secretary of State of the State of Delaware;

(B) all shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock issued and outstanding on the date this certificate is filed with the Secretary of State of the State of Delaware and the Common Stock into which the shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock are convertible;

(C) all warrants to purchase shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock issued and outstanding on the date this certificate is filed with the Secretary of State of the State of Delaware, the shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock issued upon the exercise of such warrants and the Common Stock into which the shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock are convertible;

(D) all shares of Common Stock, warrants or options to purchase Common Stock or other securities issued to employees, officers, directors, scientific advisors and

consultants of the corporation pursuant to any plan or arrangement approved by the Board of Directors; and

(E) all securities issued in connection with bona fide arms length equipment leasing, equipment financing or other loan arrangements approved by the Board of Directors of the corporation.

All outstanding shares of Excluded Stock (including shares issuable upon conversion of the Preferred Stock) shall be deemed to be outstanding for all purposes of the computations of Section 4(e)(i) above.

(iii) If the number of shares of Common Stock outstanding at any time after the date hereof is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then, on the date such payment is made or such change is effective, the Conversion Price of the Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of any shares of Preferred Stock shall be increased in proportion to such increase of outstanding shares.

(iv) If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, then, on the effective date of such combination, the Conversion Price of the Preferred Stock shall be appropriately increased so that

the number of shares of Common Stock issuable on conversion of any shares of Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

(v) In case the corporation shall declare a cash dividend upon its Common Stock payable otherwise than out of retained earnings or shall distribute to holders of its Common Stock shares of its capital stock (other than Common Stock), stock or other securities of other persons, evidences of indebtedness issued by the corporation or other persons, assets (excluding cash dividends) or options or rights (excluding options to purchase and rights to subscribe for Common Stock or other securities of the corporation convertible into or exchangeable for Common Stock), then, in each such case, the holders of shares of Preferred Stock shall, concurrent with the distribution to holders of Common Stock, receive a like distribution based upon the number of shares of Common Stock into which such Preferred Stock is then convertible.

(vi) In case, at any time after the date hereof, of any capital reorganization, or any reclassification of the stock of the corporation (other than as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the corporation with or into another person (other than a consolidation or merger in which the corporation is the continuing entity and which does not result in any change in the Common Stock of a consolidation or merger where Section 2 applies), the shares of Preferred Stock shall, after such reorganization, reclassification, consolidation, merger, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property of the corporation or otherwise to which such holder would have been entitled if immediately prior to such reorganization, reclassification, consolidation, merger, sale or other disposition such holder had converted its shares of Preferred

Stock into Common Stock. The provisions of this clause (vi) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or other dispositions.

(vii) All calculations under this Section 4 shall be made to the nearest cent or to the nearest one-hundredth (1 /100) of a share, as the case may be.

(viii) For the purpose of any computation pursuant to this Section 4(e), the "Current Market Price" at any date of one share of Common Stock, shall be deemed to be the average of the highest reported bid and the lowest reported offer prices on the preceding business day as furnished by the National Quotation Bureau, Incorporated (or equivalent recognized source of quotations); provided, however, that if the Common Stock is not traded in such
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manner that the quotations referred to in this clause (viii) are available for the period required hereunder, Current Market Price shall be determined in good faith by the Board of Directors of the corporation, but if challenged by the

holders of more than 50% of the outstanding Preferred Stock, then as determined by an independent appraiser selected by the Board of Directors of the corporation, the cost of such appraisal to be borne by the challenging parties.

(f) Minimal Adjustments. No adjustment in the Conversion Price for any Series of Preferred Stock need be made if such adjustment would result in a change in the Conversion Price of less than $0.01. Any adjustment of less than $0.01 which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of $0.01 or more in the Conversion Price.

(g) No Impairment. The corporation will not through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Preferred Stock against impairment This provision shall not restrict the corporation's right to amend its Articles of Incorporation with the requisite shareholder consent.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate for any series of Preferred Stock pursuant to this Section 4, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such series of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon written request at any time of any holder of any series of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) all such adjustments and readjustments, (ii) the Conversion Rate at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such holder's shares of Preferred Stock.

(i) Notices of Record Date and Proposed Liquidation Distribution. In the event of any taking by the corporation of a record of the holders of any class of securities for the purpose

of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property or to receive any other right, the corporation shall mail

to each holder of Preferred Stock at least twenty (20) days prior to such record date, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution or right, and the amount and character of such dividend, distribution or right. In the event of a liquidation distribution pursuant to Section 2 hereof, the corporation shall mail to each holder of Preferred Stock at least twenty (20) days prior to the date of such distribution a notice (i) certifying as to (x) the anticipated aggregate proceeds available for distribution to holders of Preferred Stock and Common Stock, (y) the amount expected to be distributed pursuant to Section 2 in respect of each share of each outstanding series of Preferred Stock and each share of Common Stock and (z) the amount expected to be distributed pursuant to Section 2 in respect of each share of each outstanding Series of Preferred Stock if the holder of each such share of Preferred Stock converted such share of Preferred Stock into Common Stock immediately prior to the liquidation distribution and (ii) stating that in connection with such liquidation distribution the holders of shares of each series of Preferred Stork may prior to such liquidation distribution convert their shares of such series of Preferred Stock into Common Stock at the applicable Conversion Rate for such series.

(j) Notices. Any notice required by the provisions of Us Section 4 to
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be given to the holders of shares of the Preferred Stock shall be domed given upon personal delivery, upon delivery by nationally recognized courier or three business days after deposit in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appear on the corporation's books.

(k) Reservation of Stock Issuable Upon Conversion. The corporation
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shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Preferred Stock, the corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(l) Reissuance of Converted Shares. No shares of Preferred Stock
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which have been converted into Common Stock after the original issuance thereof shall ever again be reissued and all such shares so converted shall upon such conversion cease to be a part of the authorized shares of the corporation.

(5) General Covenants.

(a) Protective Provisions. In addition to any other rights provided

by law, so long as at least 3,250,000 shares of Preferred Stock shall be outstanding (adjusted for any subsequent stock splits, stock dividends, reclassifications or recapitalizations), this corporation shall not, without first obtaining the affirmative vote or written consent of the holders of not less than a sixty-six and

two thirds percent (66 2/3%) of the outstanding shares of the Preferred Stock, voting together as a single class:

(i) adversely alter or change the rights, preferences or privileges of the Preferred Stock;

(ii) create by amendment of the Articles of Incorporation, reclassification, certificate of designation or otherwise) or issue any new class or series of shares or securities exercisable for or convertible into shares having rights, preferences or privileges senior to or on a parity with the Preferred Stock;

(iii) increase or decrease the authorized number of shares of Preferred Stock;

(iv) consummate a merger, corporate reorganization, or any transaction in which all or substantially all of the assets of the corporation are sold, or in which transaction the corporation's shareholders immediately prior to such transaction and immediately after such transaction less than 50% of the equity securities of the surviving corporation or its parent;

(v) redeem or repurchase any shares of Common Stock (except for the repurchase of shares of Common Stock from service providers pursuant to the terms of restricted stock purchase agreements, provided that such repurchases shall not exceed $50,000 in any twelve-month period);

(vi) declare or pay dividends on or make any distribution on account of the Common Stock;

(vii) permit a subsidiary of the corporation to sell securities to a third party;

(viii) amend the corporation's bylaws to change the variable range for the number of the corporation's directors;

(ix) incur any indebtedness which has equity participation rights or is issued in conjunction with any equity securities, including any security exercisable or convertible into an equity security, representing in excess of five percent (5%) of the Company's outstanding capital stock; or

(x) liquidate or dissolve the corporation.

(6) Common Stock. The following is applicable to the Common Stock:

(a) Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

(b) Liquidation Rights. Upon the liquidation, dissolution or winding up of the corporation, the assets of the corporation shall be distributed as provided in Section 2 of Article V hereof.

(c) Redemption. The Common Stock is not redeemable.

(d) Voting Rights. The holder of each share of Common Stock shall have the right to one vote, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law. The right to vote for directors shall be subject to Section 3 of Article V hereof.

ARTICLE VI

The corporation is to have perpetual existence.

ARTICLE VII

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the corporation.

ARTICLE VIII

The election of directors need not be by written ballot unless the Bylaws of the corporation shall so provide, provided, however, that any election for directors must be by ballot if demanded by any stockholder at the meeting and before the voting has begun.

ARTICLE IX

The Corporation shall indemnify to the fullest extent permitted by the Delaware General Corporation Law, or any other applicable law, as the same

exists or may hereafter be amended, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigate, by reason of the fact that he or she or his testator or intestate is or was a director or officer of the corporation or any predecessor of the corporation or serves or served any other enterprise as a director, officer, employee or agent at the request of the corporation or any predecessor to the corporation.

Neither any amendment nor repeal of this Article, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article in respect of any matter occurring, or any cause of action, suit or claim accruing or arising or that, but for this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

If at any time this corporation is subject to Section 2115 of the CGCL, the corporation is authorized to provide indemnification of agents (as defined in Section 317 of the CGCL) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or through stockholders resolutions, or otherwise, in excess of the indemnification

otherwise permitted by Section 317 of the CGCL, subject to the limits on such excess indemnification set forth in Section 204 of the CGCL.

ARTICLE XI

The name and mailing address of the incorporator are:

Charlie Liamos
1360 South Loop Road
Alameda, CA 94502

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the Stale of Delaware, do make this certificate, hereby declaring and certifying, under penalties of perjury, that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 1st day of
---
September, 2000.

/s/ Charlie Liamos

Charlie Liamos, Incorporator

Exhibit 3.1(b)

AMENDED AND RESTAED CERTIFICATE OF INCORPORATION

OF

THERASENSE, INC.

THERASENSE, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

FIRST: The name of this corporation is TheraSense, Inc. (the "Corporation").

SECOND: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on September 1, 2000. A Certificate of Merger whereby TheraSense, Inc., a California corporation, was merged with and into this Corporation was filed with the Secretary of State of the State of Delaware on _____, 2000.

THIRD: The Certificate of Incorporation of the Corporation shall be amended and restated to read in full as follows:

ARTICLE I

The name of this Corporation is TheraSense, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company. The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

ARTICLE III

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

ARTICLE IV

This Corporation is authorized to issue two classes of stock, to be designated, respectively, Common Stock and Preferred Stock. The total number of shares which this Corporation is authorized to issue is Two Hundred Five Million

(205,000,000), of which Two Hundred Million (200,000,000) shares are Common Stock, $0.001 par value, and Five Million (5,000,000) shares are Preferred Stock, $0.001 par value.

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized subject to limitations prescribed by law, to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each such series of Preferred Stock, including without limitation authority to fix by resolution or resolutions, the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any wholly unissued

series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subsequent to the issue of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The Corporation is to have perpetual existence.

ARTICLE VI

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE VII

The election of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE VIII

To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. The Corporation

shall indemnify to the fullest extent permitted by the law, any person made or threatened to be made a party, to any action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact the he or she, or his or her testator or intestate, is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation. Neither any amendment nor repeal of this Article, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX

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

ARTICLE X

At the election of directors of the Corporation, each holder of stock of any class or series shall be entitled to one vote for each share held. No stockholder will be permitted to cumulate votes at any election of directors.

The number of directors which constitute the whole Board of Directors of the Corporation shall be fixed exclusively by one or more resolutions adopted from time to time by the Board of Directors. The Board of Directors shall be divided into three classes designated as Class I, Class II, and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the date hereof, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the date hereof, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the date hereof, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Vacancies created by newly created directorships, created in accordance with the Bylaws of this Corporation, may be filled by the vote of a majority, although less than a quorum, of the directors then in office, or by a sole remaining director.

ARTICLE XI

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept (subject to any provision contained in the laws of the State of Delaware) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE XII

Advance notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

ARTICLE XIII

Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of the capital stock required by law or this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least two-thirds (2/3) of the combined voting power of all of the then-outstanding shares of the Corporation entitled to vote shall be required to alter, amend or repeal Articles VIII, X or XII hereof, or this Article XIII, or any provision hereof or thereof, unless such amendment shall be approved by a majority of the directors of the Corporation.

ARTICLE XIV

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights conferred herein are granted subject to this reservation.

FOURTH: This Amended and Restated Certificate of Incorporation has been duly adopted by the Board of Directors of this Corporation in accordance with Sections 242 and 245 of the General Corporation Law.

FIFTH: This Amended and Restated Certificate of Incorporation has been duly approved, in accordance with Section 242 of the General Corporation Law, by vote of the holders of a majority of the outstanding stock entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Certificate of Incorporation on this ____ day of _____, 2000.

_____

W. Mark Lortz

Chief Executive Officer and President

Exhibit 3.2(a)

TABLE OF CONTENTS

EXHIBIT 3.2(a)

BYLAWS

OF

THREASENSE, INC.

ARTICLE I.

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be at Corporation Trust Center, 1013 Center Road in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such

location is Corporation Service Company.

1.2 OTHER OFFICES

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

ARTICLE II.

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

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

2.2 ANNUAL MEETING

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

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time for any purpose or purposes by the board of directors, or by the chairman of the board, or by the president and chief executive officer, or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

If a special meeting is called by any person or persons other than the board of directors or the president and chief executive officer or the chairman of the board, then the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president and

chief executive officer or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting, so long as that time is not less than ten (10) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, then the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

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

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote at a duly called meeting of the stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business except as other-wise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then the meeting may be adjourned from time to time by the vote of a majority of the shares entitled to vote at such meeting, present in person or represented by proxy, without notice other than announcement at the meeting, until a quorum is present or represented.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting at which a quorum is presented or represented, the corporation may transact only such business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days from the date set for the original meeting, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of the State of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

The stockholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any stockholder at the meeting and before the voting has begun.

Except as provided in the last paragraph of this Section 2.8, or as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote on each matter submitted to a vote of the stockholders for each share of capital stock held by such stockholder.

If a quorum is present, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the vote of a greater number or a vote by classes is required by the General Corporation Law of the State of Delaware or the Articles of Incorporation. Where a separate vote by class is required, the affirmative vote of the majority of shares of such class present in person or represented by proxy at the meeting shall be the act of such class.

Article VII of Certificate of Incorporation does not permit Cumulative voting.

2.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the

transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any

regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action required by the General Corporation Law of the State of Delaware to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

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

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

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

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of

business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

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

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

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.12 PROXIES

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

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

ARTICLE III.

DIRECTORS

3.1 POWERS

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

3.2 NUMBER OF DIRECTORS

The number of directors of the corporation shall be not less than 3 nor more than 11. The exact number of directors shall be 9 until changed, within the limits specified above, by a bylaw amending this Section 3.2, duly adopted by the board of directors or by the stockholders. The indefinite number of directors may be changed, or a definite number may be fixed without provision for an indefinite number, by a duly adopted amendment to the certificate of incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of the holders of majority of the stock issued and outstanding and entitled to vote or by resolution of a majority of the board of directors.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

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

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become

effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

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

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

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

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

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

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

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

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

3.6 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.7 REGULAR MEETINGS

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

3.8 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president and chief executive officer, the secretary or any two (2) directors unless the board consists of only one (1) director, in which case special meetings shall be called by the president and chief executive officer or secretary in like manner and on like notice on the written request of the sole director.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by firstclass mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the

time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.9 QUORUM

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

3.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.11 ADJOURNED MEETING; NOTICE

If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.12 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.13 FEES AND COMPENSATION OF DIRECTORS

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

3.14 APPROVAL OF LOANS TO OFFICERS

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

3.15 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

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

ARTICLE IV.

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of the State of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware.

4.2 COMMITTEE MINUTES

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

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.7 (regular meetings),

Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment and notice of adjournment), and Section 3.12 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V.

OFFICERS

5.1 OFFICERS

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

5.2 ELECTION OF OFFICERS

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

5.3 SUBORDINATE OFFICERS

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

5.4 REMOVAL AND RESIGNATION OF OFFICERS

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

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

5.5 VACANCIES IN OFFICES

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

5.6 CHAIRMAN OF THE BOARD

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

5.7 PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

5.8 VICE PRESIDENT

In the absence or disability of the president and chief executive officer, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and chief executive officer and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president and chief executive officer. The vice presidents shall have such other powers and perform

such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president and chief executive officer or the chairman of the board.

5.9 SECRETARY

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

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

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

5.10 CHIEF FINANCIAL OFFICER

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

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

5.11 ASSISTANT SECRETARY

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

other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

5.12 AUTHORITY AND DUTIES OF OFFICERS

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

ARTICLE VI.

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of the State of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation,

partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the General Corporation Law of the State of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the

corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the General Corporation Law of the State of Delaware.

ARTICLE VII.

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its shareholders listing their names and addresses and the number and class of

shares held by each shareholder, a copy of these bylaws as amended to date, accounting books, and other records.

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

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the

corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any

special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

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

ARTICLE VIII.

GENERAL MATTERS

8.1 CHECKS

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

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall

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

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

8.4 SPECIAL DESIGNATION ON CERTIFICATES

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

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is

surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or

destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

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

8.7 DIVIDENDS

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

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

8.8 FISCAL YEAR

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

8.9 SEAL

The board shall have the power to adopt a corporate seal bearing the words ["Therasense, Inc." and "a Delaware Corporation" together with the date of incorporation.]

8.10 TRANSFER OF STOCK

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

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of shareholders of any one or more classes of stock of the corporation to restrict the transfer of

shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of the State of Delaware.

8.12 REGISTERED STOCKHOLDERS

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

ARTICLE IX.

AMENDMENTS

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

ARTICLE X.

DISSOLUTION

If it should be deemed advisable in the judgment of the board of directors of the corporation that the corporation should be dissolved, the board, after the adoption of a resolution to that effect by a majority of the whole board at any meeting called for that purpose, shall cause notice to be mailed to each stockholder entitled to vote thereon of the adoption of the resolution and of a meeting of stockholders to take action upon the resolution.

At the meeting a vote shall be taken for and against the proposed dissolution. If a majority of the outstanding stock of the corporation entitled to vote thereon votes for the proposed dissolution, then a certificate stating that the dissolution has been authorized in accordance with the provisions of Section 75 of the General Corporation Law of the State of Delaware and setting forth the names and residences of the directors and officers shall be executed, acknowledged, and filed and shall become effective in accordance with Section 103 of the General Corporation Law of the State of Delaware. Upon such certificate's becoming effective in accordance with Section 103 of the General Corporation Law of the State of Delaware, the corporation shall be dissolved.

Whenever all the stockholders entitled to vote on a dissolution consent in writing, either in person or by duly authorized attorney, to a dissolution, no meeting of directors or stockholders shall

be necessary. The consent shall be filed and shall become effective in accordance with Section 103 of the General Corporation Law of the State of Delaware. Upon such consent's becoming effective in accordance with Section 103 of the General Corporation Law of the State of Delaware, the corporation shall be dissolved. If the consent is signed by an attorney, then the original power of attorney or a photocopy thereof shall be attached to and filed with the consent. The consent filed with the Secretary of State shall have attached to it the affidavit of the secretary or some other officer of the corporation stating that the consent has been signed by or on behalf of all the stockholders entitled to vote on a dissolution; in addition, there shall be attached to the consent a certification by the secretary or some other officer of the corporation setting forth the names and residences of the directors and officers of the corporation.

ARTICLE XI.

CUSTODIAN

11.1 APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES

The Court of Chancery, upon application of any stockholder, may appoint one or more persons to be custodians and, if the corporation is insolvent, to be receivers, of and for the corporation when:

(i) at any meeting held for the election of directors the stockholders are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon qualification of their successors; or

(ii) the business of the corporation is suffering or is threatened with irreparable injury because the directors are so divided respecting the management of the affairs of the corporation that the required vote for action by the board of directors cannot be obtained and the stockholders are unable to terminate this division; or

(iii) the corporation has abandoned its business and has failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets.

11.2 DUTIES OF CUSTODIAN

The custodian shall have all the powers and title of a receiver appointed under Section 291 of the General Corporation Law of the State of Delaware, but the authority of the custodian shall be to continue the business of the corporation and not to liquidate its affairs and distribute its assets, except when the Court of Chancery otherwise orders and except in cases arising under Sections 226(a)(3) or 352(a)(2) of the General Corporation Law of the State of Delaware.

Exhibit 3.2(b)

AMENDED AND RESTATED

BYLAWS OF

THERASENSE, INC.
(a Delaware corporation)

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EXHIBIT 3.2(B)

AMENDED AND RESTATED

BYLAWS

OF

THERASENSE, INC.

(a Delaware corporation)

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be fixed in the certificate of incorporation of the corporation.

1.2 OTHER OFFICES

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

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

2.2 ANNUAL MEETING

The annual meeting of the stockholders of this corporation shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted. Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the board of directors, or (c) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in these Bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the secretary of the corporation, (2) such business must be a proper matter for stockholder action under the General Corporation Law of Delaware, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the secretary of the corporation at the principal executive offices of the corporation not less than 60 or more than 90 days prior to the first anniversary (the "Anniversary") of the date on which the corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders, except in the case of the corporation's first stockholders' meeting as a public corporation, in which case a stockholder's notice shall be delivered as described above not less than 60 or more than 90 days prior to March 31, 2001; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall be set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the

Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

Only persons nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of

stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chair of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

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

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or the chairman of the board, the chief executive officer or the president.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing to the secretary of the corporation, and shall set forth (a) as to each person whom such person or persons propose to nominate for election or reelection as a director at such meeting all information relating to such proposed nominee that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (or any successor thereto) and Rule 14a-11 thereunder (or any successor thereto) (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business to be taken at the meeting, a brief description of such business, the reasons for conducting such business and any

material interest in such business of the person or persons calling such meeting and the beneficial owners, if any, on whose behalf such meeting is called; and (c) as to the person or persons calling such meeting and the beneficial owners, if any, on whose behalf the meeting is called (i) the name and address of such persons, as they appear on the corporation's books, and of such beneficial owners, and (ii) the class and number of shares of the corporation that are owned beneficially and of record by such persons and such beneficial owners. No business may be transacted at such special meeting otherwise than specified in such notice or by or at the direction of the corporation's board of directors. The corporation's secretary shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5, that a meeting will be held at the time reasonably requested by the person or persons who called the meeting, not less than 60 nor more than 90 days after the receipt of the request. If the notice is not given within 20 days after the receipt of a valid request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

Only such business shall be conducted at a special meeting of stockholders called by action of the board of directors as shall have been brought before the meeting pursuant to the corporation's notice of meeting.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings of stockholders shall be sent or otherwise given in accordance with Sections 2.2 and 2.3 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the purpose or purposes for which the meeting is called (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders shall be given either personally or by first-class mail or by telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of that stockholder appearing on the books of the corporation or given by the stockholder to the corporation for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM

The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting in accordance with Section 2.7 of these bylaws.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the laws of the State of Delaware or of the certificate of incorporation or these bylaws, a different vote is required, in which case such express provision shall govern and control the decision of the question.

If a quorum be initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by a majority of the stockholders initially constituting the quorum.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time and place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.10 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners, and to voting trusts and other voting agreements).

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

2.9 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action

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

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

2.10 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat, the board of directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date.

If the board of directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the board of directors fixes a new record date for the adjourned meeting, but the board of directors shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

The record date for any other purpose shall be as provided in Section 8.1 of these bylaws.

2.11 PROXIES

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether

by manual signature, typewriting, telegraphic transmission, telefacsimile or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

2.12 ORGANIZATION

The president or the chief executive officer, or in the absence of the president or the chief executive officer, the chairman of the board, shall call the meeting of the stockholders to order, and shall act as chairman of the meeting. In the absence of the president or the chief executive officer, the chairman of the board, and all of the vice presidents, the stockholders shall appoint a chairman for such meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and the conduct of business. The secretary of the corporation shall act as secretary of all meetings of the stockholders, but in the absence of the secretary at any meeting of the stockholders, the chairman of the meeting may appoint any person to act as secretary of the meeting.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

ARTICLE III

DIRECTORS

3.1 POWERS

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

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of nine (9) members and shall be divided into three classes, designated as Class I, Class II and Class III, as

nearly equal in number as possible. The initial Board of Directors shall consist of Class I consisting of two (2) directors, Class II consisting of three (3) directors and Class III consisting of three (3) directors, and the number of members of any future Board of Directors, and the number of directors in each Class, shall be determined from time to time by resolution of the Board of Directors. Notwithstanding the foregoing, additional directorships resulting from an increase in the number of directors shall be apportioned among the classes as equally as possible.

3.3 ELECTION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws or the certificate of incorporation, directors shall be elected at each annual meeting of stockholders. Each director, including a director elected or appointed to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, unless sooner displaced.

Election of directors need not be by written ballot. Directors shall serve as provided in the certificate of incorporation of the corporation. Directors need not be stockholders.

3.4 RESIGNATION AND VACANCIES

Any director may resign effective on giving written notice to the chairman of the board, the president, the chief executive officer, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

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

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; provided however, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the

affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum). Unless otherwise provided in the certificate of incorporation or these bylaws, each director so elected shall hold office until the next annual election at which the term of the class to which they have been elected expires and until their successors are duly elected and qualified, unless sooner displaced.

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

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

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

3.5 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, only with cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

Regular meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting of the board, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such participating directors shall be deemed to be present in person at the meeting.

3.7 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the

board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.8 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time as shall from time to time be determined by the board of directors. If any regular meeting day shall fall on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding business day.

3.9 SPECIAL MEETINGS; NOTICE

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

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

3.10 QUORUM

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.12 of these bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of the certificate of incorporation and applicable law.

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

3.11 WAIVER OF NOTICE

Notice of a meeting need not be given to any director (i) who signs a waiver of notice, whether before or after the meeting, or (ii) who attends the meeting other than for the express purposed of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. All such waivers shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify

the purpose of any regular or special meeting of the board of directors.

3.12 ADJOURNMENT

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting of the board to another time and place.

3.13 NOTICE OF ADJOURNMENT

Notice of the time and place of holding an adjourned meeting of the board need not be given unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.9 of these bylaws, to the directors who were not present at the time of the adjournment.

3.14 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board of directors.

3.15 FEES AND COMPENSATION OF DIRECTORS

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.15 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.16 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or any of its subsidiaries, including any officer or employee who is a director of the corporation or any of its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing contained in this section shall be

deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.17 SOLE DIRECTOR PROVIDED BY CERTIFICATE OF INCORPORATION

In the event only one director is required by these bylaws or the certificate of incorporation, then any reference herein to notices, waivers, consents, meetings or other actions by a majority or quorum of the directors shall be deemed to refer to such notice, waiver, etc., by such sole director, who shall have all the rights and duties and shall be entitled to exercise all of the powers and shall assume all the responsibilities otherwise herein described as given to the board of directors.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of one or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have and may exercise all the powers and authority of the board, but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the following provisions of Article III of these bylaws: Section 3.6 (place of meetings; meetings by telephone), Section 3.8 (regular meetings), Section 3.9 (special meetings; notice),

Section 3.10 (quorum), Section 3.11 (waiver of notice), Section 3.12

(adjournment), Section 3.13 (notice of adjournment) and Section 3.14 (board action by written consent without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

4.3 COMMITTEE MINUTES

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

ARTICLE V

OFFICERS

5.1 OFFICERS

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

5.2 ELECTION OF OFFICERS

The Corporate Officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment, and shall hold their respective offices for such terms as the board of directors may from time to time determine.

5.3 SUBORDINATE OFFICERS

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

The president or the chief executive officer may from time to time designate and appoint Administrative Officers of the corporation in accordance with the provisions of Section 5.6 of these bylaws.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

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

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

Any Administrative Officer designated and appointed by the president or the chief executive officer may be removed, either with or without cause, at any time by the president or the chief executive officer. Any Administrative Officer may resign at any time by giving written notice to the president, the chief executive officer or the secretary of the corporation.

5.5 VACANCIES IN OFFICES

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

5.6 ADMINISTRATIVE OFFICERS

In addition to the Corporate Officers of the corporation as provided in Section 5.1 of these bylaws and such subordinate Corporate Officers as may be appointed in accordance with Section 5.3 of these bylaws, there may also be such Administrative Officers of the corporation as may be designated and appointed from time to time by the president or the chief executive officer of the corporation. Administrative Officers shall perform such duties and have such powers as from time to time may be determined by the president, the chief executive officer or the board of directors in order to assist the Corporate Officers in the furtherance of their duties. In the performance of such duties and the exercise of such powers, however, such Administrative Officers shall have limited authority to act on behalf of the corporation as the board of directors shall establish, including but not limited to limitations on the dollar amount and on the scope of agreements or commitments that may be made by such Administrative Officers on behalf of the corporation, which limitations may not be exceeded by such individuals or altered by the president or the chief executive officer without further approval by the board of directors.

5.7 AUTHORITY AND DUTIES OF OFFICERS

The officers of the corporation shall respectively have such authority and

powers and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware as the same now exists or may hereafter be amended, indemnify any person against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit, or proceeding in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was a director or officer of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation shall mean any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

The corporation shall be required to indemnify a director or officer in connection with an action, suit, or proceeding (or part thereof) initiated by such director or officer only if the initiation of such action, suit, or proceeding (or part thereof) by the director or officer was authorized by the board of directors of the corporation.

The corporation shall pay the expenses (including attorney's fees) incurred by a director or officer of the corporation entitled to indemnification hereunder in defending any action, suit or proceeding referred to in this Section 6.1 in advance of its final disposition; provided, however, that payment of expenses incurred by a director or officer of the corporation in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should ultimately be determined that the director or officer is not entitled to be indemnified under this Section 6.1 or otherwise.

If a claim for indemnification or payment of expenses under this Article is not paid in full within sixty days after a written claim therefor has been received by the corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

The rights conferred on any person by this Article shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the corporation's Certificate of Incorporation, these

bylaws, agreement, vote of the stockholders or disinterested directors or otherwise.

Any repeal or modification of the foregoing provisions of this Article shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware as the same now exists or may hereafter be amended, to indemnify any person (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit, or proceeding, in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was an employee or agent of the corporation. The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) shall mean any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE

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

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and

addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books and other records of its business and properties.

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

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

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

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

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

7.5 CERTIFICATION AND INSPECTION OF BYLAWS

The original or a copy of these bylaws, as amended or otherwise altered to date, certified by the secretary, shall be kept at the corporation's principal executive office and shall be open to inspection by the stockholders of the corporation, at all reasonable times during business hours.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted and which shall not be more than sixty (60) days before any such action. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided by law.

If the board of directors does not so fix a record date, then the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the applicable resolution.

8.2 CHECKS; DRAFTS; EVIDENCES OF INDEBTEDNESS

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

8.3 CORPORATE CONTRACTS AND INSTRUMENTS: HOW EXECUTED

The board of directors, except as otherwise provided in these bylaws, may authorize and empower any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such power and authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 STOCK CERTIFICATES; TRANSFER; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a

certificate signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, the chief executive officer, or the president or vice-president, and by the

treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Certificates for shares shall be of such form and device as the board of directors may designate and shall state the name of the record holder of the shares represented thereby; its number; date of issuance; the number of shares for which it is issued; a summary statement or reference to the powers, designations, preferences or other special rights of such stock and the qualifications, limitations or restrictions of such preferences and/or rights, if any; a statement or summary of liens, if any; a conspicuous notice of restrictions upon transfer or registration of transfer, if any; a statement as to any applicable voting trust agreement; if the shares be assessable, or, if assessments are collectible by personal action, a plain statement of such facts.

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

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

8.5 SPECIAL DESIGNATION ON CERTIFICATES

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

rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.6 LOST CERTIFICATES

Except as provided in this Section 8.6, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require; the board may require indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

8.7 TRANSFER AGENTS AND REGISTRARS

The board of directors may appoint one or more transfer agents or transfer clerks, and one or more registrars, each of which shall be an incorporated bank or trust company--either domestic or foreign--who shall be appointed at such times and places as the requirements of the corporation may necessitate and the board of directors may designate.

8.8 CONSTRUCTION; DEFINITIONS

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

ARTICLE IX

AMENDMENTS

Any of these bylaws may be altered, amended or repealed by the affirmative vote of a majority of the members of the board of directors or, with respect to bylaw amendments, excluding amendments relating to Sections 2.2 and 2.3 or Article VI, placed before the stockholders for approval and except as otherwise provided herein or required by law, by the affirmative vote of the holders of a majority of the shares of the corporation's stock entitled to vote, voting as one class, and with respect to bylaw amendments relating to Sections 2.2 and 2.3 or Article VI, placed before the stockholders for approval and except as otherwise provided herein or required by law, by the affirmative vote of the holders of at least two-thirds of the shares of the corporation's stock entitled to vote, voting as one class.

Whenever an amendment or new bylaw is adopted, it shall be copied in the

book of bylaws with the original bylaws, in the appropriate place. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the filing of the operative written consent(s) shall be stated in said book.

EXHIBIT 10.1

THERASENSE, INC.

1997 STOCK PLAN

1. Purposes of the Plan. The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 hereof.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options are granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

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

(e) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 hereof.

(f) "Common Stock" means the Common Stock of the Company.

(g) "Company" means Therasense, Inc., a California corporation.

(h) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is

compensated for such services.

(i) "Director" means a member of the Board of Directors of the Company.

(j) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 181st

day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, or;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(m) "Incentive Stock Option" means an Option intended to qualify as

an incentive stock option within the meaning of Section 422 of the Code.

(n) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(o) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(p) "Option" means a stock option granted pursuant to the Plan.

(q) "Option Agreement" means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(r) "Option Exchange Program" means a program whereby outstanding Options are exchanged for Options with a lower exercise price.

(s) "Optioned Stock" means the Common Stock subject to an Option.

(t) "Optionee" means the holder of an outstanding Option granted under the Plan.

(u) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) "Plan" means this 1997 Stock Option Plan.

(w) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(x) "Service Provider" means an Employee, Director or Consultant.

(y) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 below.

(z) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 10,987,122 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options may from time to time be granted hereunder;

(iii) to determine the number of shares of Common Stock to be covered by each such award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions of any option granted hereunder;

(vi) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(e) instead of Common Stock;

(vii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted;

(viii) to institute an Option Exchange Program;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable; and

(ix) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees.

5. Eligibility.

(a) Nonstatutory Stock Options may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

(b) Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall

be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they

were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) The Plan shall not confer upon any Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate such relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

7. Term of Option. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in the preceding subparagraph, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a Service Provider who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any Service Provider other than a Service Provider described in the preceding subparagraph, the exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of Fair Market Value on the date of grant pursuant to a merger or other corporate transaction.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option have been owned by the Optionee for more than six months on the date of surrender and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (5) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement, but in no case at a rate of less than 20% per year over five (5) years from the date of grant. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the

Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time (of at least thirty (30) days) as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's disability, the Optionee may exercise an Option to the extent the Option is vested on the date of termination, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement). If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. If, on the date of termination, the Optionee is not vested as to the entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Option is not exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant) to the extent vested on the date of death. If, at the time of death, the Optionee is not vested as to the entire

Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. The Option may be exercised by the executor or administrator of the Optionee's estate or, if none, by the person(s) entitled to exercise the Option under the Optionee's will or the laws of descent or distribution. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option will terminate

immediately prior to the consummation of such proposed action.

(c) Merger. In the event of a merger of the Company with or into another corporation, the Option may be assumed or an equivalent option may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, the Option is not assumed or substituted, the Option shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger, the option confers the right to purchase, for each Share of Optioned Stock subject to the Option immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option for each Share of Optioned Stock subject to the Option to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

12. Date of Grant. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Board. Notice of the determination shall be given to each Service Provider to whom an Option is so granted within a reasonable time after the date of such grant.

13. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Board shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise

the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

14. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Administrator may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

15. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

17. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

18. Information to Optionees and Purchasers. The Company shall provide to each Optionee, not less frequently than annually, copies of annual financial statements. The Company shall also provide such statements to each individual who acquires Shares pursuant to the Plan while such individual owns such Shares. The Company shall not be required to provide such statements to Service Providers whose duties in connection with the Company assure their access to equivalent information.

THERASENSE, INC.

1997 STOCK PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

1. NOTICE OF STOCK OPTION GRANT

(Name)
c/o Therasense, Inc.
1360 South Loop Road
Alameda, CA 94502

The undersigned Optionee has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Number	_____
Date of Grant	(GrantDate)
Vesting Commencement Date	(VestingDate)
Exercise Price per Share	$(ExPriceShare)
Total Number of Shares Granted	(NoShares)
Total Exercise Price	$(TotalExPrice)
Type of Option:	X Incentive Stock Option
	___ Nonstatutory Stock Option
Term/Expiration Date:	(ExpireDate)

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule:

Twelve forty-eighths (12/48) of the total number of shares subject to the

option granted to the optionee shall be exercisable at the end of one year following the Vesting Commencement Date, and an additional one forty-eighth (1/48) of the total number of shares subject to the option shall be exercisable at the end of each full month thereafter until all such shares are exercisable, based upon the Optionee's continued employment with or services to the Company, as defined below.

Termination Period:

This Option shall be exercisable for 30 days after Optionee ceases to be a Service Provider. Upon Optionee's death or disability, this Option may be exercised for such longer period as provided in the Plan. In no event may Optionee exercise this Option after the Term/Expiration Date as provided above.

2. AGREEMENT

(a) Grant of Option. The Plan Administrator of the Company hereby
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grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 13(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

(b) Exercise of Option.

(i) Right to Exercise. This Option shall be exercisable
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during its term in accordance with the Vesting Schedule set out in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement.

(ii) Method of Exercise. This Option shall be exercisable by
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delivery of an exercise notice in the form attached as Exhibit A (the "Exercise Notice") which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised

Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise complies with Applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

(c) Optionee's Representations. In the event the Shares have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, the Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B, and shall read the applicable rules of the Commissioner of Corporations attached to such Investment Representation Statement.

(d) Lock-Up Period. Optionee hereby agrees that, if so requested by the Company or any representative of the underwriters (the "Managing Underwriter") in connection with any registration of the offering of any securities of the Company under the Securities Act, Optionee shall not sell or otherwise transfer any Shares or other securities of the Company during the 180-day period (or such other period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Company) (the "Market Standoff Period") following the effective date of a registration statement of the Company filed under the Securities Act. Such restriction shall apply only to the first registration statement of the Company to become effective under the Securities Act that includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

(e) Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(i) cash or check;

(ii) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(iii) surrender of other Shares which, (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.

(f) Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Law.

(g) Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

(h) Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

(i) Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(i) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

(ii) Exercise of ISO Following Disability. If the Optionee ceases to be an Employee as a result of a disability that is not a total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the ISO to be qualified as an ISO.

(iii) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability upon the exercise of a Nonstatutory Stock Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If

Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(iv) Disposition of Shares. In the case of an NSO, if Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. In the case of an ISO, if Shares transferred pursuant to the Option are held for at least one year after exercise and of at least two years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares purchased under an ISO are disposed of within one year after exercise or two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (1) the Fair Market Value of the Shares on the date of exercise, or (2) the sale price

of the Shares. Any additional gain will be taxed as capital gain, short-term or long-term depending on the period that the ISO Shares were held.

(v) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(j) Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws but not the choice of law rules of California.

(k) No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (NOT

THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE: (Name)

THERASENSE, INC.

_____
Signature

_____
By

_____
Print Name

_____
Title

_____

_____
Residence Address

EXHIBIT A

1997 STOCK PLAN

EXERCISE NOTICE

Therasense, Inc.
1360 South Loop Road

Alameda, CA 94502

Attention: Secretary

1. Exercise of Option. Effective as of today, _____, 20__, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of Therasense, Inc. (the "Company") under and pursuant to the 1997 Stock Plan (the "Plan") and the Stock Option Agreement dated _____, 20_____ (the "Option Agreement").

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Shareholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares shall be issued to the Optionee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 11 of the Plan.

5. Company's Right of First Refusal. Before any Shares held by Optionee or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee;

and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty

(30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section notwithstanding, the transfer of any or all of the Shares during the Optionee's lifetime or on the Optionee's death by will or intestacy to the Optionee's immediate family or a trust for the benefit of the Optionee's immediate family shall be exempt from the provisions of this Section. "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section.

(g) Termination of Right of First Refusal. The Right of First Refusal

shall terminate as to any Shares upon the first sale of Common Stock of the Company to the general public pursuant

to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

6. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

(b) Stop-Transfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to

transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

9. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

10. Governing Law; Severability. This Agreement is governed by the internal substantive laws but not the choice of law rules, of California.

11. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

Submitted by:	Accepted by:
OPTIONEE:	THERASENSE, INC.
_____	_____
Signature	By
_____	_____
Print Name	Its
Address:	Address:
-------	-------

_____ _____

_____ _____

_____
Date Received

EXHIBIT B

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE: (Name)

COMPANY: THERASENSE, INC.

SECURITY:

COMMON STOCK:

AMOUNT:

DATE:

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Company the following:

(i) Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(ii) Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be

held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company, a legend prohibiting their transfer without the consent of the Commissioner of Corporations of the State of California and any other legend required under applicable state securities laws.

(iii) Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (1) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than two years after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than three years, the satisfaction of the conditions set forth in sections (1), (2), (3) and (4) of the paragraph immediately above.

(iv) Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any

such other registration exemption will be available in such event.

(v) Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities without the consent of the Commissioner of Corporations of California. Optionee has read the applicable Commissioner's Rules with respect to such restriction, a copy of which is attached.

Signature of Optionee:

_____

Date:_____, 20_____

Exhibit 10.2

THERASENSE, INC.

2000 STOCK PLAN

1. Purposes of the Plan. The purposes of this 2000 Stock Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options or Stock Purchase Rights are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

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

(e) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the common stock of the Company.

(g) "Company" means Therasense, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(i) "Director" means a member of the Board.

(j) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 181st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of

a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(o) "Inside Director" means a Director who is an Employee.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Notice of Grant" means a written or electronic notice evidencing certain terms and conditions of an individual Option or Stock Purchase Right grant. The Notice of Grant is part of the Option Agreement.

(r) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "Option" means a stock option granted pursuant to the Plan.

(t) "Option Agreement" means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(u) "Option Exchange Program" means a program whereby outstanding Options are surrendered in exchange for Options with a lower exercise price.

(v) "Optioned Stock" means the Common Stock subject to an Option or Stock Purchase Right.

(w) "Optionee" means the holder of an outstanding Option or Stock

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Purchase Right granted under the Plan.

(x) "Outside Director" means a Director who is not an Employee.

(y) "Parent" means a "parent corporation," whether now or hereafter
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existing, as defined in Section 424(e) of the Code.

(z) "Plan" means this 2000 Stock Plan.

(aa) "Restricted Stock" means shares of Common Stock acquired pursuant
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to a grant of Stock Purchase Rights under Section 11 of the Plan.

(bb) "Restricted Stock Purchase Agreement" means a written agreement
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between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(cc) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any
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successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(dd) "Section 16(b) " means Section 16(b) of the Exchange Act.

(ee) "Service Provider" means an Employee, Director or Consultant.

(ff) "Share" means a share of the Common Stock, as adjusted in
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accordance with Section 14 of the Plan.

(gg) "Stock Purchase Right" means the right to purchase Common Stock
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pursuant to Section 11 of the Plan, as evidenced by a Notice of Grant.

(hh) "Subsidiary" means a "subsidiary corporation", whether now or
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hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be optioned and sold under the Plan is 7,000,000 Shares, plus (a) any Shares which have been reserved but not issued under the Company's 1997 Stock Plan (the "1997 Plan") as of the date of shareholder approval of this Plan, (b) any Shares returned to the 1997 Plan as a result of termination of options or repurchase of Shares issued under the 1997 Plan as of the date of shareholder approval of this Plan and (c) an annual increase to be added on the first day of each of the Company's fiscal years, beginning in 2002, equal to the lesser of (i) 2,500,000 shares, (ii) 5% of the outstanding shares on such date or (iii) a lesser amount determined by the Board. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan, whether upon exercise of an Option or Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the

Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options and Stock Purchase Rights may be granted hereunder;

(iii) to determine the number of shares of Common Stock to be covered by each Option and Stock Purchase Right granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option or Stock Purchase Right granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Stock Purchase Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to reduce the exercise price of Any Option or Stock Purchase Right to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option or Stock Purchase Right shall have declined since the date the Option or Stock Purchase Right was granted;

(vii) to institute an Option Exchange Program;

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option or Stock Purchase Right (subject to Section 16(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(xi) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(xii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option or Stock Purchase Right previously granted by the Administrator;

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options or Stock Purchase Rights.

5. Eligibility. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Limitations.

(a) Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(b) Neither the Plan nor any Option or Stock Purchase Right shall confer upon an Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options:

(i) No Service Provider shall be granted, in any fiscal year of the Company, Options to purchase more than 1,000,000 Shares.

(ii) In connection with his or her initial service, a Service Provider may be granted Options to purchase up to an additional 1,000,000 Shares, which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 14.

(iv) If an Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 14), the cancelled Option will be counted against the limits set forth in subsections (i) and (ii) above. For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 20 of the Plan, the Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 16 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement. In the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Option Agreement. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of

the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(vi) a reduction in the amount of any Company liability to the

Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be tolled during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable

for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent that the Option is vested on the date of death. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, at the time of death, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately revert to the Plan. The Option may be exercised by the executor or administrator of the Optionee's estate or, if none, by the person(s) entitled to exercise the Option under the Optionee's will or the laws of descent or distribution. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either

alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically, by means of a Notice of Grant, of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid, and the time within which the offeree must accept such offer. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a shareholder, and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 14 of the Plan.

12. Non-Transferability of Options and Stock Purchase Rights. Unless determined otherwise by the Administrator, an Option or Stock Purchase Right may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option or Stock Purchase Right transferable, such Option or Stock Purchase Right shall contain such additional terms and conditions as the Administrator deems appropriate.

13. Formula Option Grants to Outside Directors. All grants of Options to Outside Directors pursuant to this Section shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

(a) All Options granted pursuant to this Section shall be Nonstatutory Stock Options and, except as otherwise provided herein, shall be subject to the other terms and conditions of the Plan.

(b) No person shall have any discretion to select which Outside Directors shall be granted Options under this Section or to determine the number of Shares to be covered by such Options.

(c) Each person who first becomes an Outside Director following the effective date of this Plan, as determined in accordance with Section 7 hereof, shall be automatically granted an Option to purchase 30,000 Shares (the "First Option") or the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director but who remains a Director shall not receive a First Option.

(d) Each Outside Director shall be automatically granted an Option to purchase 10,000 Shares (a "Subsequent Option") on the date of the annual meeting of the stockholders of the Company, if as of such date, he or she shall have served on the Board for at least the preceding six (6) months.

(e) Notwithstanding the provisions of subsections (c) and (d) hereof, any exercise of an Option granted before the Company has obtained stockholder approval of the Plan in accordance with Section 20 hereof shall be conditioned upon obtaining such stockholder approval of the Plan in accordance with Section 20 hereof.

(f) The terms of each Option granted pursuant to this Section shall be as follows:

(i) the term of the Option shall be ten (10) years.

(ii) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(iii) subject to Section 14 hereof, the First Option shall vest and become exercisable as to 1/3rd of the Shares subject to the Option on the first anniversary of its date of grant, and as to 1/3rd of the Shares subject to the Option each year thereafter, provided that the Optionee continues to serve as a Director on such dates.

(iv) subject to Section 14 hereof, the Subsequent Option shall vest and become exercisable as to 100% of the Shares subject to the Option the anniversary of its date of grant, provided that the Optionee continues to serve as a Director on such date.

14. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option and Stock Purchase Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock

dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option applicable to any Shares purchased upon exercise of an Option or Stock Purchase Right shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option or Stock Purchase Right will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option and Stock Purchase Right shall be

assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option or Stock Purchase Right, the Optionee shall fully vest in and have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or Stock Purchase Right becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee in writing or electronically that the Option or Stock Purchase Right shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the

successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

15. Date of Grant. The date of grant of an Option or Stock Purchase Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder

approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

17. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

18. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

Exhibit 10.2

THERASENSE, INC.

2000 STOCK PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

[Optionee's Name and Address]

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Number	_____
Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	$ _____
Total Number of Shares Granted	_____
Total Exercise Price	$ _____
Type of Option:	___ Incentive Stock Option
	___ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

[25% of the Shares subject to the Option shall vest twelve months after the

Vesting Commencement Date, and 1/48th of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be a Service Provider on such dates].

Termination Period:

This Option may be exercised for [three months] after Optionee ceases to be a Service Provider. Upon the death or Disability of the Optionee, this Option may be exercised for [twelve months] after Optionee ceases to be a Service Provider. In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

A. Grant of Option.

The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "Optionee") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 16(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the $100,000 rule of Code Section 422(d) it shall be treated as a Nonstatutory Stock Option ("NSO").

B. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company

pursuant to the provisions of the Plan. The Exercise Notice shall be completed by the Optionee and delivered to [title] of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

C. Method of Payment.

Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

1. cash; or

2. check; or

3. consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan [; or

4. surrender of other Shares which (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.]

D. Non-Transferability of Option.

This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

E. Term of Option.

This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

F. Tax Consequences.

Some of the federal tax consequences relating to this Option, as of the date of this Option, are set forth below. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

G. Exercising the Option.

1. Nonstatutory Stock Option. The Optionee may incur regular federal income tax liability upon exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price. If the Optionee is an Employee or a former Employee, the Company will be required to withhold from his or her compensation or collect from Optionee and pay to the applicable taxing authorities an amount in

cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

2. Incentive Stock Option. If this Option qualifies as an ISO, the Optionee will have no regular federal income tax liability upon its exercise, although the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price will be treated as an adjustment to alternative minimum taxable income for federal tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise. In the event that the Optionee ceases to be an Employee but remains a Service Provider, any Incentive Stock Option of the Optionee that remains unexercised shall cease to qualify as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option on the date three (3) months and one (1) day following such change of status.

3. Disposition of Shares.

(a) NSO. If the Optionee holds NSO Shares for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes.

(b) ISO. If the Optionee holds ISO Shares for at least one

year after exercise and two years after the grant date, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. If the Optionee disposes of ISO Shares within one year after exercise or two years after the grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (A) the difference between the Fair Market Value of the Shares acquired on the date of exercise and the aggregate Exercise Price, or (B) the difference between the sale price of such Shares and the aggregate Exercise Price. Any additional gain will be taxed as capital gain, short-term or long-term depending on the period that the ISO Shares were held .

(c) Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionee.

H. Entire Agreement; Governing Law.

The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

I. NO GUARANTEE OF CONTINUED SERVICE.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:	THERASENSE, INC.
_____	_____
Signature	By
_____	_____
Print Name	Title
_____	
Residence Address	
_____	

EXHIBIT A

THERASENSE, INC.

2000 STOCK PLAN

EXERCISE NOTICE

Therasense, Inc.
[Address]

Attention: [Title]

1. Exercise of Option. Effective as of today, _____, _____, the undersigned ("Purchaser") hereby elects to purchase _____ shares (the "Shares") of the Common Stock of Therasense, Inc. (the "Company") under and pursuant to the 2000 Stock Plan (the "Plan") and the Stock Option Agreement

dated, _____ (the "Option Agreement"). The purchase price for the Shares shall be $_____, as required by the Option Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price for the Shares.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Shareholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

Submitted by:	Accepted by:
PURCHASER:	THERASENSE, INC.
_____	_____
Signature	By

_____
Print Name

Address:

_____

_____

_____
Its

Address:

_____
Date Received

Exhibit 10.3

THERASENSE, INC.

EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the Employee Stock Purchase Plan of Therasense, Inc.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423.

2. Definitions.

(a) "Administrator" shall mean the Board or any Committee designated by the Board to administer the plan pursuant to Section 14.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) The consummation of a merger or consolidation of the Company, with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting

securities of the Company, or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(iv) A change in the composition of the Board, as a result of which fewer than a majority of the Directors are Incumbent Directors. "Incumbent Directors" shall mean Directors who either (A) are Directors of the Company, as applicable, as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those Directors whose election or nomination was not in connection with any transaction described

in subsections (i), (ii) or (iii) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a committee of the Board appointed by the Board
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in accordance with Section 14 hereof.

(f) "Common Stock" shall mean the common stock of the Company.

(g) "Company" shall mean Therasense, Inc., a Delaware corporation.

(h) "Compensation" shall mean all base straight time gross earnings,
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commissions overtime and shift premium, but exclusive of payments for incentive compensation, bonuses and other compensation.

(i) "Designated Subsidiary" shall mean any Subsidiary selected by the
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Administrator as eligible to participate in the Plan.

(j) "Eligible Employee" shall mean any individual who is a common law
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employee of the Company or any Designated Subsidiary and whose customary employment with the Company or Designated Subsidiary is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(k) "Exercise Date" shall mean the first Trading Day on or after
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February 1 and August 1 of each year. The first Exercise Date under the Plan

shall be August 1, 2001.

(l) "Fair Market Value" shall mean, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board; or

(iv) For purposes of the Offering Date of the first Offering Period under the Plan, the Fair Market Value shall be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock (the "Registration Statement").

(m) "Offering Date" shall mean the first Trading Day of each Offering Period.

(n) "Offering Periods" shall mean the periods of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after February 1 and August 1 of each year and terminating on the first Trading Day on or after the February 1 and August 1 Offering Period commencement date approximately twenty-four months later; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Securities and Exchange Commission declares the Company's registration statement on Form S-1 effective and ending on the first Trading Day on or after the earlier of (i) February 1, 2003 or (ii) twenty-seven (27) months from the beginning of the first Offering Period. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan.

(o) "Plan" shall mean this Employee Stock Purchase Plan.

(p) "Purchase Period" shall mean the approximately six (6) month period commencing on one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Offering Date and end with the next Exercise Date.

(q) "Purchase Price" shall mean 85% of the Fair Market Value of a share of Common Stock on the Offering Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be adjusted by the Administrator pursuant to Section 20.

(r) "Subsidiary" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(s) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) First Offering Period. Any individual who is an Eligible Employee immediately prior to the first Offering Period shall be automatically enrolled in the first Offering Period.

(b) Subsequent Offering Periods. Any Eligible Employee on a given Offering Date shall be eligible to participate in the Plan.

(c) Limitations. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such

Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which

exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. The Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after February 1 and August 1 each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date upon which the Company's registration statement on Form S-1 is declared effective by the Securities and Exchange Commission and ending on the first Trading Day on or after February 1, 2003. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

(a) First Offering Period. An Eligible Employee shall be entitled to participate in the first Offering Period only if such individual submits a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan (i) no earlier than the effective date of the Form S-8 registration statement with respect to the issuance of Common Stock under this Plan and (ii) no later than five (5) business days from the effective date of such S-8 registration statement (the "Enrollment Window"). An Eligible Employee's failure to submit the subscription agreement during the Enrollment Window shall result in the automatic termination of such individual's participation in the Offering Period.

(b) Subsequent Offering Periods. An Eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Offering Date.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period; provided, however, that should a pay day occur on an Exercise Date, a participant shall have the payroll deductions made on such day applied to his or

her account under the new Offering Period or Purchase Period, as the case may be. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) Payroll deductions for a participant shall commence on the first payday following the Offering Date and shall end on the last payday in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof; provided, however, that for the first Offering Period, payroll deductions shall commence on the first payday on or following the end of the Enrollment Window.

(c) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(d) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Administrator may, in its discretion, limit the nature and/or number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly.

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during a Purchase Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(f) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee.

7. Grant of Option. On the Offering Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted an

option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Eligible Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Eligible Employee be permitted to purchase during each Purchase Period more than 10,000 shares of the Company's Common Stock (subject to any adjustment pursuant to Section 19), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The Eligible Employee may accept the grant of such option by turning in a completed Subscription Agreement (attached hereto as Exhibit A) to the Company
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on or prior to an Offering Date, or with respect to the first Offering Period, prior to the last day of the Enrollment Window. The

Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock an Eligible Employee may purchase during each Purchase Period of such Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other funds left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Offering Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be

equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Offering Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's shareholders subsequent to such Offering Date.

9. Delivery. As soon as reasonably practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant the shares purchased upon exercise of his or her option in a form determined by the Administrator.

10. Withdrawal.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the

participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Termination of Employment. In the event a participant ceases to be an Eligible Employee of the Company or any Designated Subsidiary, as applicable, his or her option shall remain exercisable for a period of three (3) months from the date of such Eligible Employee's termination. Upon the expiration of such

three (3) month period or a date prior to the expiration of such three (3) month period if requested by the participant, any payroll deductions credited to such participant's account during the Offering Period but not yet used to purchase shares under the Plan shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, and such participant's option shall be automatically terminated.

12. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 1,000,000 shares, plus an annual increase to be added on the first day of the Company's fiscal year, beginning in 2002, equal to the lesser of (i) 1,000,000 shares, (ii) 1.5% of the outstanding shares on such date or (iii) an amount determined by the Administrator.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a participant shall only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to such shares.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. Administration. The Administrator shall administer the Plan and shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Administrator shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation

of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations shall be in such form and manner as the Administrator may designate from time to time.

16. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions. Until shares are issued, participants shall only have the rights of an unsecured creditor.

18. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Eligible Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Change of Control.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the maximum number of shares of the Company's

Common Stock which shall be made available for sale under the Plan, the maximum number of shares each participant may purchase each Purchase Period (pursuant to Section 7), the number of shares that may be added annually to the shares reserved under the Plan (pursuant to Section 13(a)), as well as the price per

share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other change in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Change of Control. In the event of a merger or Change of Control, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a New Exercise Date and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed merger or Change of Control. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period

as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Administrator may at any time and for any reason terminate or amend the Plan. Except as otherwise provided in the Plan, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Administrator on any Exercise Date if the Administrator determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 19 and this Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) increasing the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and

(iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company. It shall continue in effect until terminated under Section 20 hereof.

24. Automatic Transfer to Low Price Offering Period. To the extent permitted by any applicable laws, regulations, or stock exchange rules if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Offering Date of such Offering Period, then all participants in such Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period.

EXHIBIT A

THERASENSE, INC.

EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

_____ Original Application Offering Date:_____
_____ Change in Payroll Deduction Rate
_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the Therasense, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday (from 0 to 15%) during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that my ability to exercise the option under this Subscription Agreement is subject to shareholder approval of the Employee Stock Purchase Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Eligible Employee or Eligible Employee and Spouse only).

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Offering Date (the first day of the Offering Period during which I purchased such shares) or one year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any disposition of my shares and I will make adequate provision for Federal,

state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (2) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (Please print) _____
(First) (Middle) (Last)

_____ _____
Relationship

_____ _____
Percentage Benefit (Address)

NAME: (please print)
_____
(First) (Middle) (Last)

_____ _____
Relationship

_____ _____
Percentage of Benefit (Address)

Employee's Social Security Number: _____

Employee's Address: _____

_____

_____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated:_____ _____
Signature of Employee

_____
Spouse's Signature (If beneficiary other than spouse)

EXHIBIT B

THERASENSE, INC.

EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Therasense, Inc. Employee Stock Purchase Plan which began on _____, _____ (the "Offering Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

_____

_____

_____

Signature:

_____

Date:_____

Exhibit 10.4

THERASENSE, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is entered into as of the __ day of _____, 2000 by and between TheraSense, Inc. a Delaware corporation (the "Company") and ((Name)) ("Indemnitee").

RECITALS

A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.

D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.

E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be

made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in

part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter an "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the
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obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been

exhausted or lapsed). Indemnitees' obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the

legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitees to payments of Expenses and Expense Advances under this Agreement or any other agreement or under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry or investigation referred to in Section (1)(a) hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitees' right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitees' power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay,

on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitees' counsel in any such Claim at Indemnitee expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee counsel shall be at the expense of the Company. The Company shall have the right to conduct such defense as it sees fit in its sole discretion, including the right to settle any claim against Indemnitee without the consent of the Indemnitee.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by

the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement

shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee are entitled.

6. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the

Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for
Indemnitee's acts, omissions or transactions from which Indemnitee or the Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or

merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so

that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a

merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee are seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of

such action, a court having jurisdiction over such action determines that each of Indemnitee material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at the Indemnitee address as set forth beneath Indemnitee signatures to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum for adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in

the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a

waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of

the date first above written.

THERASENSE, INC.

_____
W. Mark Lortz, President

Address: 1360 South Loop Road
Alameda, CA 94502

AGREED TO AND ACCEPTED BY:

Signature:_____

Name: ((Name))

Address: ((Address))

EXHIBIT 10.5

[HOCKET ASSOCIATES, INC. LOGO]

October 6, 1997

Mr. W. Mark Lortz
680 Mavis Court
Pleasanton, CA 94566

Dear Mark:

Acting for the Board of Directors, I am pleased to extend to you an offer of employment as President and Chief Executive Officer of TheraSense, Inc., reporting to the Board of Directors. Your election to the Board of Directors is scheduled at its next regular meeting. Your duties will include those set forth in the job description prepared by Hockett Associates, Inc. and provided to you previously. Additionally, you will be responsible for performing such other duties consistent with your position which may be assigned to you from time to time by the Board of Directors.

Compensation for this position shall include a monthly salary as an exempt employee of $16,667.00, paid on a monthly basis after withholding of applicable taxes and other items as required by law. At present, the company has no annual performance salary adjustment or bonus plan. However, it is expected that such plans will be important to add at the appropriate time in the future.

TheraSense will grant you incentive stock options for 895,000 shares of Common Stock (There are currently 17,003,638 shares of Common Stock, Preferred Stock and Options for Common Stock outstanding), with a per share exercise price equal to the fair market value of the Common Stock upon commencement of your full time employment. Your right to purchase Common Stock pursuant to the Option shall vest at the rate of 12.5% of such shares on the date six months from commencement of your full-time employment and 1/48th of such shares at the end of each full month thereafter based upon your continued employment by TheraSense. In the event that TheraSense is acquired, then 50% of your non-vested shares will immediately vest. The remaining 50% will vest (1) immediately if the new entity does not require your services, or (2) at the same monthly rate in the event you are employed by the new entity. Notwithstanding this, if the new entity requires (1) a material change in title, salary, or responsibilities, or (2) a move beyond commutation range from your current home, the remaining 50% shall vest at the time such changes become effective.

If you would prefer to purchase your shares currently, you could do so with a full-recourse promissory note which would not bear interest. The company would retain a right to repurchase the shares at the original purchase price in the

event you are no longer employed by TheraSense. This repurchase right would lapse upon the same schedule as the options vests.

Our understanding is that, in view of obligations to your current employer, it may be necessary for you to delay commencement of full-time employment with TheraSense for up to three months, and that it will probably be desirable to attend to essential TheraSense business for two to five days a week during the interval. A consulting fee of $100/hour will apply in such event; such fee to be paid every two weeks in accordance with TheraSehse's exempt payroll pay schedule.

Standard medical and dental [and life insurance] benefits are also included. TheraSense shall provide you with a $1,000,000 face value life insurance policy for the benefit of your family, until such time as the company has and IPO or is acquired. We look forward to a discussion of the details of the stock option and benefit plans in the near future.

Commencing with your status as a full-time employee, you will be expected to devote your full business time, ability, attention and best efforts to the company's business during the time of your employment and, except with the prior written consent of the Board of Directors, you will not undertake any other employment other than as a passive investor. During your term of employment with TheraSense, you will not have any business connection with any other person or entity which directly competes with current or planned activities of TheraSense.

You represent that your employment with TheraSense will not conflict with, and will not be constrained by, any prior employment or consulting agreement or relationship. You represent that you will not use any confidential information of a former employer in the conduct of your TheraSense duties and responsibilities. As a condition of your employment, you will be required to sign TheraSense's standard proprietary information agreement (see attached).

This is an offer for "at will" employment, and does not constitute an offer or guarantee of employment for any period of time. You will serve at the pleasure of the Board of Directors, and your employment and compensation can be terminated at any time for any reason. If your employment with the company is terminated other than "for cause", you will receive salary continuation for six months from notification of termination or until re-employed in a full-time position, which ever is the shorter period.

Our understanding is that you will be able to commence as a Consultant on or

about October 3, 1997. Your tenure as President and Chief Executive Officer will date from the commencement of your full-time employment with the company, which we understand is likely to be on or about December 15, 1997.

Our feeling is that the opportunities and challenges at TheraSense are an excellent match for your particular abilities and background, and we believe the company will prosper as a result. It also appears to be an excellent career step for you, which will enable you to build a viable company and prepare you for further progress in the future.

We look forward to your favorable response.

Sincerely,

/s/ Bill Hocket

William A. Hockett, Jr.

Agreed:

/s/ W. Mark Lortz 10/13/97

W. Mark Lortz Date

WAH:oo

cc: TheraSense Search Committee

EXHIBIT 10.6

[CONFIDENTIAL TREATMENT REQUESTED, CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.]

TECHNOLOGY PURCHASE AGREEMENT

This TECHNOLOGY PURCHASE AGREEMENT (this "Agreement") is entered into as of October 10, 2000 (the "Effective Date") by and between, TheraSense, Inc., a California corporation ("Purchaser"), and E. Heller & Company, a Texas corporation ("Seller"), (Purchaser and Seller each, a "Party;" together, the "Parties").

RECITALS

WHEREAS, Purchaser wishes to acquire from Seller, and Seller wishes to sell to Purchaser, the biosensor-related technologies of Seller; and

WHEREAS, ***

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Agreement, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Capitalized Terms. The following capitalized terms shall have the meanings set forth below :

(a) "Affiliate" shall mean any entity which controls, is controlled by or is under common control with a Party, but only so long as such control exists. For purposes of this definition, "control" shall mean direct or indirect ownership of more than fifty percent (50%) of the shares of the respective entity entitled to vote in the election of directors (or, in the case of a Person that is not a corporation, for the election of the corresponding managing authority).

(b) "Business" shall mean the development, manufacture and sale of electrochemical biosensors and wired enzyme chemistry.

(c) "Competition" shall mean any Person engaged in the Business

or in the business of manufacturing, producing or selling medical devices related to diabetes.

(d) "Current Products" shall mean the Purchaser's FreeStyle products and continuous glucose monitoring system under development (as embodied in the current prototype of such system).

(e) "EHC-TheraSense Agreement" shall mean the license agreement between Seller and Purchaser, dated April 21, 1997.

(f) "Exclusive Period" shall mean the period beginning on the Effective Date and ending thirty-six (36) months following the Effective Date.

*** Confidential treatment requested.

(g) "Geographic Area" shall mean the United States, Canada, Europe or Japan.

(h) "Intellectual Property Rights" shall mean, with respect to the Transferred Technologies, any or all of the following and all statutory and/or common law rights throughout the world in, arising out of, or associated therewith: (i) all patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) all inventions (whether patentable or not patentable, copyrightable or not copyrightable), invention disclosures and improvements thereto, (iii) all trade secrets and proprietary information relating thereto; (iv) all algorithms, routines, schematics, works of authorship, copyrights, mask works, copyright and mask work registrations and applications; (v) all files, databases and data collections (including knowledge databases, customer lists and customer databases); (vi) all rights in Software; (vii) all rights in Materials, (viii) all similar, corresponding or equivalent rights to any of the foregoing; (ix) all goodwill associated with any of the foregoing; and (x) all rights to any tangible embodiments of any of the foregoing.

(i) "Know How" shall mean all ideas, know how, show-how, techniques, design rules, data, instructions, protocols, methods, processes, formulas and test methodologies, including without limitation biological, chemical, toxicological, physical and analytical, safety, manufacturing and quality control data and information necessary and/or useful to develop and/or commercialize the Intellectual Property Rights.

(j) "Liability" shall mean any liability or obligation (whether known or unknown, whether asserted or unasserted, whether absolute or

contingent, whether accrued or unaccrued, whether liquidated or unliquidated, whether incurred or consequential and whether due or to become due), including any liability for taxes.

(k) "Lien" shall mean any mortgage, pledge, lien, security interest, charge, claim, equity, encumbrance, restriction on transfer, conditional sale or other title retention device or arrangement (including, without limitation, a capital lease), transfer for the purpose of subjection to the payment of any indebtedness, or restriction on the creation of any of the foregoing, whether relating to any property or right or the income or profits therefrom.

(l) "Materials" shall mean any and all (i) chemical or biological substances, including without limitation any organic or inorganic chemical element, compound, composition, material, sample or product; (ii) assays or reagents; (iii) fragments of (i) and/or (ii); (iv) any derivatives, variants or mutations of (i) through (iii); (v) any DNA, protein or chemical sequence of (i) through (iv); (vi) instruments, devices, prototypes, hardware, development tools, or components of any of the foregoing; and (vii) tangible embodiments of Intellectual Property Rights.

(m) ***

(n) "Person" shall mean an individual, partnership, corporation, association, joint venture, trust, unincorporated organization or governmental entity (or any department, agency or political subdivision thereof).

*** Confidential treatment requested

(o) "Purchaser Claim" shall mean any claim, suit or proceeding commenced against Purchaser.

(p) "Registered IP" shall mean all United States, international and foreign: (i) patents and patent applications (including provisional applications) or service marks related to the Business; and (ii) any other Intellectual Property Rights related to the Business that are the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by any state, government or other public legal authority.

(q) "Seller Claim" shall mean any claim, suit or proceeding

commenced against Seller.

(r) "Software" shall mean all computer system software, including without limitation all source code, object code, upgrades, updates, bug fixes, releases and supporting documentation relating thereto.

(s) "Transaction" shall mean the transaction contemplated by this Agreement.

(t) ***

(u) ***

ARTICLE 2
TRANSFER OF ASSETS

2.1 Sale of Technologies. Seller hereby sells, conveys, transfers, and assigns to Purchaser all rights, title and interest in the assets set forth in Schedule 2.1(a), including, without limitation, any Intellectual Property Rights, Know How, Registered IP Software and Materials owned or controlled by Seller and related thereto, but specifically excluding those assets set forth in Schedule 2.1(b) (the "Excluded Assets") (collectively, the "Transferred Technologies"). To the best knowledge of Seller, Seller has no Software of Materials as of the Effective Date .

2.2 Assumed Liabilities. Purchaser hereby assumes and becomes responsible for all of the Liabilities set forth on Schedule 2.2 (the "Assumed Liabilities").

2.3 Excluded Liabilities. Excepts as provided in Section 6.3, Purchaser does not assume or have any responsibility with respect to any Liabilities of the Seller not set forth on Schedule 2.2. Without limiting the generality of the foregoing, there shall not be sold, assigned, transferred or delivered hereunder, and the terms "Transferred Technologies" and "Assumed Contracts" does not include any of the Liabilities set forth on Schedule 2.3 or those associated with the Excluded Assets (the "Excluded Liabilities").

2.4 Termination of EHC-TheraSense Agreement. The EHC-TheraSense

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Agreement is hereby terminated.

*** Confidential treatment requested.

2.5 Delivery of Transferred Technologies. Seller, in the manner and form, and to the locations, reasonably specified by Purchaser, hereby delivers to Purchaser all of the Transferred Technologies, or other intangible assets and such instruments as are necessary or desirable to transfer title to such assets from Seller to Purchaser.

2.6 Books and Records. Seller hereby transfers to Purchaser all books, records, files and related materials in respect of the Transferred Technologies in Seller's possession. Such books, records, files and related materials constitute all of the books, records, files and related materials in respect of the Transferred Technologies created or maintained by Seller.

2.7 Agreement to Perform Necessary Acts. Seller shall take all action as may be reasonably necessary, proper or advisable to put Purchaser in ownership, possession, and operating control of the Transferred Technologies, without demanding any further consideration therefor, including execution, acknowledgment and recordation of specific assignments, oaths, declarations and other documents on a country-by-country basis and such other instruments of sale, transfer, conveyance, and assignment as Purchaser or its counsel may reasonably request.

2.8 Power of Attorney. Seller hereby grants Purchaser the irrevocable power of attorney to represent Seller, where such representation is legally permissible, without restrictions towards legal entities and natural persons, public authorities and courts, to do, sign under hand (or, as required, under personal seal), deliver, receive and perform all and any acts, matters, statements and things which may be necessary to put the Purchaser in ownership, possession, and operating control of the Transferred Technologies, including execution, acknowledgment and recordation of specific assignments, oaths, declarations and other documents on a country-by-country basis and such other instruments of sale, transfer, conveyance, and assignment as may be required for this purpose. Under this power of attorney, the Purchaser is entitled to enter into transactions on behalf of Seller with itself in its own name or in its capacity as attorney-in-fact of a third party and, therefore, the Purchaser is released from any prohibition or restriction of self dealing which may exist under any applicable law. The Purchaser shall be entitled to delegate the rights granted to it by this power-of-attorney and to grant dispensation from any legal

prohibition or restriction of self dealing which may exist. The foregoing power of attorney is coupled with an interest and as of the Effective Date shall be irrevocable.

ARTICLE 3
PAYMENT; TAXES

3.1 Payment to Seller. Purchaser shall pay an aggregate of *** (the "Purchase Price") by check or wire transfer to a bank account of Seller specified in writing.

3.2 Taxes. Seller shall be solely responsible for the payment of, and shall pay when due, any taxes that may be payable in connection with the sale of the Transferred Technologies or the granting of the licenses granted hereunder, other than taxes assessed on Purchaser's income.

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ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Purchaser, subject to such exceptions as are specifically set forth in the disclosure schedule (referencing the appropriate Section and paragraph numbers) attached hereto (the "Disclosure Schedule") and dated as of the date hereof, as follows:

4.1 Authorization of Transaction. Seller has all requisite power and authority to enter into this Agreement and any related agreements to which it is a Party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Seller, and no further actions are required on the part of Seller or any of its stockholders to authorize the Agreement, any related agreements to which it is a Party and the transactions contemplated hereby.

4.2 Noncontravention. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby and thereby do not conflict with, or result in any violation of, or default under (with or

without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (any such event, a "Conflict") (i) any provision of the charter documents or bylaws (or like document) of Seller, (ii) any mortgage, lease, indenture, contract or other agreement or instrument, permit, concession, franchise or license to which Seller is a Party or any of its properties or assets are subject, (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Seller or its properties or assets.

4.3 Restrictions on Transaction. There is no agreement (not to compete or otherwise), commitment, judgment, injunction, order or decree to which Seller is a Party or otherwise binding upon Seller which has or may have the effect of prohibiting the Transaction or impairing the Transferred Technologies. Seller has not entered into any agreement which places any restrictions upon Seller with respect to the Transferred Technologies.

4.4 Title to Transferred Technologies; Absence of Liens and Encumbrances; Condition. Seller has good and valid title to all of the Transferred Technologies, and the power to sell the Transferred Technologies free and clear of any Liens. There are no other rights, options or licenses granted pursuant to the Transferred Technologies other than those set forth on Schedule 4.4. The Transferred Technologies are all of the technologies and rights, which are presently used, and are reasonably necessary for use in the Current Products.

4.5 Intellectual Property Rights. To the knowledge of Seller as of the Effective Date, Seller owns, or possesses adequate licenses or other rights to use, any and all Intellectual Property Rights used in or related to the Transferred Technologies as used in the Current Products. Seller has not received written notice of any claims, disputes, actions, proceedings, suits or appeals pending against Seller with respect to any Intellectual Property Rights or any other adverse consequences with respect to any Intellectual Property Rights that would reasonably be expected to have a material adverse effect on the Transferred Technologies, and, to the knowledge of Seller, none has been overtly threatened. To the best knowledge of Seller as of the Effective Date, except

pursuant to licenses obtained by Purchaser, none of the products or processes using the Intellectual Property Rights as used in the Current Products infringes on the proprietary rights of any third party, no product (or component thereof) or process used by, sold or manufactured for, or supplied to, Seller or Purchaser infringes or otherwise violates the proprietary rights of any other

Person. Except as set forth on Schedule 4.4, Seller has not granted any Person
the right to use the Intellectual Property Rights.

4.6 Litigation. To the best knowledge of Seller, other than those related to prosecution of the Seller's Registered IP, there are no judicial or administrative actions, claims, suits, proceedings or investigations pending or threatened relating to the Transferred Technologies, nor is there any basis for any such action, claim, suit, proceeding or investigation. There are no judgments, orders, decrees, citations, fines or penalties heretofore assessed against Seller affecting the Transferred Technologies under any foreign, federal, state or local law.

4.7 Disclosure. All information furnished by Seller to *** or Purchaser and contained in the *** was and is accurate, complete and correct and reflects all material discussions and understandings with respect to the matters set forth therein.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

5.1 Organization of Purchaser. Purchaser is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation.

5.2 Authority for Agreement. Purchaser has all requisite corporate power and authority to enter into this Agreement and the related agreements to which it is a Party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the related agreements and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes, and the related agreements, when duly executed and delivered by Purchaser, will constitute the valid and binding obligations of Purchaser, enforceable in accordance with their terms.

5.3 Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any provision of the charter or bylaws of Purchaser or (ii) Conflict with any material agreement, contract, lease, license, instrument, or other arrangement to which Purchaser is a Party or by which it is bound or to which any of its assets is subject except for such Conflicts which would not, either individually or in the aggregate, have a material adverse effect on Purchaser.

ARTICLE 6
SURVIVAL OF REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION

6.1 Survival of Representations and Warranties. All of the representations and warranties of Seller and Purchaser contained herein shall survive the Effective Date and continue in

*** Confidential treatment requested.

full force and effect until 5:00 p.m., Pacific Time, sixty (60) months following the Effective Date (the "Indemnity Period").

6.2 Indemnification of Purchaser. Seller agrees to indemnify and hold Purchaser and its officers, directors and Affiliates harmless against all claims, losses, liabilities, damages, deficiencies, costs and expenses, including reasonable attorneys' fees and expenses, and expenses of investigation and defense (including, without limitation, any consequential damages) (hereinafter individually a "Loss" and collectively "Losses"), incurred or suffered by Purchaser or its officers, directors, or Affiliates directly or indirectly as a result of (i) any inaccuracy or breach of a representation or warranty of Seller; (ii) any failure by Seller to perform or comply with any covenant contained herein; (iii) any liabilities of Seller not specifically assumed by Purchaser, or any liabilities in connection with the Transferred Technologies, arising from Seller's actions or omissions prior to the Effective Date; provided, that such Loss occurs during the Indemnity Period and Purchaser provides Seller with notice of a Purchaser Claim under the foregoing indemnity within twenty-four (24) months of the Effective Date.

6.3 Indemnification of Seller. Purchaser agrees to indemnify and hold Seller and its officers, directors and Affiliates harmless against all Losses incurred or suffered by Seller or its officers, directors or Affiliates directly or indirectly as a result of (i) any inaccuracy or breach of a representation or warranty of Purchaser; (ii) any liabilities in connection with the Transferred Technologies arising from Purchaser's actions or omissions after the Effective Date; and (iii)[ ]; provided, that such Loss occurs during the Indemnity Period and Seller provides Purchaser with notice of a Seller Claim under the foregoing indemnity within

twenty-four (24) months of the Effective Date.

6.4 Third-Party Claims to Purchaser. In the event Purchaser becomes aware of a third-party claim that Purchaser believes may result in Losses, Purchaser shall notify Seller of such claim and Seller shall be entitled, at its expense, to participate in, but not to determine or conduct, the defense of such claim. Purchaser shall have the right in its sole discretion to conduct the defense of and settle any such claim; provided, however, that unless such settlement is made with the written consent of Seller, no settlement of any such claim with third-party claimants shall be determinative of the amount of any claim for indemnification pursuant to Section 6.2 or whether such claim constitutes a Loss as defined in Section 6.2. In the event Seller has consented to any such settlement, Seller shall have no power or authority to object under any provision of this Section 6.4 to the amount of any claim by Purchaser with respect to such settlement.

6.5 Third-Party Claims to Seller. In the event Seller becomes aware of a third-party claim that Seller believes may result in Losses, Seller shall notify Purchaser of such claim and Purchaser shall be entitled, at its expense, to participate in, but not to determine or conduct, the defense of such claim. Seller shall have the right in its sole discretion to conduct the defense of and settle any such claim; provided, however, that unless such settlement is made with the written consent of Purchaser, no settlement of any such claim with third-party claimants shall be determinative of the amount of any claim for indemnification pursuant to Section 6.3 or whether such claim constitutes a Loss as defined in Section 6.3. In the event Purchaser has consented to any such settlement, Purchaser shall have no power of authority to object under any provision of this Section 6.5 to the amount of any claim by Seller with respect to such settlement.

ARTICLE 7
COVENANTS

7.1 Additional Documents and Further Assurances. Each Party, at the request of another Party, shall execute and deliver such other instruments and

do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of this Agreement and the transactions contemplated hereby.

7.2 Non-Competition Obligation.

(a) During the Exclusive Period and within the Geographic Area, Seller shall not directly or indirectly, without the prior written consent of Purchaser, (i) have any ownership interest in (except for passive ownership of five percent (5%) or less of an entity whose securities are publicly traded) any Competition and excluding any ownership in Purchaser or any successor entity, (ii) participate in the financing, operation, management or control, or assist in or support the development of any Competition or (iii) license any Intellectual Property Rights or technology to any Competition.

(b) The covenants contained in Section 7.2(a) shall be construed as a series of separate covenants, one for each county, city, state and country of the Geographic Area. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in Section 7.2(a). If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that the provisions of this Section 7.2 are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, permitted by applicable laws.

(c) Seller acknowledges that (i) the goodwill associated with the Business and customer relationships prior to the Transaction is an integral component of the value of the Business, including the Transferred Technologies, to Purchaser and is reflected in the Purchase Price for the Transaction to be received by Seller, (ii) Seller agreements as set forth herein are necessary to preserve the value of the acquired Business including their goodwill and customer relationships, for Purchaser following the Transaction and (iii) Seller's covenants as set forth in Section 7.2(a) are necessary to preserve the value of the Transaction for Purchaser following the Effective Date.

(d) Seller agrees that it may be impossible or inadequate to fully measure and calculate Purchaser damages from any breach of the covenants set forth in Section 7.2(a). Accordingly, Seller agrees that if it breaches or threatens to breach any provision of Section 7.2(a), Purchaser shall be entitled to, in addition to any other right or remedy otherwise available, an injunction

from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of such provision of this Agreement. Seller further agrees that no bond or other security shall be required of Purchaser in obtaining such equitable relief, nor will proof of irreparable harm be required for such equitable relief. Seller hereby expressly consents to the issuance of such injunctive relief, whether in the form of a temporary restraining order or otherwise, and to the ordering of such specific performance.

(e) The provisions of this Section 7.2 shall not apply to Ephraim Heller as an individual; provided, however, that nothing contained in this Agreement shall effect the duties, rights or obligations of Mr. Heller or Purchaser under any arrangements or agreements between Mr. Heller and Purchaser.

7.3 Solicitation of Employees. Seller agrees that for a period of thirty-six (36) months following the date hereof, Seller will not hire any employees of Purchaser and will not either directly or indirectly, solicit, induce, recruit or encourage any of the Purchaser's employees to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of the Purchaser, either for Seller or any other person or entity.

7.4 Termination of Pepex Agreements. Seller agrees that it shall use reasonable efforts to terminate, in writing, *** within ten (10) days of the Effective Date.

ARTICLE 8
GENERAL

8.1 No Agency. Except as expressly provided herein, each Party shall in all matters relating to this Agreement act as an independent contractor. Neither Party shall have authority, nor shall either Party represent that it has any authority, to assume or create any obligation, express or implied, on behalf of the other, or to represent the other Party as agent or employee or in any other capacity. Neither execution nor performance of this Agreement shall be construed to have established any agency, joint venture, or partnership.

8.2 Fees and Expenses. All expenses, including without limitation all legal, accounting, financial advisory, consulting and other fees, incurred in connection with the negotiation or effectuation of this Agreement or consummation of the Transaction, shall be the obligation of the respective Party incurring such expenses.

8.3 Notices. Any notice or other communication required or permitted to be delivered to any Party under this Agreement must be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile telephone number set forth beneath the name of such Party below (or to such other address or facsimile telephone number as such Party may have specified in a written notice given to the other Party):

if to Purchaser:	TheraSense, Inc. 1360 South Loop Road Alameda, CA 94502 Attn: Chief Financial Officer Telephone: (510) 749-5400 Facsimile: (510) 749-5401

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with a copy to:	Wilson Sonsini Goodrich & Rosati Professional Corporation One Market, Spear Street Tower San Francisco, California 94105 Attn: Karen A. Dempsey Telephone: (415) 947-2000 Facsimile: (415) 947-2099
if to Seller:	E. Heller & Company 1360 South Loop Road Alameda, CA 94502 Attn: Ephraim Heller, President Telephone: (510) 749-5411 Facsimile: (510) 749-5461
with a copy to:	Ropers, Majeski, Kohn & Bentley 1001 Marshall Street Redwood City, CA 94063 Attn: Francois Laugier Telephone: (650) 780-1691 Facsimile: (650) 780-1606

8.4 Governing Law. This Agreement shall be governed in all respects by the laws of the United States of America and the State of California as such laws apply to agreements entered into and to be performed entirely within California by California residents.

8.5 Forum and Venue. Any judicial action or proceeding arising

hereunder or relating hereto shall be brought in, and the Parties hereby consent to the exclusive, personal jurisdiction of, the state and federal courts located in Santa Clara, California. Seller hereby consents to the jurisdiction of such courts and hereby appoints its counsel identified in Section 8.3 as its agent for service of process.

8.6 Breaches and Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

8.7 Waiver. No failure on the part of a Party to exercise any power, right, privilege, or remedy under this Agreement, and no delay on the part of any Party in exercising any power, right, privilege, or remedy under this Agreement, will operate as a waiver of such power, right, privilege, or remedy; and no single or partial exercise of any such power, right, privilege, or remedy will preclude any other or further exercise thereof or of any other power, right, privilege, or remedy. No Party shall be deemed to have waived any claim arising from this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Party; and any such waiver will not be applicable or have any effect except in the specific instance in which it is given.

8.8 Assignment. Purchaser may assign all of its assets, licenses and other rights acquired hereunder in their entirety or in part prior to or after the Effective Date in connection with a sale of substantially all assets of Purchaser or in connection with merger solely for purposes of reincorporation.

8.9 Severability. If, for any reason, a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision of the Agreement will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect. The Parties agree to negotiate in good faith an enforceable substitute provision for any unenforceable provision that most nearly achieves the intent and economic effect of the unenforceable provision. Notwithstanding the foregoing, if a court of competent jurisdiction determines that any restriction on any license granted herein is invalid or unenforceable, then the license grants to which such restriction relates shall terminate automatically.

8.10 Entire Agreement. This Agreement (including the Schedules and

Exhibits hereto) sets forth the entire understanding of the Parties hereto relating to the subject matter hereof and supersedes all prior agreements and understandings between the Parties hereto relating to the subject matter hereof.

8.11 Counterparts. This Agreement may be executed in counterparts, which, when taken together, shall constitute one agreement.

8.12 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of Seller and Purchaser.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have executed this Agreement as of the Effective Date.

E. HELLER & COMPANY	THERASENSE, INC.
By: /s/ Ephraim Heller	By: /s/ W. Mark Lortz
Name: Ephraim Heller	Name: W. Mark Lortz
Title: President	Title: President

[CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION]

Exhibit 10.7

COOPERATIVE DEVELOPMENT AGREEMENT

Parties:

Gainor Medical North America, LLC ("Gainor")
2205 Highway 42 North
P.O. Box 353
McDonough, Georgia 30253-0353
Attn: Bill Taylor
Phone: (770) 474-4414
Fax: (770) 474-6214

TheraSense, Inc. ("TheraSense")
1311 Harbor Bay Parkway
Suite 2000
Alameda, CA 94502
Attn: Charlie Liamos
Phone: (510) 749-5436
Fax: (510) 749-5438

This Agreement is entered into as of December 1, 1998 by and between Gainor, a Georgia limited liability company, and TheraSense, a California corporation,

Recitals

TheraSense has developed certain patented and non-patented technologies related to measurement of glucose levels in humans. Gainor is in the business of designing and manufacturing microsampling products for use in connection with measurement of glucose levels. Gainor and TheraSense wish to enter into a cooperative arrangement for the development of two new systems and related marketable products for simplified measurement of glucose levels utilizing the TheraSense technologies.

The first system, referred to as ***, is intended to be a minimally invasive monitoring technique utilizing an electrochemical method of measuring blood glucose proprietary to TheraSense. This method requires a significantly smaller blood sample than current technologies. Gainor will develop new microsampling methods and devices for this system.

The second system, referred to as ***, is intended to be a resident glucose monitoring system utilizing an electrochemical device shallowly embedded in the abdomen or other part of the body for constant monitoring of glucose levels: Gainor will develop methods and devices for introducing the device into the patient.

Agreement

In furtherance of the above goals, and in consideration of the mutual covenants contained in this Agreement and other valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, Gainor and

TheraSense agree as follows:

1. Definitions. The following terms as used in this Agreement shall have the following meanings:

1.1 "Confidential Information" shall mean any competitively sensitive or secret business, marketing, financial or technical information of Gainor or TheraSense, including the terms of this Agreement and all other agreements and communications between Gainor and TheraSense.

*** Confidential treatment requested

Confidential Information shall not include information which is (i) generally known to the public or readily ascertainable from public sources (other than as a result of a breach of confidentiality hereunder), (ii) independently developed by the receiving party without reference to or reliance on any Confidential Information of the disclosing party, as demonstrated by written records of the receiving party, or (iii) obtained from an independent third party who created or acquired such information without reference to or reliance on Confidential Information.

1.2 "Products" shall mean all marketable products which result from the Projects.

1.3 "Projects" means the two new glucose monitoring systems (including the Gainor Components) being developed by TheraSense, currently referred to as *** and ***, as more particularly described in the Recitals above and in the Project Plan.

1.4 "Project Plan" is defined in Section 2.4.

1.5 "Project Managers" are defined in Section 2.2.

1.6 "Steering Committee" is defined in Section 2.3.

1.7 "Technology or Technologies" shall mean collectively all inventions, devices, processes, methods, techniques and associated intellectual property rights.

1.8 "Force Majeure" shall mean any act of God, earthquake, fire, natural disaster, accident, act of government, or an act that is beyond the

control of either party.

2. Development.

2.1 General. Gainor shall work with TheraSense to develop certain components (the "Gainor Components") of two new glucose monitoring systems being developed by TheraSense, currently referred to as *** and ***.

2.2 Project Managers. Each party shall appoint a Project Manager, who shall be responsible for managing the Project. The initial Project Managers are listed on Exhibit A attached hereto.

2.3 Steering Committee. In addition to the Project Managers, the parties shall form a Steering Committee consisting of senior management of each party. The Steering Committee shall be responsible for the success of the Projects, resolve all disputes between the Project Managers, and approve all changes to the Project Plan.

2.4 Project Plan. The Project Plan shall be attached to this agreement as Exhibit A. The Project Plan shall set forth, at a minimum: a list of the Gainor Components; the development and management responsibilities of each party; the development schedule for the Gainor Components and the projects; the resources to be provided by each party (including personnel, facilities, Technology and capital investment); the specifications for the Gainor Components; and the budget for each of the Gainor Components setting forth projected development costs, capital expenditures, projected sales, manufacturing costs, and normal margins.

*** Confidential treatment requested

2.5 Revision of Project Plan. The Project Managers shall meet periodically at times and places to be mutually agreed upon, but no less than once per quarter. The Project Plan may be amended from time to time to reflect the results of such meetings, and as necessary from time to time to reflect changes in Technology, development schedule, cost estimates, and other changes. In the event of significant cost overruns or changes in the base assumptions upon which the Project Plan was prepared, the development of the Gainor Components will be reassessed and the Project Plan may be revised. Suggested revisions to the Project Plan may only be submitted to the steering committee by the mutual agreement of the Project Managers, who shall work together in good

faith to keep the Project Plan up to date and accurate. All amendments to the Project Plan must be approved by the Steering Committee as evidenced by the signature of each member of the Steering Committee on an amended Project Plan.

2.6 Cooperation. Unless or until a Project is discontinued as provided in Section 11 hereof, each party shall cooperate fully with the other, and use its best efforts to further the development of the Gainor Components and the Projects. Each party shall provide such information regarding preexisting technologies as the other shall require to fulfill its obligations hereunder.

2.7 Subcontracting. Gainor may subcontract portions of its rights and responsibilities hereunder to ***, and/or *** but only to the extent specifically set forth in the Project Plan.

2.8 ***

3.0 Manufacturing. In exchange for its efforts under this Agreement, Gainor shall have the exclusive worldwide right for a period of seven years from the date of this agreement to manufacture, or have manufactured, the Gainor Components. Gainor and TheraSense shall work jointly to develop a control plan for Gainor's manufacturing process to obtain process improvements with the ultimate goal to achieve within reasonable economic limits process capability index (Cpk) of 1.67 or higher on all key parameters of the Product Specifications. Gainor agrees to implement process improvements and process validations using Process Failure Mode Effect analysis (FMEA) for each step of the process. *** Terms for manufacturing and distributing the Gainor Components and other components to be produced by Gainor shall be set forth in a manufacturing and supply agreement after the viability of each Project has been proven from a technological and economic standpoint. Pricing for the Gainor Components shall be as set forth in the project plan based on cost, manufacturing equipment amortization, and normal Gainor margins. ***

*** Confidential treatment requested

4. Funding. Each party will fund its own development efforts and pay all of its own costs and expenses. Each party will make such investments as reasonably necessary to successfully complete each Project. Gainor shall arrange for the capital necessary to develop manufacturing capacities for the Gainor Components. Each party shall provide the other with such financial and technical information regarding the Projects as the other shall reasonably request, including: total expenditures incurred to date for the Projects; monthly and quarterly budgets for future expenditures; and expected sources of funding and financing for completion of the Projects. Upon request, TheraSense shall provide

Gainor with its most recent balance sheets showing capital available for completion of the Projects. ***

5. Marketing. TheraSense or assigns, or marketing and/or distribution partners will be responsible for the marketing, sale and distribution of the all Products.

6. Intellectual Property. All Technologies owned or developed solely by a party and its employees and agents, whether prior to or subsequent to the date of this Agreement, and all related intellectual property rights, shall remain the exclusive property of such party. Each party hereby grants the other such rights and license in and to use such Technology as the other shall reasonably require to exercise its rights and fulfill its obligations hereunder, including the right of TheraSense to sell Products. Technologies developed jointly by Gainor and TheraSense shall be jointly owned. This Section shall survive any termination of this agreement.

7. Exclusivity. TheraSense shall work exclusively with Gainor for development of the Gainor Components. Gainor shall not supply the Gainor Components to any third party without the written consent of TheraSense. Neither party shall use the jointly owned Technologies outside of the Projects(other than pursuant to the sale of Products by TheraSense) without the written consent of and Proper compensation to the other party. Notwithstanding the foregoing, neither party shall be precluded from using the general know-how gained during the development of the Projects under this Agreement. Gainor shall not be precluded from developing any Technology for any third party, provided Gainor does not use the Technology owned by TheraSense or the Intellectual Property developed specifically for the Gainor Components.

*** Confidential treatment requested

8. Inventions, Patents and Trademarks.

8.1 Notice. Each party shall promptly notify the other upon the making, conceiving or reducing to practice of any patentable invention or discovery related to the Projects.

8.2 Right to Patent. Each party shall have the sole right to prepare, file, prosecute, maintain and extend patent applications and patents concerning all patentable Technology owned by such party, as determined under Section 6, provided each party shall give notice to the other of its intent to patent any technology concerning the projects prior to filing. If such party

elects not to file, prosecute or maintain patent applications or ensuing patents or certain claims encompassed by such patent applications or ensuing patents in any country with respect to any invention or discovery related to the Projects, then the other party may elect to do so on the developing party's behalf. Such party shall give notice to the developer and owner of the patentable Technology of its intent to so prepare, file and prosecute a patent, and the owner shall have 30 days to choose to take such action on its own behalf, and take significant action toward doing so. At the end of such notice period, if the owner has not taken such action, the non-owner may do so.

8.3 Joint Patents. TheraSense and Gainor shall mutually agree upon which party shall be responsible to prepare, file, prosecute, maintain and extend patent applications and patents concerning all patentable inventions and discoveries owned jointly by Gainor and TheraSense. If the parties cannot agree, then Gainor shall have the right to apply for such patents using counsel of its choice, in consultation with TheraSense.

8.4 Protection of Ability to Patent. Neither party shall take any action which would have a material adverse effect on the patentability of any newly developed Technology or improvement to any Technology, including any public sale or disclosure thereof, until the parties either file an application or mutually agree not to pursue a patent.

9. Regulatory Approval. TheraSense will be responsible for regulatory approval of the Products, with such assistance from Gainor as TheraSense shall reasonably request, on terms to be agreed upon.

10. Confidentiality. Each party shall at all times keep confidential all Confidential Information of the other. Neither party shall permit or authorize access to or disclosure of the other party's Confidential Information to any person or entity other than (i) employees (including temporary contract employees, engineers and developers) who have signed confidentiality agreements with protection substantially similar to that contained in this Agreement and professional advisors under a professional obligation of confidentiality (including lawyers, accountants, financial advisors, and sources of funding) with a "need to know" such information, (ii) independent contractors who have signed confidentiality agreements with protection substantially similar to that contained in this agreement, provided that each party shall have the right to approve (approval not to be unreasonably withheld) in advance all contractors who are given access to the Confidential Information of such party and (iii) governmental regulatory authorities, to the extent required for compliance with applicable laws, and subject to such protective measures as may be available to preserve the confidentiality of such information following disclosure. Each party shall promptly

notify the other in writing of the existence of any unauthorized knowledge, possession or use of the other party's Confidential Information by any person or entity.

11. Termination.

11.1 Voluntary Termination. Gainor may terminate its development obligations under this Agreement with respect to either or both Projects with 90 days written notice to TheraSense upon a reasonable determination by Gainor that the resources required to develop the Gainor Components for such Project will materially exceed the projections set forth in the Project Plan or has elected not to enter into a manufacturing agreement for strategic reasons. (The inability of Gainor and TheraSense to come to terms, i.e. price, etc., on a manufacturing agreement is not considered a strategic reason for not entering the agreement.) Upon such termination, (i) Gainor shall no longer be responsible for development of the Gainor Components for such Project, (ii) In the case that such termination occurs on or before August 31, 1999, TheraSense shall have the right to Purchase a fully paid up license, for the purpose, of developing, manufacturing and selling products which measure glucose (as distinct from micro sampling products) all Gainor Technology developed prior to termination and all jointly owned technology for a payment of *** (iii) In the case that termination occurs after August 31, 1999, TheraSense may license from Gainor the technology of Gainor required for TheraSense or its nominee to complete the Gainor Components for such Project, (iv) Gainor shall be entitled to utilize *** the Gainor Technology and jointly owned Technology developed prior to termination for the purpose of developing, manufacturing and selling micro sampling products (as distinct from products which measure glucose).

11.2 Termination by TheraSense on Default of Gainor.

(a) Gainor Event of Default. The following shall constitute an Event of Default by Gainor:

(i) Gainor discontinues its development work on the Gainor Components for either Project for any reason other than as set forth in 11.1 above.

(ii) Gainor is unwilling or unable to complete the Gainor Components for a Project or any Products substantially within the time periods and budget set forth in the Project Plan.

(iii) Gainor (prior to execution of a definitive manufacturing and supply agreement) is unwilling or unable to manufacture and supply the Gainor Components for completed products in the amounts, within the quality or upon the time frame required to avoid a material adverse effect upon TheraSense.

(iv) Gainor otherwise materially breaches its obligations hereunder.

(b) Result of Gainor Event of Default. Upon an Event of Default by Gainor, TheraSense shall provide written notice to Gainor of such occurrence, and Gainor shall have 30 days to cure such problem or breach, or reach a mutual agreement with TheraSense for

*** Confidential treatment requested

remedying same or this Agreement shall be terminated. Upon the expiration of such 30 day period, if Gainor has not cured the Event of Default of otherwise reached agreement with TheraSense, (i) TheraSense may continue development of the Gainor Components on its own, or Contract for a third party to continue development of the Gainor Components, (ii) TheraSense shall have the right to use all Technologies developed and owned by Gainor for such discontinued Project and all jointly owned Technologies developed for such Project to finish, use, manufacture, market and distribute the Products. Gainor shall provide to TheraSense such technical and other information regarding the Gainor Components, including technical and development plans and documentation, as TheraSense may require to exercise its rights under this Section. As an alternative to terminating this Agreement, but without effecting the other rights granted in the immediately proceeding sentence, following an Event of Default described in Section 11.2(a)(iii). TheraSense may utilize additional suppliers to obtain Gainor Components. TheraSense shall compensate Gainor for its work through such termination at a reasonable royalty rate consistent with industry standards, and the level of completion of the Gainor Components at such time.

11.3 Termination by Gainor on Default of TheraSense.

(a) TheraSense Event of Default. The following shall constitute an Event of Default by TheraSense:

(i) TheraSense discontinues either Project for any reason.

(ii) TheraSense is unwilling or unable to complete a Project or any Products under a Project substantially within the time periods and budget set forth in the Project Plan.

(iii) TheraSense is unwilling or unable to manufacture, market and distribute the Products within a reasonable amount of time following completion of the Products and obtaining any necessary regulatory approvals.

(iv) TheraSense otherwise materially breaches its obligations hereunder.

(b) Result of TheraSense Event of Default. Upon an Event of Default by TheraSense, Gainor may terminate its obligations with respect to such Project by providing written notice thereof to TheraSense, who shall have 30 days to cure such Event of Default, or reach a mutual agreement with Gainor for remedying same or this agreement shall be terminated. Upon the expiration of such 30 day period, if TheraSense has not cured the Event of Default of otherwise reached agreement with Gainor, (i) Gainor shall have the right use all Technologies owned by Gainor and all jointly owned Technologies developed for such Project for any purpose with no further obligation to TheraSense, and (ii) Gainor shall continue to have the exclusive right to manufacture the Gainor Components if a Project ever produces marketable Projects. TheraSense shall provide to Gainor such technical and other information regarding such Projects and all related Products, including technical and development plans and documentation, as Gainor may require to exercise its rights under this Section. Gainor shall compensate TheraSense for use of jointly developed and owned Technology used in any product completed and sold by Gainor at a reasonable

royalty rate consistent with industry standards based on the amount of such Technology included in any such finished product.

12. Right to Perform. Each party hereby represents to the other that it has the necessary rights and licenses to enter into and perform under the terms of this Agreement and to grant such rights and licenses as it has agreed to grant hereunder. Each party shall notify the other promptly upon discovering that any of its Technology related to the Projects is or may be infringing upon the rights of any third party, and shall promptly notify the other if it believes or receives notice that any third party is infringing on any its technologies.

13. Indemnification. Each party shall indemnify and hold the other party harmless from and against any and all claims, judgments, liabilities and damages arising out of (i) any claim that the Technology of the indemnifying party infringes any patent, trade secret or other intellectual property right of a third party or (ii) any negligent act, error or omission by the indemnifying party, its employees, agents, servants or representatives in the performance of its duties and obligations hereunder. In the event any such claim is made, the party to be indemnified (the "Indemnitee") shall immediately notify the indemnifying party (the "Indemnitor"). The Indemnitor shall have the right to control the defense of such claim with counsel of its choice and shall bear all cost and expense of such defense. The Indemnitee shall allow the Indemnitor to control the defense of such claims, shall cooperate as reasonably necessary in

the defense of any such claim at the expense of the Indemnitor, and may participate in the defense with counsel of its choice at Indemnitee's cost. If the Indemnitor fails to vigorously defend Indemnitee. Indemnitee may assume such defense with counsel of its own choice. To the extent a claim is based on infringement by Technology jointly owned by both parties, each party shall bear the cost and expense of its own defense, and shall indemnify, reimburse and hold the other party harmless to the extent that it is determined that such infringement is not attributable to such other party or such other party's Technology.

14. Dispute Resolution.

14.1 Negotiation. The Steering Committee shall negotiate in good faith to resolve any dispute under this Agreement. If the Steering Committee cannot agree, the dispute shall be referred to appropriate senior management of each party for resolution, and such senior management shall negotiate in good faith to resolve such dispute.

14.2 Arbitration. If a claim, controversy or dispute between the parties cannot be resolved within a reasonable time period as set forth above, either party may demand that such matter be submitted to final and binding arbitration. Issuance of an arbitration demand shall suspend the effect of any default entailed by such claim, controversy or dispute and any judicial or administrative proceedings instituted in connection therewith, for the duration of the arbitration proceedings. Arbitration shall be governed by the Commercial Arbitration Rules of the American Arbitration Association (the "AAA"). Arbitration shall be conducted by three arbitrators. Each party shall choose one arbitrator within 10 days of the arbitration demand. The final arbitrator shall be chosen by the first two within 10 days of their appointment. If the first two arbitrators cannot agree, the third arbitrator shall be chosen by AAA. The arbitrator or arbitrators shall evaluate all outstanding claims and dispute, determine the relative fault of each party, and deliver its or their decision within 60 days of the date of receipt of the arbitration demand, specifying such remedy

(including money damages) as shall (a) fully implement the intent and purposes of this Agreement and (b) indemnify and hold harmless the non-breaching party from all losses, costs and expenses (including costs of arbitration and reasonable attorneys' fees) resulting from the default. Termination or limitation of either party's rights to its Technology, or any associated intellectual property rights may not be awarded under any circumstances. The right to demand arbitration and to receive damages and obtain other available remedies as provided hereunder shall be the exclusive remedy in the event an arbitration demand is made. The parties hereby consent to the enforcement in the courts of each state where each party resides or maintains assets of any

arbitral judgment or award rendered pursuant to this Section.

15. General.

15.1 Notices. Notices shall be deemed given as of receipt as shown by the records of FedEx, UPS, registered US Mail, or other courier service, or fax with a confirmation notice, if properly addressed as first set forth above. Either party may change their address by notice in compliance with this section.

15.2 Assignment. This Agreement shall not be assignable by either party to any third party without the written consent of the other party hereto; except that either party may assign this Agreement without the other party's consent to an entity that acquires substantially all of the business or assets of the assigning party whether by merger, transfer of assets, or otherwise. Upon a permitting assignment of this Agreement, all references herein to the assigning party shall be deemed references to the parry to whom the Agreement is so assigned.

15.3 Waiver. The failure of either party to enforce any term of this Agreement shall not constitute a waiver of either party's right to enforce every term of this Agreement.

15.4 Enforcement. If either party brings an action under this Agreement (including appeal), the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

15.5 Enforceability. Should any provision of this Agreement be held by a court of competent jurisdiction or arbitration authority to be unenforceable, the remaining provisions of this Agreement shall not be affected or impaired thereby except to the extent necessary to give effect, as close as possible to the intent of the parties as expressed herein.

15.6 Choice Of Law. This agreement shall be governed by and construed under the laws of the state of Georgia, excluding its conflict of laws rules.

15.7 Force Majeure. Neither party shall be in default by reason of any failure in the performance of this Agreement, other than a failure to make payment when due or to comply with restrictions upon the use of the other's Technology, if such failure arises out of any act, event or circumstance beyond the reasonable control of such parry, whether or not otherwise foreseeable. The party so affected will resume performance as soon as reasonably possible,

15.8 Headings and Captions. The headings and captions appearing in this Agreement are inserted only as a matter of convenience and in no way limit the scope or affect the meaning of any section.

15.9 Employees. Neither party shall hire or solicit for hire any employee of the other without the express written consent of the other party.

15.10 Prior Agreements, Amendment. This Agreement constitutes the entire agreement between the parties and supersedes all prior understandings and agreements between them regarding the content hereof, and may not be modified or amended except in writing signed by authorized representatives of both parties.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement as of the date first set forth above.

Gainor Medical North America, LLC	TheraSense, Inc.
By: /s/ Mark J. Gainor	By: /s/ W. Mark Lortz
Mark J. Gainor	W. Mark Lortz
____ Print Name	Print Name
Chairman & CEO	President & CEO
Print Title	Print Title
12/18/98	12/17/98
Date	Date

EXHIBIT A

TheraSense/Gainor Medical Cooperative Development Agreement
Project Plan - CONFIDENTIAL

***

*** Confidential treatment requested

EXHIBIT A

TheraSense/Gainor Medical Cooperative Development Agreement
Project Plan - CONFIDENTIAL

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*** Confidential tretment requested

EXHIBIT A

TheraSense/Gainor Medical Cooperative Development Agreement
Project Plan - CONFIDENTIAL

***

This project plan has been reviewed and approved by:

/s/ Fred Colman	12-17-98
Fred Colman Vice President, Engineering TheraSense, Inc.	Date

/s/ Bill Taylor	12-18-98
Bill Taylor Director, Product Technology Group Gainor Medical North America, LLC	Date

*** Confidential treatement requested

EXHIBIT A

TheraSense/Gainor Medical Cooperative Development Agreement
Project Plan - CONFIDENTIAL

***

*** Confidential treatment requested

Exhibit 10.8

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE-NET
(DO NOT USE THIS FORM FOR MULTI-TENANT PROPERTY)

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, February 26, 1999, is made by and between PlyProperties, a partnership ("LESSOR") and TheraSense Inc., a California corporation ("LESSEE"), (collectively the "PARTIES", or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known by the street address of 1360-1380 South Loop Road, Alameda located in the County of Alameda State of California and generally described as (describe briefly the nature of the property) that certain 7.5 acre real property, shown outlined in red on Exhibit "A" hereto, together with the improvements thereon which presently include a 54,475 square foot, one-story manufacturing/R & D industrial building ("PREMISES"). (See Paragraph 2 for further provisions.)

1.3 TERM: Ten (10) years and 0 months ("ORIGINAL TERM") commencing May 1, 1999 ("COMMENCEMENT DATE") and ending April 30, 2009 ("EXPIRATION DATE"). (See Paragraph 3 for further provisions.)

1.4 EARLY POSSESSION: see paragraph 49.c. ("EARLY POSSESSION DATE"). (See Paragraphs 3.2 and 3.3 for further provisions.)

1.5 BASE RENT: $ 62,500.00 per month ("BASE RENT"), payable on the first day of each month commencing May 1, 1999 (commencement date of Lease) See also paragraph 49.c. (See Paragraph 4 for further provisions.) [X] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 BASE RENT PAID UPON EXECUTION: $0 as Base Rent for the period_____.

1.7 SECURITY DEPOSIT: $ 62,500.00 ("SECURITY DEPOSIT"). (See Paragraph 5 for further provisions.)

1.8 PERMITTED USE: Corporate administration, sales, research and development, and sensor manufacturing, and related uses (See Paragraph 6 for further provisions.)

1.9 INSURING PARTY: Lessor is the "INSURING PARTY" unless otherwise stated herein. (See Paragraph 8 for further provisions.)

1.10 REAL ESTATE BROKERS: The following real estate brokers (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are

consented to by the Parties (check applicable boxes): John H. McManus, Grubb & Ellis represents [_] Lessor exclusively ("LESSOR'S BROKER"); [X] both Lessor and Lessee, and _____ represents [_] Lessee exclusively ("LESSEE'S BROKER"); [X] both Lessee and Lessor. (See Paragraph 15 for further provisions.)

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by _____ ("GUARANTOR"). (See Paragraph 37 for further provisions.)

1.12 ADDENDA. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 63 and Exhibits "A", "B" (4 pages), and "C" all of which constitute a part of this Lease.

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, fire sprinkler system, lighting, air conditioning, heating, and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants to Lessee that the improvements on the Premises comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense.

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, compliance with Applicable Law, as defined in Paragraph 6.3) and the present and future suitability of the Premises for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to Lessee's occupancy of the Premises and/or the term of this Lease, and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to the said matters other than as set forth in this Lease.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION.

See paragraph 49.c.

Initials /s/ Signature Illegible

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee as agreed herein by the Early Possession Date, if one is specified in Paragraph 1.4, or, if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. See paragraph 49.

4. RENT. See also paragraph 50.

4.1 BASE RENT. Lessee shall cause payment of Base Rent and other rent or charges, as the same may be adjusted from time to time, to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee is in breach under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorney's fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any moneys to be paid by Lessee under this Lease.

See also paragraph 57.

6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the purposes set forth in Paragraph 1.8, or any other use which is comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessees assignees or subtenants, and by prospective assignees and subtenants of the Lessee, its assignees and subtenants, for a modification of said permitted purpose for which the premises may be used or occupied, so long as the same will not impair the structural integrity of the improvements on the Premises, the mechanical or electrical systems therein, is not significantly more burdensome to the Premises and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use. See para. 58.

6.2 HAZARDOUS SUBSTANCES. See also paragraphs 53 and 59.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE"

as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect is either: (i) potentially injurious to the public health, safety

or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to asbestor containing materials hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 6.3). "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering of occupying the Premises or neighboring properties. Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises,

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, in violation of Applicable Requirement, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including but not limited to all such documents as may be involved in any Reportable Uses involving the Premises.

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, tenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance released or emitted onto the Premises by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 6 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH LAW. Except as otherwise provide in the Lease, Lessee, shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE LAW," which term is used in this Lease to include all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, relating in any manner to the Premises excluding changes required to the foundation sidewalls on roof (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may hereafter come into effect, and whether or not reflecting a change in policy from any previously existing policy. Lessee shall, within five (5) days after

receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Law specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual

claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Law.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's Lender(s) (as defined in Paragraph 8.3(a)) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Laws (as defined in Paragraph 6.3), and to employ experts and/or consultants in connection therewith and/or to advise Lessor with respect to Lessee's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance or storage tank on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Lessee is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent or contamination. In any such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE; REPAIRS; UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERNATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraphs 2.2 (Lessor's warranty as to condition), 2.3 (Lessor's warranty as to compliance with covenants, etc),

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7.2 (Lessor's obligations to repair), 9 (damage and destruction), and 14 (condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, and non-structural (whether or not such portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), but excluding structural repairs required of foundations and sidewalls
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foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Promises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense; take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and

all improvements thereon or a part thereof in good order, condition and state of repair. If Lessee occupies the Premises for seven (7) years or more, Lessor may require Lessee to repaint the exterior of the buildings on the Premises as reasonably required, but not more frequently than once every seven (7) years.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 LESSOR'S OBLIGATIONS. Except for the warranties and agreements of Lessor contained in Paragraphs 2.2 (relating to condition of the Premises), 2.3 (relating to compliance with covenants, restrictions and building code), 9 (relating to destruction of the Premises) and 14 (relating to condemnation of the Premises), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon, or the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof except that Lessor shall perform structural repairs required of the foundations and sidewalls. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of any needed repairs.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all carpeting, window coverings, air lines, power panels, electrical distribution, security, fire protection systems, communication systems, lighting fixtures, heating, ventilating, and air conditioning equipment, plumbing, and fencing in, on

or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERNATIONS" shall mean any modification of the improvements on the Premises from that which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alternations and/or Utility Installations made by lessee that are not yet owned by Lessor as defined in Paragraph 7.4(a) Lessee shall not make any Alternations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during the term of this Lease as extended does not exceed $25,000.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with proposed detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon, and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without obligation to do so) condition its consent to any requested Alteration or

Utility Installation that costs $25,000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor under Paragraph 36 hereof.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal or become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Additions made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per subparagraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon and be surrendered by Lessee with the Premises.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding their installation may have been

consented to by Lessor. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. "ORDINARY WEAR AND TEAR" shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified in writing by Lessor, the Premises, as surrendered, shall include the Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Alterations and/or Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Law and/or good service practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY. See also paragraph 61

8.1 PAYMENT FOR INSURANCE. Regardless of whether the Lessor or Lessee is the insuring Party, Lessee shall pay for all insurance required under this Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor in excess of $2,000,000 aggregate $1,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease

term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within thirty (30) days following receipt of an invoice for any amount due.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" Endorsement and contain the "Amendment of the Pollution Exclusion" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said Insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. In the event Lessor is the insuring Party, Lessor shall also maintain liability insurance described in Paragraph 8.2(a), above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

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8.3 PROPERTY INSURANCE-BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. The Insuring Party shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lender(s)"), insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by Lenders, but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If Lessor is the insuring Party, however, Lessee Owned Alterations and Utility Installations shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss, as defined in Paragraph 9.1(c).

(b) RENTAL VALUE. The Insuring Party shall, in addition, obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and Lender(s), insuring the loss of the full rental and other charges payable by Lessee to Lessor under this Lease for one (1) year (including all real estate taxes, insurance costs, and any scheduled

rental increases). Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, property taxes, insurance premium costs and other expenses, if any, otherwise payable by Lessee, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) TENANT'S IMPROVEMENTS. If the Lessor is the Insuring Party, the Lessor shall not be required to insure Lessee Owned Alterations and Utility installations unless the item in question has become the property of Lessor under the terms of this Lease. If Lessee is the Insuring Party, the policy carried by Lessee under this Paragraph 8.3 shall Insure Lessee Owned Alterations and Utility Installations.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Lessee Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by the Insuring Party under Paragraph 8.3. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property or the restoration of Lessee Owned Alterations and Utility Installations. Lessee

shall be the insuring Party with respect to the Insurance required by this Paragraph 8.4 and shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. If Lessee is the Insuring Party, Lessee shall cause to be delivered to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insureds and loss payable clauses as required by this Lease. No such policy shall be cancellable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. If the Insuring Party shall fail to procure and maintain the insurance required to be carried by the Insuring Party under this Paragraph 8, the other Party may, but shall not be required to, procure and maintain the same, but at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Notwithstanding anything to the contrary in this Lease, Without affecting any other rights or remedies, Lessee and Lessor ("Waiving Party") each thereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to the Waiving Party's property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the

Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, Judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than 50% of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is 50% or more of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE-INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility

Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make the insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, the shortage in proceeds was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance hereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If in such case Lessor does not so elect, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for

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any funds contributed by Lessee to repair any such damage or destruction.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 8.6.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of damage described in Paragraph 9.2 (Partial Damage-Insured), whether or not Lessor or Lessee repairs or restores the Premises, the Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, payable by Lessee hereunder for the period during which such

damage, its repair or the restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "COMMENCE" as used in this Paragraph shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Law and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance

Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the investigation and remediation of such Hazardous Substance Condition totally at Lessee's expense and without reimbursement from Lessor except to the extent of an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination. If a Hazardous Substance Condition occurs for which Lessee is not legally responsible, there shall be abatement of Lessee's obligations under this Lease to the same extent as provided in Paragraph 9.6(a) for a period of not to exceed twelve (12) months.

9.8 TERMINATION - ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor, Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WALVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES. See also paragraph 56.

10.1 (a) PAYMENT OF TAXES. Lessee shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Premises during the term of this Lease. Subject to Paragraph 10.1(b), all such payments shall be made at least ten (10) days prior to the delinquency date of the applicable installment. Lessor shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Lessee shall cover any period of time prior to or after the expiration or earlier termination of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment after such proration. If Lessee shall fail to pay any Real Property Taxes required by this Lease to be paid by Lessee, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) ADVANCE PAYMENT. In order to insure payment when due and before delinquency of any or all Real Property Taxes, Lessor reserves the right, at Lessor's option, if Lessee incurs more than two late charges on rent to estimate the current Real Property Taxes applicable to the Premises, and to require such current year's Real Property Taxes to be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be that equal monthly amount which, over the number of months remaining before the months in which the applicable tax installment would become delinquent (and without interest thereon), would provide a fund large enough to fully discharge before delinquency the estimated installment of taxes to be paid. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payment shall be adjusted as required to provide the fund needed to pay the applicable taxes before delinquency. If the amounts paid to Lessor by Lessee under the provisions of this Paragraph are insufficient to discharge the obligations of Lessee to pay

such Real Property Taxes as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear Interest.

10.2 DEFINITION OF "REAL PROPERTY TAXES." As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in applicable law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Premises or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations

assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations, Utility

Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property or, at Lessor's option, as provided in Paragraph 10.1(b).

11. UTILITIES. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered with other premises.

12. ASSIGNMENT AND SUBLETTING. See also paragraph 62.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "ASSIGNMENT") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, of Lessee as it was represented to Lessor at the time of the execution by Lessor of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("Lessor's Notice"), increase the monthly Base Rent to fair market rental value or one hundred ten percent (110%) of the Base Rent then in effect, whichever is greater. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and market value adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition), or one hundred ten percent (110%) of the price previously in effect, whichever is greater, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same

ratio as the new market rental bears to the Base Rent in effect immediately prior to the market value adjustment.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or sublease.

(d) In the event of any Default or Breach of Lessee's obligations under this Lease, Lessor may proceed directly against Lessee, any Guarantors or any one else responsible for the performance of the Lessee's obligations under this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any,

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents

from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to

the contrary. Lessee shall have no right or claim against said sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior Defaults or Breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said Default. A "Default" is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach"

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is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises See para. 63.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder, whether to Lessor or to a third party, as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of five (5) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable evidence (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1(b), (iv) a Tenancy Statement per Paragraphs 16 or 37, (v), (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) day following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or

provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, that are to be observed, complied with or performed by Lessee, other than those described in subparagraphs (a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) The making by lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S.C. section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee or any Guarantor of Lessee's obligations hereunder was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a guarantor, (ii) the termination of a guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a guarantor's refusal to honor the guaranty, or (v) a guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within the time periods abo (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. reasonable expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering

possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of the leasing commission paid by Lessor applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the prior sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve therein the right to recover all or any part thereof in a separate suit for such rent and/or damages.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and abandonment and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. See Paragraphs 12 and 36 for the limitations on assignment and subletting which limitations Lessee and Lessor agree are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under the Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence

of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph shall not be deemed a waiver by Lessor of the provisions of this Paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within five (5) days after Lessee's receipt of written notice of the delinquent, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is

payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance .

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by the holders of any ground lease, mortgage or deed of trust covering the Premises whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes

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and said taking materially affects Lessee's ability to operate its business within the demised Premises, title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the land area not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the building located on the Premises No reduction of Base Rent shall occur if the only portion of the Premises taken is land on which there is no building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation, except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

15. BROKER'S FEE. See paragraph 51.

15.6 Lessor and Lessee hereby consent to and approve all agency relationships, including any dual agencies, indicated in Paragraph 1.10.

16. TENANCY STATEMENT.

16.1 Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "TENANCY STATEMENT" form published by the American Industrial Real Estate Association, plus such additional information,

confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 If Lessor desires to finance, refinance, or sell the Premises, any part thereof, or the building of which the Premises are a part, Lessee and all Guarantors of Lessee's performance hereunder shall deliver to any potential lender or purchaser designated by Lessor such financial statements if readily available of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within thirty (30) days following the date on which it was due, shall bear interest from the thirty-first (31st) day after it was due at the rate of 12% per annum, but not exceeding the maximum rate allowed by law, in addition to the late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective.

23. NOTICES.

23.1 All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may be written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 3 business days after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same

to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver of the Default or Breach of any term, covenant or condition hereof by either party shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by the other of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any preceding Default or Breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease.

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27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default and allow such Lender thirty (30) days following receipt of such notice for the cure of said default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such

Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "NON-DISTURBANCE AGREEMENT") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "PREVAILING PARTY" shall include, without limitation, a Party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and

consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof and the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Lessee's business.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' or other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, practice or storage tank, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. Subject to Paragraph 12.2(e) (applicable to assignment or subletting), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Except as otherwise provided, any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgement that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent specifically authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of

consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each said Guarantor shall have the same obligations as Lessee under this Lease, including but not limited to the obligation to provide the Tenancy Statement and information called for by Paragraph 16.

37.2 It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and including in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signature of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the observance and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. OPTIONS.

39.1 DEFINITION. As used in this Paragraph 39 the word "Option" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase the Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

39.2 OPTIONS PERSONAL TO ORIGINAL LESSEE OR LESSEE'S SUCCESSOR. Each Option granted to Lessee in this Lease is personal to the original Lessee or Lessee's successor named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee or Lessee's successor while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately or apart therefrom, except for Lessee's successor by merger, sale, acquisition or similar and no Option may be separated from this Lease in any manner, by reservation or otherwise.

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39.3 MULTIPLE OPTIONS. In the event that Lessee has any Multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of Default under Paragraph 13.1, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of Default under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested any Lessor to

effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to lease to Lessee. This Lease is not intended to be binding until executed by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially increase obligations hereunder, or decrease Lessee's rights hereunder, or otherwise affect Lessee's use or occupancy of the Premises. Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional, insurance company, or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEW THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY AS TO THE POSSIBLE PRESENCE OF ASBESTOS, STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place on the dates specified above to their respective signatures.

EXECUTED AT San Leandro, CA	EXECUTED AT Alameda, CA
----------	----------
on 3/12/99	on 3/12/99

BY LESSOR:	BY LESSEE:
PlyProperties	TheraSense Inc.
By /s/ Signature Illegible	By /s/ Signature Illegible
Name Printed: Donald L. Jones	Name Printed: W. Mark Lortz
TITLE: Managing Partner	TITLE: President and CEO
By _____	By /s/ Signature Illegible
Name Printed: _____	Name Printed Fredric C. Colman
TITLE: _____	TITLE: Vice President
ADDRESS: 2081 Adams Avenue San Leandro, CA 94577	ADDRESS: * 1311 Harbor Bay Parkway, Suite 1000 Alameda, CA 94502
TEL. NO. (510) 562-2580 FAX NO. (510) 569-9333	TEL. NO. (510) 749-5444 FAX NO. (510) 749-5401

*address to change to demised Premises upon commencement of this Lease

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NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 345 South Figueroa Street, Suite M-1, Los Angeles, CA 90071. (213) 687-8777. Fax. No. (213) 687-8616.

ADDENDUM TO STANDARD INDUSTRIAL LEASE DATED FEBRUARY 26, 1999, BY AND BETWEEN PLYPROPERTIES, AS LESSOR, AND THERASENSE INC., AS LESSEE.

49. Construction of Improvements/Prior Occupancy/Commencement of Lease.

a. Lessor agrees, in accordance with the attached Work Letter, at its sole cost and expense except as provided for below, and as soon as it can reasonably be accomplished following the execution of this Lease, to (1) complete and submit plans and specifications for the improvement of the subject Premises to Lessee for its approval, which approval shall not be unreasonably withheld, said improvements to be in conformity with the preliminary specifications set forth in Exhibit "B" to this Lease (for all intent and purposes and for their mutual benefit Lessor and Lessee shall work together in preparing said plans and specifications); (2) apply for and secure appropriate building permits; and (3) commence and prosecute to completion in a diligent and good and workmanlike manner the construction and delivery of said improvements to Lessee. The parties hereto are aiming toward substantial completion and delivery of Lessee's Premises by May 1, 1999, provided Lessor is not delayed by causes beyond its control, which shall include but not be limited to any unanticipated delays in obtaining construction drawings and in securing permits; delays in construction due to fires, unusually severe weather, labor problems, including strikes or slowdowns; acts of God, and other similar causes, and delays caused by the

Lessee or its agents and/or sub-contractors.

Should Lessor fail to deliver the Premises by May 1, 1999, then this Lease shall commence upon the date Lessor does substantially complete the above work and delivers possession to Lessee.

If the actual commencement date of this Lease is other than that set forth in paragraph 3 above, then Lessor and Lessee shall prepare and execute an Amendment to Lease setting forth the revised commencement date of the Lease term, but failure to execute such an amendment shall not affect the actual commencement date.

b. "Substantial completion" or "substantially completing" shall be the date as agreed between Lessor and Lessee, or, if the parties cannot so agree, then it shall be upon execution of a certification from the architect or engineer supervising the construction of the Premises that all of the improvements hereto above described have been on the date specified in said certification substantially completed in accordance with the plans and specifications to the extent that Lessee can reasonably and conveniently use and occupy the building and appurtenances for the conduct of its ordinary business and, if required, the issuance of a certificate, or temporary certificate, of occupancy for the Premises. It is understood that Lessee may commence its work within the Premises before Lessor substantially completes its construction; however, Lessee agrees that its work shall not interfere with or delay Lessor's construction, including the date of substantial completion, and shall be subject to the provisions of sub-paragraph c. below. Nor shall substantial completion be delayed due to Lessee's delay or failure to complete any improvements it undertakes or to perform its tasks.

c. Early Possession. If the above improvements are not substantially completed by the scheduled commencement date of this Lease of May 1, 1999, then Lessee shall be granted prior occupancy of the demised Premises, effective May 1, 1999, for the purposes of setting up its manufacturing equipment and operations; and, effective upon that date or the date that the manufacturing portion of the subject building has been sufficiently completed to permit Lessee to begin setting up its manufacturing operations, whichever occurs later, Lessee shall pay beginning on that date, as additional consideration for Lessor's entering into this Lease, a partial rent of $40,000 per month, which partial rent shall include real estate taxes and insurance expenses on the property, until the commencement date of the Lease as defined above, at which time Lessee will begin paying its base rent, per the terms of the Lease, at the $62,500 per month rate. All other terms and conditions of the Lease shall be in effect during such early possession period, including Lessee's obligation to carry liability insurance and to indemnify the Lessor. The above "early possession" payments due under this section shall be deemed to be payments of additional rent and any failure to

make such payments when due may, in Lessor's discretion, be deemed to be a default under this Lease.

50. Cost Overruns/Rental Adjustments/IDB Financing Credits/Equipment Purchases/Credit if Surplus Land Sold.

a. T.I. Allowance/Cost Overruns/Lessee's Cash Payments. Notwithstanding any provision of this Lease to the contrary, it is understood and agreed that Lessee shall pay to Lessor in cash, within thirty (30) days after Lessor delivers possession of the Premises to Lessee or within thirty (30) days of the construction and payment by Lessor of any work specifically ordered by Lessee that is outside of the scope of Lessor's work set forth in Exhibit "B" to this Lease, any construction costs paid or incurred by Lessor in excess of the tenant improvement ("T.I.") allowance of $25 per footprint square footage that is provided for in Exhibit "B". It is understood and agreed that said $25 includes a portion of T.I. type improvements that have either already been installed or are stored on site, as described in Exhibit "B".

/s/ Signature Illegible

Prior to the start of major tenant improvement work, Lessor will provide Lessee with budget estimates for the work described in Section 49.a. above. Such estimates shall represent Lessor's reasonable estimates based on contractor estimates or information then known by Lessor, but Lessee agrees that such estimates are subject to change based upon (i) change in design; (ii) time; (iii) actual bids received; (iv) delays in construction; or (v) other reasonable changes or adjustments. Lessor makes no representation that the budget estimates will set forth the actual costs that will be incurred. Lessor will reasonably advise Lessee from time to time as to material changes in the budget or actual costs.

b. IDB Financing Credits. Financing of the subject project has, in part, been funded through the State's Industrial Development Bond ("IDB") Program that is designed to lower the cost of manufacturing in California. Such financing has historically assessed a lower interest rate and sometimes a longer amortization schedule than conventional financing. Lessor agrees to credit or to otherwise pay back to Lessee, from the monthly rent collected herein, an amount equal to the difference between the IDB's "effective" debt service (including but not limited to bond interest, amortization, trustee and similar fees, and the cost of the Letter of Credit from a bank), and the debt service that would be in effect on a conventional loan, assuming that said loan was in an amount equal to the principal amount of the bond financing allocated to land and improvements (real estate) at a seven and three-quarters (7.75%) percent per annum interest rate and a 25 year amortization schedule (the "Differential"); provided, however, that (i) any difference in principal reduction (equity build-up) between the IDB and hypothetical conventional financing will be debited or credited from the Differential, and (ii) if the IDB financing is also used to purchase equipment by and for the Lessee under the conditions set forth in sub-section "c" below, or tenant improvements in excess of Lessee's tenant improvement allowance per Exhibit "B" that are designed for Lessee's specific use and would not likely be used by a future tenant, under in effect a loan of a portion of the IDB financing by the Lessor to the Lessee, then said Differential shall be reduced by a risk factor, recognizing the increased credit risk to the Lessor from both the increased bond amount and an allocation of a portion of it to non-real estate purposes, equal to 50 basis points for every $1 million of the IDB financing that is allocated to such equipment purchases or special improvements.

By way of example, assume that the IDB financing allocated to the land and improvements equals $5,000,000, and that the "effective" debt service, as defined above, on that sum is based on a merged interest rate of 5.5% and a 30 year amortization schedule. The resultant monthly debt service on the IDB's would be $28,389.45. Assume further that the bond principal has not been used to purchase equipment, or special improvements in excess of Lessee's T.I. allowance. The corresponding monthly debt service on the hypothetical 7.75%, 25 year amortized conventional loan would be $37,766.44, resulting in a credit to the Lessee of $9,376.99 per month, before any adjustments for differences in principal reduction. Based on the above two loans, the principal reduction in the first year with the IDB financing example would be $67,349, whereas with the conventional loan $68,076. Therefore, the Lessee's first year credit of $9,376.99 x 12 = $112,523.88, in the above example, would be reduced by the $727 difference in principal reduction.

Assume further that the IDB financing equals $6,000,000, and that $1 million of that amount has been used to purchase equipment or special improvements over and above Lessee's T.I. allowance. The monthly debt service on the increased IDB loan would be $34,067.34; and the hypothetical rate on the conventional financing would be decreased from 7.75% to 7.25% to reflect the increased risk factor - deriving a monthly debt service of $43,368.41. The resultant credit to the Lessee would, therefore, equal $9,301.07 per month, before any adjustments for differences in principal reduction.

c. Equipment Purchases from IDB funds. Notwithstanding the right of either or both the Lessor and its Letter of Credit Bank to approve or disapprove, at either of their sole discretion, any use of the IDB financing for the purchase of equipment to be used in the subject building for and by the Lessee, if any of

the Industrial Development Bonds are so used to purchase such equipment, said financing will, in effect, be in the form of a loan from Lessor to Lessee subject to agreements between the parties hereto and the Letter of Credit bank; and:

(1) Lessee agrees to pay to Lessor as additional monthly rent that portion of the IDB debt service that is attributable to servicing such equipment purchases and loan(s); and

(2) Lessee agrees, at the end of the lease term or upon the earlier termination of this Lease, to pay off any principal portion of the IDB bond financing that remains allocated to the equipment purchases.

d. Rental Adjustments. The base rental of $62,500.00 per month will be adjusted every two and one-half years during the primary term of the lease as follows:

(1) Months 31 through 60: The initial base monthly rent of $62,500.00 shall be adjusted at the beginning of the 31st month, and the base rent as so adjusted shall be payable each succeeding month until the end of the 60th month, as follows: The base for computing the adjustment is the Consumer Price Index for All Urban Consumers, San Francisco-Oakland, published by the United States Department of

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/s/ Signature Illegible

Labor, Bureau of Labor Statistics ("Index"), which is published for the month of January, 1999 ("Beginning Index"). If the Index published for the month of July immediately preceding the 31st month adjustment date ("31st Month Adjustment Index") is increased over the Beginning Index, the base monthly rent payable for each month of the term commencing with the 31st month, and continuing through the 60th month, shall be set by multiplying the initial or original base rent by a fraction, the numerator of which is the 31st Month Adjustment Index and the denominator of which is the Beginning Index.

Notwithstanding the foregoing, in no event shall the base rent be increased pursuant to this paragraph by less than five (5%) percent every two and one-half years (2% per year, non-compounded), or greater than seven and one-half (7.5%) percent every two and one-half years (3% per year, non-compounded).

(2) Months 61 through 90; and 91 through 120: To be adjusted based on the same formula or method described above.

(3) If the Index is changed so that the base year differs from 1982-84 = 100, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or otherwise revised during the Lease term, such other governmental Index or computation with which it is replaced will be used in order to obtain substantially the same result as would be obtained if the Index would not have been revised or discontinued.

e. Rent Reduction if Surplus Land Sold. If Lessor and Lessee mutually agree to sell, lease, or otherwise divest itself of all or part of Parcel 4 of the subject real property, shown outlined in blue on Exhibit "A" hereto, then the base rental as established above shall be reduced, in the case of a lease, by the net effective rent received (either by Lessee or Lessor) or attributable to that divestiture; or, in the case of a sale, by an annual amount equal to 75% of the sale's net proceeds received by Lessor multiplied by 10%.

51. Brokers. Each party represents that it has not had dealings with any real estate broker, agent, finder, or other person with respect to this Lease in any manner, except for Grubb & Ellis. Each party shall hold harmless the other party from all damages resulting from any claims that may be asserted against the other party by any broker, agent, finder, or other person with whom such indemnifying party has or purportedly has dealt. Lessor shall be liable for any

commission or fee payable to Grubb & Ellis.

Lessor and Lessee acknowledge that Grubb & Ellis has represented both parties to this lease transaction.

52. Limit on Liability. Lessor herein is a partnership, and it is understood and agreed that any claims by Lessee against Lessor shall be limited to the assets of the partnership, and furthermore, Lessee expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said partnership.

53. Environmental. Notwithstanding the provisions of paragraph 6.2 of the Lease, Lessee shall be under no obligation to indemnify Lessor for any damages resulting from toxic contamination on the site not caused by Lessee.

54. Option to Renew. Lessor grants to Lessee an option to renew this Lease for an additional five (5) year period on the same terms, conditions, covenants, agreements or amendments, if any, then in force pursuant to this Lease except for the amount of the rental which shall be determined either by agreement between the parties or by arbitration based on the fair market rent value of the Premises. For the purposes of this clause, fair market rent shall be defined as the probable triple net rent that the Premises should bring in a competitive and open market at the time that this option is exercised, with the landlord and

a "highest and best use" tenant acting prudently and knowledgeably, based on the "as is" condition of the Premises at that time and upon lease terms and conditions consistent with those that govern this Lease extension.

If Lessor and Lessee are unable to agree upon said fair market rent value within thirty (30) days from notice of exercise of the option herein granted, then it will be set either by a qualified MAI appraiser chosen by the parties, or by arbitration as follows:

a. Within five (5) days after written notice by either party to the other requesting arbitration, one arbitrator shall be appointed by each party. Notice in writing of such appointment, when made, shall be given by each party to the other. The two arbitrators so named shall meet promptly and seek to reach a conclusion as to the fair market rent value of the Premises, and their decision rendered in writing and delivered to the parties hereto shall be final and binding on the parties.

b. If said two (2) arbitrators shall fail to reach a decision within fifteen (15) days after appointment of the second arbitrator, then the two arbitrators shall forthwith choose a third arbitrator within five (5) days to act with them. If they fail to select a third arbitrator within said five (5) days, the third arbitrator shall

/s/ Signature Illegible

/s/ Signature Illegible

be promptly appointed by the Presiding Judge of the Superior Court, State of California, County of Alameda. The party making such application to said Judge shall give the other party hereto five (5) days written notice thereof.

c. The arbitration shall proceed with due dispatch. The third arbitrator shall select the value submitted by one of the initial two arbitrators that is closest to the value determined by the third arbitrator. The decision of third arbitrator, reached accordingly, shall be binding, final and conclusive on the parties hereto. Such decision shall be in writing and delivered to the parties.

d. If either party fails to appoint an arbitrator as herein provided, then the arbitrator that has been appointed shall be the sole arbitrator.

e. The expense of any such arbitration shall be borne equally between the parties hereto, except that the cost of any attorney's fees incurred by the

parties are their own respective responsibilities.

f. The arbitration shall be conducted in accordance with the applicable statutes of the State of California then in effect.

Lessee shall exercise this option by serving written notice upon Lessor of its intent to exercise the option at least six (6) months prior to the expiration of the initial ten year term of this Lease. Lessee shall have the right to exercise this option only in the event that Lessee is not in default in its performance of any material term or condition of the Lease.

55. Expansion. The parties wish to anticipate the possible expansion of the Premises as generally shown on the Site Development Plan, attached hereto as Exhibit "C". Upon delivery of written notice (the "Expansion Notice") from Lessee to Lessor describing the desired expansion (the "Expansion Space") and provided that (i) Lessee at Lessor's reasonable discretion is financially sound enough to warrant the increased liability and/or risk of the expanded building and is not in default under any of the terms and conditions contained herein, (ii) Lessor is able to obtain reasonable third-party financing for the construction of the Expansion Space, (iii) the Expansion Space is generally in conformance with the Site Development Plan, and (iv) building permits and all other necessary permits or approvals can be reasonably obtained, then Lessor shall endeavor to construct the Expansion Space.

The rent and terms for the Expansion Space and/or the modification at that time of the Lease in general, shall be negotiated between the parties based on fair market conditions, or arbitrated similar to the provisions for arbitration set forth above; and shall take into consideration, but shall not be limited to, the number of years remaining on the Lease or any extension thereof, the cost of third-party financing, the financial strength of the Lessee at the time, and the special or general nature of the improvements.

56. Taxes & Assessments. Notwithstanding the provisions of paragraph 10 of this Lease, and although the Lessee shall be responsible for paying all Harbor Bay Business Park, City of Alameda and/or other governmental assessments against the Premises or the operations of the Lessee, including but not limited to the Landscape & Lighting District, Urban Runoff, Harbor Bay Business Park Association dues and fees, the Lessee shall not be responsible for paying the principal and interest on the existing Harbor Bay Business Park Series A.D. 92-1 Assessment Bonds that were assumed by the Lessor in its purchase of the subject land.

Lessee's responsibility for tax increases that are a result of a sale or change of ownership of the property that triggers a re-assessment of the real estate pursuant to Chapter 3.5 of the California Revenue and Taxation Code, as amended, shall be limited to a five (5) percent per year increase in the assessed value of the property over its first full year of assessment, including the improvements set forth in Exhibit "B" to this Lease.

57. Security Deposit. Notwithstanding the provisions of paragraph 5 of this Lease, Lessee

shall, to further secure its obligations under this Lease, provide a letter of credit acceptable to Lessor from a bank or other credit worthy financial institution, in the principal amount of $500,000, guarantying its performance under the terms of this Lease. Said letter of credit is for the purpose, in the event of a default on the part of the Lessee in its obligations to pay rent under the Lease, of reimbursing the Lessor for a portion of the T.I. investment it shall have made in the Premises on behalf of the Lessee; and, therefore, said Letter of Credit amount shall be payable to Lessor upon Lessee's material default under the terms of this Lease without cure. Lessee's obligation to provide said Letter of Credit shall cease upon (a) the increase in Lessee's net worth to an amount of $5 million, or more, net of capital raised and earmarked but not yet expended for equipment purchases or other capital assets related to Lessee's business, and based on standard accounting reporting practices; and/or (b) Lessee's satisfactory performance under the terms and conditions of this Lease for a period of five (5) years, provided that the Lessee is not then

evidencing any significant credit or financial problems that might reflect its inability to fulfill its obligations under this Lease. In substitution of the above, under the same basic terms and conditions and intents, Lessee may either (a) deposit $500,000 in an interest bearing escrow account payable or

/s/ Signature Illegible

/s/ Signature Illegible

forfeitable to Lessor in the event of Lessee's material default under the terms of this Lease without cure; or (b) pay $500,000 toward Lessor's share of tenant improvements, as defined in Exhibit "B", at which time Lessee's base triple net rent would decrease by $4,375.00 per month.

58. Use of Premises. Lessor represents and warrants that Lessee's use of the Premises is and will be permitted by all Applicable Requirements. If the Premises should become unsuitable for Lessee's use as a consequence of cessation of utilities, interference with access to the Premises, legal restrictions or any Hazardous Substance Condition, which does not result from Lessee's release or emission of such Hazardous Substance, and in any of the foregoing instances the interference with Lessee's use of the Premises persists for seven (7) consecutive calendar days, then Lessee shall be entitled to an equitable abatement of rent to the extent of the interference with Lessee's use of the Premises occasioned thereby. If such interference persists for more than ninety (90) consecutive calendar days in any 360 day period, Lessee man terminate the Lease by delivery of written notice to Lessor at any time hereafter until such interference ceases.

59. Environmental Condition.

a. Lessor's Representations. Except as disclosed in the reports listed on Exhibit A, attached hereto and made a part hereof, true and correct copies of which have been delivered by Lessor to Lessee, to the best knowledge of Lessor, (i) no Hazardous Substance is present on the Premises or the soil, surface water or groundwater thereof, (ii) no underground storage tanks or asbestos-containing building materials are present on the Premises, and (iii) no action, proceeding, or claim is pending or threatened concerning the Premises concerning any Hazardous Substance or pursuant to any Applicable Requirements. Lessor has delivered to Lessee all reports and environmental assessments of the Premises conducted at the request of or otherwise available to Lessor and Lessor has complied with all environmental disclosure obligations imposed upon Lessor by Applicable Requirements with respect to this transaction.

b. Lessor's Indemnity. Lessor shall indemnify, defend with counsel reasonably acceptable to Lessee, protect, and hold harmless Lessee, its employees, agents, contractors, stockholders, officers, directors, sublessees, successors and assigns (collectively the "Lessee Indemnitees") from and against all claims, actions, suits, proceedings, governmental orders, judgments, losses, costs, personal injuries, damages, liabilities, deficiencies, fines, penalties, damages, attorney's fees, consultants' fees, and expenses of every type and nature ("Claims"), to the extent arising in connection with (i) any Hazardous Substance Condition (other than a Hazardous Substance condition resulting from Lessee's disposal, release or emission of such Hazardous Substance), and/or (ii) the violation of any Applicable Requirements governing the use, storage, disposal, emission, transportation, sale or release of a Hazardous Substance at the Premises by any person other than Lessee, its agents, employees or contractors. Notwithstanding anything to the contrary in this Lease, Lessee shall have no other liability to Lessor or any of its officers, agents, partners, lenders-or tenants as a consequence of the presence of Hazardous Substances in or about the Premises not caused by Lessee.

c. Lessee's and Lessor's Obligations. Lessee's obligation to comply with all Applicable Requirements shall not include the obligation to take action required by any Applicable Requirements governing any Hazardous Substance not brought onto the Premises by Lessee or any Hazardous Substance Condition that does not result from Lessee's disposal, emission or release of such Hazardous

Substances.

60. Entry by Lessor. Lessor and Lessor's agents, except in the case of emergency, shall provide Lessee with twenty-four (24) hours' notice prior to entry of the Premises. Any such entry by Lessor and Lessor's agents shall comply with all reasonable security measures of

Lessee and shall not impair Lessee's operations more than reasonably necessary. During any such entry, Lessor and Lessor's agents shall at all times be accompanied by a representative of Lessee.

61. Property Insurance. Notwithstanding the provisions of paragraph 8 of the Lease, in no event shall Lessee have any obligation to pay or reimburse Lessor for any premiums or deductibles for flood or earthquake insurance.

62. Assignment and Subletting.

/s/ Signature Illegible

/s/ Signature Illegible

63. Default Clause. In reference to paragraph 13.1.(a), if Lessee vacates the Premises for more than sixty (60) days, the Lessor shall have the right but not the requirement to terminate this Lease on thirty (30) days written notice.

/s/ Signature Illegible

/s/ Signature Illegible

SOUTH LOOP ROAD

Exhibit "A"

[EXHIBIT OMITTED]

"Floor Plan"

/s/ Signature Illegible

/s/ Signature Illegible

EXHIBIT "B" TO LEASE BETWEEN PLYPROPERTIES, AS LESSOR, AND THERASENSE INC., AS LESSEE, DATED JANUARY 4, 1999, COVERING THE PREMISES AT 1360 - 1380 SOUTH LOOP ROAD, ALAMEDA, CA.

The Shell portion of the subject, 54,475 square foot building, has been completed. Shell work includes, but is not necessarily limited to, site preparation, utilities and meters, paving, landscaping, and similar on-site and off-site costs; and the construction of the shell building including foundations, slabs, walls, columns, roof structure and roofing, store fronts and glazing, man doors, truck doors, and the basic electrical service, rough plumbing, and sprinkler systems.

It is understood and agreed that some tenant improvement (T.I.) work has already been installed or is being stored on-site. Those T.I.'s, which cost $700,805 including general conditions and the builder's overhead and profit, primarily consist of (i) HVAC equipment stored on-site plus plenums and ducting that have already been installed to heat and cool the entire building; (ii) electrical switch gear, including 5 transformers, 8 sub-panels and under-floor conduit, designed to distribute power throughout the building; a master lighting panel, with computer controlled modules; high intensity lighting using a combination of 400 and 250 watt metal halide fixtures installed throughout most of the building; plus miscellaneous material (sub-panels; wire; indirect office

lighting fixtures; etc.) stored on-site; (iii) a glass wall and mullion system, which might be included in the design of the future offices or the R & D area; and (iv) standard office wall system material to be used in the construction of future offices.

Lessor agrees, at its sole cost and expense except as provided for below and in the Lease, to construct Lessee's (i) administrative and sales offices, which are estimated to consist of approximately 4,000 to 5,000 square feet of GNA and 5,000 to 6,000 square feet of Sales offices; (ii) R & D area, containing approximately 18,000 to 19,000 square feet of which about 60% will contain wet and dry labs; (iii) manufacturing area of approximately 16,000 to 17,,000 square feet, of which about 5,625 square feet will be enclosed by walls and ceilings to house laboratory and semi-clean manufacturing operations; (iv) three (3) restroom facilities (two serving primarily the office and R & D areas, and one the manufacturing area); and (v) dock high truck spot with leveler. A preliminary breakdown, by area and rooms, is provided in TheraSense's fax, dated December 2, 1998, attached as page 2 of this Exhibit "B".

As set forth in paragraph 50.a. of this Lease, Lessor's cost responsibility for these interior tenant improvements (T.I.'s), as defined herein, shall be limited to $25 per footprint square foot of the building, or $1,361,875. It is understood and agreed that said $25 allowance shall include a minimum cost of $490,000 allocated to those T.I. improvements have already been installed or stored on-site, as described above, and it is further understood and agreed that both Lessor and Lessee, in the design of the T.I.'s, shall endeavor in good faith to use as much of the existing $700,805 of tenant improvement in the construction of Lessee's T.I.'s. The latter assumes using open ceilings whenever possible (i.e. in the R & D and manufacturing areas) to maximize use of the existing boxcar HVAC units and plenums, the existing metal halide lighting, and the main electrical system and distribution.

T.I. items include, but are not necessarily limited to, interior partitions that separate Lessee's functions; offices and restrooms; wet and dry labs; HVAC systems; plant and office lighting and power distribution; telephone and communication systems; the conversion to one dock high truck spot; tenant signage; and all other special work that is specific to Lessee's particular use and occupancy of the demised Premises. T.I. costs shall also include design and engineering, and the cost of building permits. Construction drawings for the above, when completed, shall be attached hereto and made a part of this Lease.

Guideline specifications, dated 10/25/98, are attached as pages 3 and 4 of this Exhibit "B".

/s/ Signature Illegible

/s/ Signature Illegible

New Facility Private office and Conference Room Estimate

<TABLE>
<CAPTION>

CONFERENCE ROOMS	Rough Dimensions	SQ FT	Total SQ FT
<S>	<C>	<C>	<C>
Board Room	16"24	384	
Messenger Team Room	14"18	252	
Colossus Team Room	14"18	252	
Technical Library	14"18	252	
Small Conference Room	14"18	252	
Interview Rooms (2)	12"12	288	
			1680
MISC. SERVICE ROOMS			
Copier & Office Supply Room	12"16	192	
Mail Room	12"16	192	
Cafateria	25"40	1000	
Janitorial Closets (2)	4"6	48	
Chemical Storage Room	12"14	168	

Computer/Telcom Room	16"16	256	
Lobby	20"20	400	
Lobby Conference Room	14"18	252	
			2508
PRIVATE OFFICES	14"16	224	4480
W. Lortz (President)			
F. Colman (VP R&D)			
E. Conner (VPR&QA)			
E. Heller (VP Bus. Devlop)			
A. Heller (Chief Scientist)			
VP Marketing			
CFO			
VP Manufacturing			
VP Human Resources			
C. Liamos (Dir Finance & Purchasing)			
P. Plante (Dir Process Devlop)			
G. McGarragh (Chemistry Fellow)			
K. Lipman (Mgr National Sales)			
J. Colburn (Dir Messenger Project)			
Colossus Project Director			
Dir Marketing			
Dir QA			
Dir Manufacturing			
HR Benefits Coordinator			
Dir Human Resourses			
Open Offices	80 10"12	120	9600
R&D LABS			
Chemistry Labs (Wet) (5)	30"40	1200	6000
Mechanical Lab	30"40	1200	1200
Electrical Lab (2)	30"30	900	1800
Machine Shop	25"40	1000	1000
QA Environmental Lab	30"40	1200	1200

<TABLE>
<S>

	<C>	<C>	<C>
Blood Lab	20"30	600	600
Total R&D Labs			11800
MANUFACTURING			
Manufacturing Area (Enclosed Space)		6000	
Mfg Chemistry Lab (Within MFG Area)	30"30	900	
Warehouse, Packaging,Reciving Inspect, Stockrooms		10000	
		16000	
Total Mfg Space			16000
Total Space			46068

THERASENSE CONFIDENTIAL 12/1/98
</TABLE>

/s/ Signature Illegible

/s/ Signature Illegible

DONALD L. JONES COMPANY

Commercial Property Development
Consulting, Brokerage & Investments

PROPERTY: 1360-80 South Loop Road, Alameda

TENANT: TheraSense Inc.

DATE: October 25, 1998

RE: General Specifications for the Purpose of Rough Estimating T.I.'s

A. General Offices: The attached block space plan delineates approximately 9,850 square feet of office space (TheraSense's initial requirement is for about 8,500 square feet). It would roughly be divided between administrative offices at about 35%, and marketing or sales at about 65%. Marketing and sales, where the largest growth is expected, would at least in part be located along the Easterly side of the building so that it could be expanded Southerly, as shown.

In general, the specifications of the offices to be built, as described below, would be similar in quality to that of other R & D type offices developed in Harbor Bay Business Park (versus premium quality offices built in a Class A downtown buildings, or laboratory space built for biotech companies).

1. Approximately 65% of the offices would be open space, including circulation; the balance would be made up of private offices, conference rooms, supply, lunch and similar core rooms Office systems to be installed in open space would be the responsibility of the tenant.

2. Office restrooms are shown located approximately where rough plumbing has already been installed in the slab. Count is projected at two water closets, two urinal, and two lavs in the men's room; and three water closets and two lavs in the women's room. For pricing, assume coved linoleum flooring, FRP wainscoted walls, hard ceilings, and fairly standard accessories.

3. Assume standard framed and gypboard walls (fire taped, textured and painted); suspended ceilings with 2 x 4 grid and second look acoustical tiles, dropped in fluorescent fixtures, and fire sprinklers; carpeted floors (or VCT in work rooms); with fairly typical allowances for electrical, telephone, and data cabling requirements. Assume that sidelights would be installed in private offices and conference rooms to enhance natural light.

4. Re-use or adapt existing boxcar HVAC units to provide fairly standard office building conditions.

5. An alternate study is requested to look at the possibility of building a mezzanine structure over the first floor offices, as shown with dotted lines in the Northeast corner of the building, to house future office expansion.

B. Research and Development. R & D is projected at 17,000 to 18,500 square feet, of which about 60% would be wet and dry labs. The balance would generally be sub-divided into office type rooms housing, among other functions, electronics, computer related services, testing, and a machine shop.

2081 Adams Avenue
San Leandro, California 94577

Telephone 510 562 2580

Facsimile 510 569 9333

/s/ Signature Illegible

/s/ Signature Illegible

1. The tenant would install (a) initially, four, self contained fume hood units, and ultimately over time up to eight; (b) dry benches, hanging cabinets, and wet benches with sinks; and (c) all miscellaneous gas supplies. The landlord would be responsible for connecting to rough plumbing and providing electrical outlets. Note approximate location of existing rough plumbing lines. In addition, space planning should take into consideration the fact that ventilation has been pre-installed along portions of the west wall of the building, and that water supply and floor drains also exist in portions of the building.

2. Probably two to three emergency showers would be required throughout the premises.

3. The balance of the R & D space would basically be built-out similar to offices, with slightly higher electrical requirements, except that whenever possible the space planning should endeavor to use open ceilings to maximize re-use of existing T.I.'s.

C. Manufacturing and Warehousing. Initially projected at 15,000 to 16,500 square feet, as shown, composed of 3,000 to 4,000 square feet of warehousing space open to the general production area, and approximately 5,625 square feet of cleaner manufacturing and laboratory area separated from the remainder of the production by framed walls and suspended ceilings. The latter area would be composed of open manufacturing area (approximately 75% of the total), a wet lab, and a couple offices. Also required in this cleaner manufacturing area would be floor drains (+- four), epoxy coated floors, and washable walls and ceilings (possibly either epoxy painted or pre-fabricated vinyl wall and ceiling panels).

1. Assume that the wall separating manufacturing from R & D is full height, floor to roof structure; and that there will be open access between the manufacturing area and the future "Expansion" area.

2. Assume that the existing light fixtures will be used throughout the production area with the exception of the approximately 5,625 square foot isolated area that will have suspended ceilings and dropped in fluorescent fixtures.

3. VCT tiles or painted floors would be utilized in all but the 3,000 to 4,000 square feet of the production area devoted to warehousing in order to minimize dust.

4. HVAC. The entire production area, and warehouse, are to be designed for 72 degrees. The area is to be semi-protected from open truck doors through the use of vestibule walls and plastic flaps or curtains. The existing spiral ducts are to be utilized whenever possible.

5. Construct a recessed truck well for one truck spot. Therefore, ultimately there would be one dock-high spot and two drive-in doors.

6. The Expansion area would remain as-is, utilizing the existing HVAC ducting and metal halide lighting.

D. Plant Restrooms. Assume one restroom located between Mfg/Whse and R&D (in addition to the two restrooms serving primarily the office and R & D areas.

/s/ Signature Illegible

/s/ Signature Illegible

Exhibit "C"

MASTER DEVELOPMENT SITE PLAN

[EXHIBIT OMITTED]

"Floor Plan"

RIDER TO LEASE

RIDER TO THAT CERTAIN LEASE ("THE AGREEMENT") DATED FEBRUARY 26, 1999 BY AND BETWEEN PLYPROPERTIES, A PARTNERSHIP (LESSOR) AND THERASENSE, INC., A CALIFORNIA CORPORATION (LESSEE) FOR THE PREMISES AS 1360-1380 SOUTH LOOP ROAD, ALAMEDA, CALIFORNIA 94502.

The following terms and conditions are incorporated by reference into The Agreement. Reference numbers in the margin refer to paragraph numbers in The Agreement, or represent new paragraph numbers, which are incorporated by reference into The Agreement.

1.3 Subject to a approval of the LC Lender/Bank Term: The term of the Lease is ten (10) years (120 months). Notwithstanding the foregoing, Lessee shall have the right, by providing prior written notice, to terminate the Lease after eighty-four (84) months. To exercise this right, Lessee shall provide written notice to Lessor no sooner that the first day of the seventy-fifth (75th) month and no later than the last day of the seventy-eighth (78th) month of the lease, that it intends to exercise its right to cancel. In consideration for this right, if exercised, Lessee agrees to pay to Lessor, in lawful money of the United States, prior to the last day of the eighty-fourth (84th) month, all unamortized costs of the lease, which shall include but may not be limited to: tenant improvements, brokerage commissions and equipment financing under paragraph 50c. of the lease.

62. In the event that Lessee elects and Lessor consents to Sublease or Assign its Leasehold interest in accordance with the terms of paragraph 12 of the The Agreement, all "profits" resulting from Sublease or Assignment, if any, shall be shared equally (50% / 50%) between Lessor and Lessee. "Profits" for the purpose of this Lease shall be defined as all rent received from Sublessee in excess of the Base Rent defined in paragraphs 1.5 of the Lease, and the excess over any costs due from Lessee under this lease for operating expenses which are not paid by Sublessee or Assignee (and not including any credit for IDB financing), plus any other sums paid to or consideration received by Lessee from Sublessee or Assignee after deducting Lessee's actual out-of-pocket costs resulting from such sublease which may include but shall not be limited to tenant improvements, marketing costs and brokerage commissions, if any.

50AA. In the event the work described in paragraph 49a. exceeds the tenant improvement allowance of $25.00 per square foot set forth in paragraph 50a. then Lessee shall have the right to amortize over the ten(10) year lease term an additional four dollars ($4.00) per square foot ($217,900.00) at ten percent (10%) per annum.

50BB. The rental credit outlined in paragraph 50b. has been offered to Lessee as an inducement to enter into this Lease. Therefore, unless Lessee acts to make itself ineligible or otherwise for any reason becomes ineligible for IDB financing, Lessee shall have the right to a rental credit as outlined in paragraph 50b. for the first thirty-six months of this Lease (until May 1, 2002) regardless of whether Lessor continues to maintain IDB financing for its own benefit. The interest rate for such credit shall be based upon the blended rate of interest Lessor would have paid had Lessor actually chosen to maintain the IDB financing.

56. The "first full year of assessment" shall be understood to be tax year 1999-2000.

AGREED AND ACKNOWLEDGED:

PlyProperties, a partnership	Therasense, Inc., A California Corp.
By: /s/ Signature Illegible	By: /s/ Signature Illegible
Its: Managing Partner	Its: President & CEO
Date: 3/12/99	Date: 3/12/99

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

By: /s/ Signature Illegible

Its: Vice President, R & D

Date: 3-12-99

WORK LETTER

1. Lessor shall construct the tenant improvements (the "Improvements") in accordance with the preliminary plans (the "Preliminary Plans") attached hereto and in accordance with the terms of this work letter.

2. Lessor shall cause a minimum of two subcontractors to bid for construction of any Improvements over $10,000.00. The General Contractor is the contractor only of Lessor and Lessee shall have no liability to the General Contractor on the construction contract.

3. Lessor shall cause to be prepared, as quickly as possible, final plans, specifications and work drawings of the Improvements ("Final Plans"), as well as an estimate of the total cost for the Improvements ("Cost Estimate"), all of which conform to or represent logical evolutions of or developments from the Preliminary Plans. As soon as approved by Lessor and Lessee, Lessor shall submit the Final Plans to all appropriate governmental agencies and thereafter the Lessor shall use its best efforts to obtain required governmental approvals as soon as practical.

4. After the Final Plans have been approved by Lessor and Lessee as provided above, neither party shall have the right to require extra work or change orders with respect to the construction of the Improvements without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed. All change orders shall specify any change in the Cost Estimate as a consequence of the change order.

5. Lessor shall thereafter commence construction of the Improvements and shall diligently prosecute such construction to completion. The Improvements shall be constructed by Lessor in accordance with all rules, regulations, codes, ordinances, statutes, and laws of any governmental or quasi-governmental authority and in accordance with the Final Plans as amended.

6. When the Improvements are complete, Lessor shall deliver possession of the Premises to Lessee.

7. Notwithstanding anything to the contrary in the lease, effective upon delivery of the Premises to Lessee, Lessor does hereby warrant that (a) the construction of the Improvements was performed in accordance with all rules, regulations, codes, statutes, ordinances, and laws of all governmental and quasi-governmental authorities, in accordance with the Final Plans, and in a good and workmanlike manner, (b) all material and equipment installed therein conformed to the Final Plans and was new and otherwise of good quality, (c) the electrical, plumbing, and mechanical systems servicing the Premises are in working order and in good condition, and (d) the roof is in good condition and water tight.

8. The cost the Initial Improvements to be provided at Lessor's sole expense shall not include (and Lessee shall have no responsibility for the Allowance shall not be used for) the following: (a) costs attributable to improvements installed outside the demising walls of the Premises; (b) costs for improvements which are not shown on or described in the Final Plans unless otherwise approved by Lessee; (c) costs incurred to remove Hazardous Materials from the Premises or the surrounding area; (d) attorneys' fees incurred in connection with negotiation of construction contracts, and attorneys' fees, experts' fees and other costs in connection with disputes with third parties; (e) interest and other costs of financing construction costs; (f) costs

incurred as a consequence of delay (unless the delay is caused by Lessee), construction defects or default by a contractor; (g) costs recoverable by Lessor upon account of warranties and insurance; (h) restoration costs in excess of insurance proceeds as a consequence of casualties; (i) penalties and late charges attributable to Lessor's failure to pay construction costs; (j) costs to bring the Premises into compliance with applicable laws and restrictions, including, without limitation, the Americans with Disabilities Act and environmental laws; (k) wages, labor and overhead for overtime and premium time; (l) offsite management or other general overhead costs incurred by Lessor; and (m) construction management, profit and overhead charges in excess of 8% of the total cost of the Improvements.

9. So long as such occupancy does not interfere with Lessor's construction of the Improvements, Lessee shall have the right to occupy the Premises prior to the completion of the Improvements for the purpose of installing its equipment, data, telecommunications systems and trade fixtures.

Recording requested by:
and when recorded mail to:

Alexis S. M. Chiu, Esq.
HOLLAND & KNIGHT LLP
44 Montgomery Street, Suite 4050
San Francisco, California 94104-4801

(Space above for Recorder's use)

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") is made as of August 1, 1999, by and among Therasense, Inc., a California corporation ("Tenant"), PLYPROPERTIES, a California general partnership ("Landlord"), and Wells Fargo Bank, National Association ("Beneficiary").

WITNESSETH:

WHEREAS, Landlord is the owner and holder of fee simple title in and to certain real property (the "Premises") situated in the County of Alameda, California, and described in Exhibit A attached hereto and by this reference made a part hereof.

WHEREAS, Landlord and Tenant have entered into that certain Lease, dated February 26, 1999 (the "Lease"), with respect to the Premises.

WHEREAS, Landlord and Beneficiary have heretofore entered into that certain Reimbursement Agreement dated as of May 1, 1997 (the "Original Reimbursement Agreement").

WHEREAS, Landlord and Beneficiary have heretofore entered into that certain First Amendment to Reimbursement Agreement dated as of May 22, 1998 (the "First Amendment to Reimbursement Agreement").

WHEREAS, Landlord and Beneficiary are concurrently herewith entering into that certain Second Amendment to Reimbursement Agreement dated as of August 1, 1999 (the "Second Amendment to Reimbursement Agreement") (the Original Reimbursement Agreement, as amended by the First Amendment to Reimbursement Agreement and the Second Amendment to Reimbursement Agreement, and as it may be further amended from time to time, being the "Reimbursement Agreement").

WHEREAS, Landlord has heretofore executed and delivered that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (Construction Trust

Deed), dated as of May 1, 1997, for the benefit of Beneficiary, recorded on December 22, 1997, as Instrument No. 97-340090 in the Recorder's Office of Alameda County, California (the "Original Deed of Trust").

WHEREAS, Landlord is concurrently herewith executing and delivering that certain First Amendment to Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (Construction Trust Deed), dated as of August 1, 1999 (the "First Amendment to Deed of Trust") (the Original Deed of Trust, as amended by the First Amendment to Deed of Trust, and as it may be further amended from time to time, the "Deed of Trust").

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, Tenant, Landlord, and Beneficiary, intending to be legally bound hereby, covenant and agree as follows:

1. The Lease and Tenant's leasehold estate created thereby, shall be and are completely and unconditionally subject and subordinate to the lien of the Deed of Trust and to all of the terms, conditions and provisions thereof, to all advances made or to be made thereunder and under the Reimbursement Agreement, and to any renewals, extensions, modifications or replacements thereof.

2. In the event Beneficiary obtains title to the Premises through foreclosure, deed in lieu of foreclosure under the Deed of Trust or by any other manner, so long as there shall then exist no breach, default or event of default (after the expiration of any applicable cure periods) on the part of Tenant under the Lease, the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect, and Beneficiary and any successor in interest to Beneficiary shall recognize and accept Tenant as the tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement.

In the above event, and in the event any other transferee obtains title to the Premises from Beneficiary or through foreclosure or in any other manner whereby such other transferee succeeds to the interest of a landlord under the Lease, Tenant agrees, for the benefit of Beneficiary and/or such other transferee, that Tenant shall be bound to Beneficiary or such other transferee in accordance with all of the terms of the Lease for the balance of the term thereof, and Tenant hereby attorns to Beneficiary and/or such other transferee as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Beneficiary or such other transferee succeeding to the landlord's interest in the Lease and giving written notice thereof to Tenant. Tenant agrees to provide written confirmation of the foregoing upon request of Beneficiary or such other transferee.

3. By virtue of the Deed of Trust, Beneficiary shall be entitled, but not obligated, to exercise the claims, rights, powers, privileges, options and remedies of the landlord under the Lease and shall be further entitled to the benefits of, and to receive and enforce performance of, all of the covenants to be performed by Tenant under the Lease as though Beneficiary were named therein as the landlord. Beneficiary shall not, by virtue of the Deed of Trust or this Agreement, be or become subject to any liability or obligation to Tenant under the Lease or otherwise, until Beneficiary shall have obtained title to the Premises, by foreclosure or otherwise, and then only to the extent of liabilities or obligations accruing subsequent to the date that Beneficiary has obtained title to the Premises and prior to the date that Beneficiary has

transferred title to the Premises to a subsequent transferee. Beneficiary shall not be liable for or subject to any offsets or defenses that Tenant may have by reason of any act or omission of any prior landlord (including Landlord) except that Tenant shall be entitled to the rights provided to it by the express terms of the Lease with respect to any continuing defaults of a prior landlord (including Landlord) such as a continuing failure to perform maintenance and repair.

4. Tenant shall not pay an installment of rent or any part thereof more than one month prior to the due date of such installment, and Beneficiary shall

be entitled to recover from Tenant, as rent under the Lease, any payment of rent or additional rent made by Tenant to Landlord for more than one month in advance.

5. Tenant agrees that in the event of Landlord's default with respect to any obligation of Landlord under the Lease, Tenant shall give Beneficiary notice of Landlord's default and allow Beneficiary not less than thirty (30) days following receipt of such notice to cure such default before invoking any remedies Tenant may have by reason thereof; provided, however, that Beneficiary will not be obligated to cure any default.

6. After notice is given to Tenant by Beneficiary that the rentals under the Lease should be paid to Beneficiary, Tenant shall pay to Beneficiary, or in accordance with the directions of Beneficiary, all rentals and other monies due and to become due to the Landlord under the Lease, and Landlord hereby expressly authorizes Tenant to make such payments to Beneficiary and hereby releases and discharges Tenant of and from any liability to Landlord on account of any such payments.

7. The term "Beneficiary" or any similar term shall include Beneficiary, the trustee under any deed of trust affecting the Premises, any nominee of Beneficiary, and successors or assigns of the foregoing, including, without limitation, any party that succeeds to Beneficiary's interest by foreclosure of the Deed of Trust, deed in lieu of foreclosure, sale under a private power contained in the Deed of Trust, or in any other proceeding. The term "Deed of Trust" or any similar term shall include the Deed of Trust and any amendments or addenda. The term "Landlord" shall include Landlord and the successors and assigns of Landlord. The term "Tenant" shall include Tenant and the successors, assigns, and sublessees of Tenant. The term "Lease" shall include the Lease and all permitted amendments, addenda, extensions, and renewals.

8. Landlord and Tenant agree not to change, alter, amend or otherwise modify the Lease in any material respect without the prior written consent of Beneficiary.

9. Landlord agrees that as between Landlord and Tenant, nothing contained in this Agreement shall impair limit, abrogate, or otherwise modify the obligations of Landlord to Tenant under the Lease and the liability of Landlord under the Lease to Tenant shall survive the any foreclosure of the Deed of Trust or sale of the Premises by deed in lieu of foreclosure.

10. Tenant hereby represents and warrants to Beneficiary as follows:

(a) A true and complete copy of the Lease, together with all amendments, supplements, extensions and other modifications thereto of every nature, has been delivered by Tenant to Beneficiary concurrently with the execution of this Agreement.

(b) The Lease is in full force and effect, and there has been no amendment, supplement, extension or other modification of any nature to the Lease.

(c) Tenant is the only current and intended tenant under the Lease.

(d) To date, Tenant has not paid any rent under the Lease more than one (1) month in advance. The next monthly rent payment is due on September 1, 1999 and the base monthly rent is $62,500.

(e) To the best of Tenant's knowledge, there is no existing uncured default by Landlord under the Lease, nor has any event occurred which, with the passage of time or the giving of notice or both, would constitute such a default, except as follows (if none, state "None"):

(f) To the best of Tenant's knowledge, there is no condition or event (except as set forth in the Lease) that would prevent the Lease from becoming effective or would permit a cancellation or termination of the Lease by Tenant or by Landlord.

(g) Tenant hereby consents to the execution and delivery of the First

Amendment to Deed of Trust by Landlord to Beneficiary, and any assignment by Landlord of its interest in the Lease, as security for the performance by Landlord of its obligations under the Reimbursement Agreement.

(h) To the best of Tenant's knowledge, it presently has no defense to the enforcement of the Lease against it.

11. This Agreement may not be modified other than by an agreement in writing signed by the parties or by their respective successors in interest.

12. If any party commences any action against any other party based on this Agreement, the prevailing party shall be entitled to expenses and costs of suit, including reasonable attorneys' fees.

13. In this Agreement, wherever it is required or permitted that notice and demand be given by any party to another party, that notice or demand shall be given in writing and forwarded by personal delivery, overnight delivery service or certified mail, addressed as follows:

For Tenant: Therasense, Inc.
1360 South Loop Road
Alameda CA 94502
C. Liamos
Attn: C.F.O.

For Landlord: Plyproperties
2081 Adams Avenue
San Leandro, California 94577
Attn: Donald L. Jones,
Managing General Partner

For Beneficiary: Wells Fargo Bank, National Association
Commercial Banking Office
420 Montgomery Street
San Francisco, California 94163
Attn: Peter D. Gruebele,
Vice President

Any party may change an address given for notice by giving written notice of that change in the manner set forth in this Section 14 to all other parties.

14. This Agreement shall be binding on and inure to the benefit of the parties and their respective heirs, successors, and assigns.

15. If any party is a limited liability company, corporation or partnership, such party represents and warrants that all individuals executing this Agreement on behalf of a limited liability company, corporation or partnership represent and warrant that they are authorized to execute and deliver this Agreement on behalf of the limited liability company, corporation or partnership and that this Agreement is binding upon the limited liability company, corporation or partnership.

16. In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. This Agreement shall be governed by and construed according to the laws of the State of California.

17. This Agreement may be signed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the day and year first above written.

TENANT:

Therasense, Inc.,
a California corporation

By: /s/ Signature Illegible

Name: Charles T Liamos

Title: V.P. Finance & CFO

By: /s/ Signature Illegible

Name: W. MARK LORTZ

Title: PRESIDENT & CEO

LANDLORD:

PLYPROPERTIES,
a California general partnership

By: _____
Donald L. Jones,
Its Managing General Partner

BENEFICIARY:

Wells Fargo Bank,
National Association

By: /s/ Signature Illegible
Peter D. Gruebele,
Vice President

EXHIBIT A

LEGAL DESCRIPTION

The property is situated in the State of California, County of Alameda, and is described as follows:

CITY OF ALAMEDA

PARCEL A:

PARCELS 1, 3 & 4, PARCEL MAP 4890, FILED MARCH 4, 1987, MAP BOOK 168, PAGES 20 AND 21. SERIES NO. 87-062851, ALAMEDA COUNTY RECORDS.

EXCEPTING AND RESERVING THEREFROM:

ALL OVERLYING AND OTHER WATER RIGHTS, INCLUDING, WITHOUT LIMITATIONS, THE RIGHT TO APPROPRIATE WATER AND DISTRIBUTE IT TO OTHER PROPERTY, WITHOUT ANY RIGHT TO THE USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE OF SAID

LAND. THE OWNER OF THE RESERVED WATER RIGHTS, HOWEVER, COVENANTS THAT IT WILL NOT EXERCISE THE RIGHTS RESERVED OVER THE SURFACE OF THE PROPERTY DESCRIBED ABOVE, OR WITHIN THE SUBSURFACE OF SUCH PROPERTY ABOVE A DEPTH OF 100 FEET BELOW THE SURFACE OF SAID PROPERTY. BREACH OF THE FOREGOING COVENANT SHALL NOT TERMINATE OR FORFEIT THE RIGHTS SO RESERVED, BUT INJUNCTIVE RELIEF MAY BE SOUGHT AND OBTAINED TO PREVENT OR REMEDY ANY SUCH BREACH;

ALL OIL, GAS, MINERAL, GEOTHERMAL AND HYDROCARBON SUBSTANCES IN AND UNDER, OR THAT MAY BE REPRODUCED BELOW A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID PROPERTY, WITHOUT ANY RIGHT OF ENTRY UPON THE SURFACE OF SAID LAND FOR THE PURPOSES OF MINING, DRILLING, EXPLORING OR EXTRACTING SUCH OIL, GAS, MINERAL, GEOTHERMAL OR HYDROCARBON SUBSTANCES, AND, EXCEPT AS PROVIDED ABOVE WITH RESPECT TO WATER RIGHTS, WITHOUT ANY RIGHT TO THE USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE OF SAID LAND TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF.

AS RESERVED IN THE GRANT DEED TO SATELLITE BAY ASSOCIATES, A JOINT VENTURE, RECORDED APRIL 30, 1986, SERIES NO. 86-103018, ALAMEDA COUNTY RECORDS.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR CONSTRUCTION, RECONSTRUCTION, MAINTENANCE, REPAIR AND USE OF INGRESS AND EGRESS FACILITIES AND PUBLIC AND PRIVATE UTILITIES, SANITARY SEWERS AND STORM DRAINAGE FACILITIES, OVER THAT PORTION OF PARCEL TWO, PARCEL MAP 4728, FILED APRIL 30, 1986, MAP BOOK 159, PAGE 94, ALAMEDA COUNTY RECORDS, DESIGNATED AS EASEMENT "A" ON SAID MAP, AS GRANTED TO SATELLITE BAY ASSOCIATES, A JOINT VENTURE, BY DEED RECORDED MAY 30, 1986, SERIES NO. 86-126239, ALAMEDA COUNTY RECORDS.

ASSESSOR'S PARCEL NOS. 074-1339-011
074-1339-013
074-1339-014

STATE OF CALIFORNIA)
) ss.
COUNTY OF Alameda)

On January 20, 2000, before me Lillian J. Walters, personally appeared W.

Mark Lortz, personally known to me (or proved to me on the basis of satisfactory
---

evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Witness my hand and official seal.

[STAMP OMITTED]

Notary Public in and for the County of
Alameda, State of California

SF1 #32409 v2

[CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.]

EXHIBIT 10.9

MASTER PURCHASE AGREEMENT

FOR Electronic Assembly & System Kit Packaging

This Master Purchase Agreement is effective as of November 3, 1999 (the "Effective Date"), by and between TheraSense, Inc., a California corporation having its principal place of business at 1360 South Loop Road Alameda, California 94502, ("TheraSense") and Flextronics International USA Inc., corporation, having a place of business at 2090 Fortune Drive San Jose, CA 95131.

RECITALS

WHEREAS, Flextronics is a leader in the field of contract manufacturing for electrical devices and provider of engineering services related to device manufacturing design, and has the manufacturing system capability to provide warehousing and distribution services;

WHEREAS, TheraSense develops and manufactures advanced blood glucose monitoring devices for diabetics;

WHEREAS, TheraSense wishes to contract with Flextronics for certain engineering design and manufacturing services for TheraSense's new Messenger and Freestyle blood glucose monitoring devices, as defined and described in the Specifications provided as Exhibit C hereto, and to purchase the resulting products from Flextronics; and

WHEREAS, Flextronics desires to provide such services and products for TheraSense;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties agree to the terms and conditions specified below as follows:

AGREEMENT

The terms and conditions of this agreement and Exhibits A through C hereof, (collectively the "Agreement") and any Purchase Order(s) issued hereunder, shall govern all sale and purchase transactions, pertaining to the subject matter hereof, that may be entered into by TheraSense and Flextronics, from time to time hereafter, unless expressly otherwise agreed in writing.

1. Definitions.

1.1 "Acceptance" shall mean the successful completion of a mutually agreed upon inspection and test procedure for Products (as defined hereinafter) which confirms that the tested Product meets the Specifications (as defined hereinafter). Acceptance testing shall be performed by TheraSense at Flextronics facilities in Fremont California.

1.2 "Affiliate" shall mean any entity that directly or indirectly controls, is under common control with, or is controlled by, one of the parties to this Agreement. An entity shall be deemed to be in control of another entity only if, and for so long as, it owns or controls more than fifty-one percent (51%) of the shares of the subject entity entitled to vote in the election of the

directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority).

1.3 "Engineering Change" shall mean any mechanical, radio frequency design, electrical software, electromechanical or process change to any Product(s), including printed circuit boards, or the manufacturing, kiting, or assembly process for any Product. An Engineering Change includes changes originating from TheraSense or Flextronics which would affect the safety, performance, reliability, serviceability, appearance, dimensions, tolerances, materials, and composition of any bill of material of the Product (as hereinafter defined).

1.4 "FDA" shall mean the United States Department of Health and Human Services Food and Drug Administration.

1.5 "Flextronics' Proprietary Rights" shall mean all of Flextronics' trade secrets, know-how and the like which are for or are used in the manufacture of the Product or any Product Improvements or Engineering Changes, including any technology or know-how property incidental thereto, such as technical information, data, specifications, drawings, manuals and the like and shall include any patents or patent rights Flextronics may acquire with respect to the foregoing. However, the foregoing specifically excludes technical information, data, specifications, drawings, manuals and the like, as well as any patents, patent rights, or other intellectual property owned or provided by TheraSense.

1.6 "Force Majeure" shall mean any act of God, earthquake, fire, natural disaster, accident, act of government, or an act that is beyond the reasonable control of either party.

1.7 "Manufacturing Services" shall mean the assembly, packaging, and kitting of the electronic components manufactured by Flextronics.

1.8 "Product" shall mean the electronic assemblies for the Messenger or Freestyle systems as described in Exhibit C.

1.9 "Product Improvements" shall mean any modifications to the Product or manufacturing assembly process including system kiting to enhance performance and/or provide comparable performance at lower cost. All Product Improvements must be approved in writing by TheraSense prior to implementation.

1.10 "Purchase Order" shall mean written order(s) from TheraSense to Flextronics for the Product, specifically referencing this Agreement and including the description, quantity, shipping destination, and requited delivery date at the destination.

1.11 "Specifications" shall mean the mutually agreed upon specifications (including storage requirements) for the electronic assemblies for the Messenger and Freestyle systems, as set forth in Exhibit C.

1.12 "Quality Plan" shall mean the mutually agreed upon in-process and final product test and inspection plans as set forth in Exhibit D.

1.13 "Territory" shall mean North America.

2. Supply Requirements.

2.1 During the term of this Agreement, Flextronics shall supply TheraSense with those quantities of the Product ordered by TheraSense in a Purchase Order submitted to Flextronics pursuant to this Agreement. The Product shall comply with the Specifications and all jointly developed Quality Plans

2.2 In consideration for the services and support provided by Flextronics during the development of the Messenger and Freestyle product lines, the projected business volume offered to Flextronics hereunder, and competitive pricing offered to TheraSense hereunder. TheraSense agrees, to purchase all its Manufacturing Services for the Messenger and Freestyle product lines exclusively from Flextronics for a period of five (5) years from the Effective Date. TheraSense shall not be obligated hereunder if the Products fail to conform in all respects to the Specifications, this Agreement is terminated pursuant to Section 15, or, in market based benchmarking, Flextronics fails to maintain competitive pricing to warrant such exclusivity. Flextronics and TheraSense shall work jointly to develop a Quality Plan for Flextronics' manufacturing line with the ultimate goal to achieve within reasonable economic limits a process capability index (Cpk) of 1.67 or higher on all key parameters of the Product Specifications.

Flextronics agrees to implement process improvements and process validations using the TheraSense process control methodology as outlined below.

***

2.3 Flextronics shall share process data with TheraSense by submitting Certificates of Analysis that include process control charts, for

every Product shipment.

3. Forecasts and Orders. Starting on the Effective Date, and every three (3) months thereafter, TheraSense shall provide Flextronics with a non-binding written forecast of TheraSense's expected needs for the Product for no less than a six (6) month period from the date thereof (the "Forecast"). At least semiannually, TheraSense shall place a binding six (6) month Purchase Order with Flextronics for the Product.

4. Material Procurement.

4.1 Purchase Orders. TheraSense's accepted Purchase Orders will constitute authorization for Flextronics to procure, using standard purchasing practices the components, materials and supplies necessary for the manufacture of Products ("Inventory") covered by such Purchase Orders.

4.2 Special Inventory. Subject to the conditions below, Flextronics may purchase, in amounts beyond the amount necessary to fill accepted purchase orders, the components, materials, and supplies: (i) which require greater than ninety (90) days from the time they are ordered to the time they are delivered to Flextronics ("Long Lead Time Components") plus 30 days to account for the order, shipment, receipt and manufacturing and, (ii) purchased in quantities above the currently required amount in order to achieve price targets ("Economic Order Inventory"), and (iii) purchased in excess of current requirements because of minimum lot sizes available from manufacturers

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("Minimum Order Inventory"). Collectively, these components, materials, and supplies are termed "Special Inventory".

(1) Flextronics may purchase Long Lead-Time Components sufficient to meet requirements for the Purchase Orders and Forecast in effect at the time Flextronics places an order with its supplier.

(2) Flextronics may reasonably purchase Minimum Order Inventory as required by its suppliers' minimum order requirements.

(3) Flextronics may purchase Economic Order Inventory only upon the prior approval of TheraSense.

(4) Flextronics will, from time to time, hold Long Lead-Time Components and finished goods in inventory to increase TheraSense's production

flexibility. The components and quantities of all such inventory will be mutually agreed to in writing by the parties prior to Flextronics placing such items into inventory.

(5) TheraSense will be responsible for all non-cancelable/non-returnable materials as procured on TheraSense's behalf to support Purchase Orders and Forecasts subject to Section 4.2.

(6) TheraSense will be responsible for all Inventory and Special Inventory purchased by Flextronics under this Section but subject to the conditions provided elsewhere in this Agreement.

4.3 Delivery. All Products delivered pursuant to the terms of this Agreement shall be suitably packed for shipment in accordance with TheraSense's Specifications, marked for shipment to TheraSense's destination specified in the applicable purchase order and delivered to a carrier or forwarding agent.

4.4 Quantity Increases and Shipment Schedule Changes. For any accepted Purchase Order, TheraSense may (i) increase the quantity of Products or (ii) reschedule the quantity of Products and their delivery date as provided in the table below:

Maximum Allowable Variance From Purchase Order Quantities/Delivery Dates

# of days before Delivery Date on Purchase Order	Allowable Quantity Increases	Maximum Reschedule Quantity	Maximum Reschedule Period
***	***	***	***

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Any purchase order quantities increased or rescheduled pursuant to this Section may not be subsequently increased or rescheduled without the prior written approval of Flextronics. Quantity increases of a greater percentage may be provided if agreed to by both parties. All other changes in quantity or shipment date require Flextronics' prior written consent. Inventory excess to original schedule shall be subject to an inventory carrying charge of *** for the price of finished Product. Although Flextronics will use reasonable commercial efforts to satisfy TheraSense's requested quantity increases, Flextronics' ability to do so is subject to material availability. Should TheraSense require increases beyond the above, a TheraSense owned buffer stock of Long Lead-Time Components may be required. The components and quantities of all such inventory will be agreed to separately in writing by both Flextronics

and TheraSense If there are extra costs required to meet a schedule increase in excess of the above limits, Flextronics will seek approval from TheraSense in advance of incurring such costs. If the forecast for any period is significantly less than the previous forecast supplied over the same period, so that Flextronics has inventory for TheraSense with no requirements, that amount will be considered canceled and TheraSense will be responsible for any Special Inventory purchased or ordered by Flextronics to support the forecast.

4.5 Cancellation. TheraSense may not cancel any portion of the quantity
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of an accepted purchase order without Flextronics' prior written approval, which shall not be unreasonably withheld. If the parties agree upon a cancellation, TheraSense will pay Flextronics for Products, Inventory, and Special Inventory affected by the cancellation as follows: (i) *** of the contract price for all finished Products in Flextronics' possession; (ii) *** of the cost of all Inventory and Special Inventory in Flextronics' possession and not returnable to the supplier or usable for other Flextronics products, whether in raw form or work in process, *** *** (iii) *** of the cost of all Inventory and Special Inventory on order and not cancelable and not otherwise usable for other Flextronics products; ***; (iv)***; and (v) ***. Flextronics will use reasonable commercial efforts to return unused Inventory and Special Inventory and to cancel pending orders for such inventory, and to otherwise mitigate the amounts payable by TheraSense in case of cancellation.

5. Engineering Changes.

5.1 TheraSense Requests. TheraSense may request, in writing, that
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Flextronics incorporate an Engineering Change into the Product. Such request will include a description of the proposed Engineering Change sufficient to permit Flextronics to evaluate its feasibility, impacts, and cost. Flextronics' evaluation shall be in writing and shall state the costs and time of implementation and the impact on the manufacturing, delivery, schedule, and pricing of the Product and shall be delivered to TheraSense within ten (10) days of receiving the request. TheraSense shall have thirty (30) days after receipt of Flextronics' evaluation to decide whether or not to implement the requested Engineering Change. Flextronics will not be obligated to proceed with the engineering change until the parties have agreed upon the changes to the Product's Specifications, delivery, schedule and Product pricing and upon the implementation costs to be borne by the TheraSense including, without limitation, the cost of Inventory and Special Inventory on-hand and on-order that becomes obsolete.

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Flextronics will use best efforts to implement all TheraSense required changes per TheraSense requests.

5.2 Flextronics Requests. If Flextronics desires to make any Engineering Change (including manufacturing processes, raw materials and suppliers thereof), it will notify TheraSense not less than six (6) months prior to such change to enable TheraSense to determine conformity of the changed Product with TheraSense's manufacturing requirements and obligations with respect to regulatory authorities. If Flextronics changes the Product or process to create non-conforming Product or Product which falls to conform to TheraSense's regulatory constraints, further processing needs, or performance standards for finished goods, then Flextronics agrees to continue to supply unchanged Product for the duration of the Agreement or until TheraSense can alter its process, standards for finished goods or take seek appropriate regulatory approval to accommodate the changed Product or process. ECO implementation shall otherwise follow the standard Flextronics procedure.

6. Purchase Price

TheraSense's target purchase price with respect to the Product shall be as specified in Exhibit B. The price for Products to be manufactured will be set quarterly for the first year and semi-annually thereafter by reviewing actual component and assembly costs at Flextronics and making adjustments based upon the changes. All prices quoted are exclusive of federal, state and local excise, sales, use and similar taxes, and any duties, and TheraSense shall be responsible for all such items. Payment for any Products, Manufacturing Services or other costs to be paid by TheraSense hereunder is due thirty (30) days net form the date of the shipment therefor and shall be made in lawful U.S. currency. TheraSense agrees to pay *** on all late payments. Furthermore, if TheraSense is in arrears more than thirty (30) days for two (2) consecutive months with respect to payments, Flextronics may require prepayment from TheraSense or may delay shipments or suspend work until assurances of payment satisfactory to Flextronics are received.

7. Delivery

7.1 Purchases of Product made hereunder by Purchase Orders shall initially be F.O.B. Seller's factory in Fremont, CA. During this initial period, TheraSense will specify the carrier and shipments will be made freight collect. TheraSense and Flextronics agree to establish a Kanban system whereby Flextronics will keep an amount to be determined of finished product at it's facility awaiting shipment to TheraSense customers. Upon completion of this, payment terms will become five (5) days net from the date product is completed and transferred into the Kanban. Such change will include a separate price to cover freight charges paid by Seller and any other justifiable costs incurred by Seller. Title and risk of loss of Product shall pass to TheraSense at the F.O.B. point. Partial shipments, with TheraSense prior approval, will be accepted. A certificate of conformance shall accompany each shipment made hereunder.

7.2 Late Delivery. Time is of the essence with regard to deliveries

of Product purchased hereunder. Flextronics shall use its best efforts to maintain 100% on-time delivery of Products. Flextronics shall notify TheraSense as soon as practicable if for any reason Flextronics fails to comply, or anticipates that it may fail to comply with the terms of this Agreement or of a

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Purchase Order (including but not limited to failure to meet a delivery date required in the Purchase Order or delivery of less than the required quantity of Products). If Flextronics fails to deliver any Product (other than as a result of a Force Majeure event as set forth in Section 20.1 herein), then, TheraSense may request and Flextronics shall agree to work any necessary overtime at no additional cost to TheraSense to minimize such delay, or TheraSense may request Flextronics to ship the Product by premium transportation at no additional cost to TheraSense and Flextronics will comply with such request.

7.3 Delivery Documentation. Flextronics shall include an invoice for every delivery of Products which includes the following information for every unit of Product delivered; a complete noun description in the English language, a statement as to the country of origin of the goods; TheraSense's Purchase Order number, the value of the Products therein; Flextronics' identification number, or in the absence of such number, the full address of Flextronics; and the terms of sale.

8. Payments

8.1 Invoice payment terms applicable to Purchase Orders issued hereunder shall be net thirty (30) days FOB Flextronics. In addition to the invoice documentation to accompany each delivery of Product, for payment purposes, Flextronics shall issue an invoice directly to TheraSense upon Product shipment. The parties will use reasonable commercial efforts to incorporate an electronic data interchange process to allow for wire transfer of funds at that time.

8.2 ***

9. Warranty

9.1 Flextronics warrants that the Product will be new, merchantable, free from material defects in materials and workmanship and will conform to the Specifications under normal and intended use for a period of (6) six months after acceptance by TheraSense. Materials used in the Product are warranted to the same extent that the original manufacturer warrants the materials. This express limited warranty does not apply to (a) materials consigned or supplied

by TheraSense to Flextronics; (b) defects resulting from TheraSense's Specifications or the design of the Products; or (c) Product that has been abused, damaged, altered or misused by any person or entity after the title passes to TheraSense. With respect to first articles, prototypes, pre-production units, test units or other similar Products, Flextronics makes no representations or warranties whatsoever.

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Notwithstanding anything else in this Agreement, Flextronics assumes no liability for, or obligation related to, the performance, accuracy, specifications, failure to meet specifications or defects of or due to tooling, designs, or instructions produced or supplied by TheraSense and TheraSense shall be liable for costs or expenses incurred by Flextronics related thereto. Upon any failure of a Product to comply with the above warranty, Flextronics' sole obligation, and TheraSense's sole remedy, is for Flextronics, at its option, to promptly repair or replace such unit and return it to TheraSense freight pre-pad. TheraSense shall return Products covered by the warranty freight pre-paid after completing a failure report and obtaining a return material authorization number from Flextronics to be displayed on the shipping container.

9.2 Flextronics further represents and warrants that its supplying of Product to TheraSense under this Agreement does not conflict with any other agreement to which Flextronics is a party and, further, that the Product supplied hereunder does not, to the best off Flextronics' knowledge, infringe the proprietary rights of any third party.

9.3 Flextronics further represents and warrants that it has, and shall maintain during the term of this Agreement, adequate equipment and facilities to guarantee sufficient manufacturing capacity to meet TheraSense's demand for Product as represented in TheraSense's Forecast as described in Section 3 of this Agreement.

9.4 Flextronics has stated that its manufacturing facilities are ISO 9002 registered and Flextronics will use all commercially reasonable efforts to assure that such facilities and any new Flextronics facilities used for the production of Product will continue to be registered under ISO 9002 during the term of this Agreement. "Registered" as used herein shall mean certified and approved.

9.5 Flextronics further warrants that title to all Products shipped to TheraSense or drop shipped directly to TheraSense's customers pursuant to this Agreement shall pass to TheraSense or a TheraSense customer, as the case may be, free and clear of any liens, charges, encumbrances, restrictions or rights created in, by or against the Products or against Flextronics, except any Proprietary Rights of Flextronics identified in writing to TheraSense in the Products, if any. Provided that TheraSense has paid all associated fees for the Products, TheraSense and TheraSense's customers shall have quiet enjoyment of

the Products.

9.6 Flextronics further warrants that: (a) it shall comply In all material respects with all legal requirements in fulfilling its obligations under this Agreement, including, but not limited to, lawful manufacturing practices and its treatment of its personnel and compliance; (b) there are no lawsuits, claims, suits, proceedings or investigations pending or, to Flextronics' knowledge, threatened against or affecting Flextronics in respect of its operations or processes used therein, nor to Flextronics' knowledge, is there any basis for the same; and (c) there is no action, suit or proceeding pending or, to Flextronics' knowledge, threatened which questions the legality of the transactions contemplated by this Agreement. Flextronics warrants that it owns, holds or possesses and shall maintain all material licenses, franchises, permits, privileges, immunities, approvals and other authorizations from a governmental body which are necessary to entitle it to carry on and conduct its operations as contemplated herein.

9.7 Flextronics warrants that all equipment used in the manufacturing and planning of TheraSense Products is Year 2000 compliant.

9.8 OTHER THAN THE WARRANTEES IN THIS SECTION 9, FLEXTRONICS MAKES NO OTHER WARRANTIES OR CONDITIONS ON THE PRODUCTS, EXPRESS, IMPLIED, STATUTORY, OR IN ANY OTHER PROVISION OF THIS AGREEMENT OR COMMUNICATION WITH CUSTOMER, AND FLEXTRONICS SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTY OR CONDITIONS OF OR FITNESS FOR A PARTICULAR PURPOSE.

10. Regulatory Requirements

During the term of this Agreement Flextronics will:

A. Comply with the pertinent Quality System Regulations ("QSR") as such may be determined by the United States Department of Health and Human Services Food and Drug Administration and all applicable United States government regulatory requirements.

B. Submit to periodic quality audits; TheraSense's Quality Assurance department may, at its sole option, perform audits of Flextronics' compliance with Quality System Regulations, with the quality control requirements specified herein and attached hereto as Exhibit D, together with any other quality systems and specifications mutually agreed upon. Flextronics acknowledges that the preceding sentence granting TheraSense certain audit rights in no way relieves Flextronics of any of its obligations under this Agreement, nor shall such provision require TheraSense to conduct any such audits.

(1) Any audits shall be conducted during normal business hours

after reasonable notice (a minimum of two weeks) to Flextronics and not more frequently than once in any one hundred twenty (120) day period. Except that TheraSense may conduct a limited audit in less than one hundred twenty (120) days of a previous audit for the limited purpose of reviewing any deficiencies discovered in a previous audit.

(2) Any out of compliance observations noted during these audits must be corrected expeditiously. Flextronics shall, within thirty (30) days following receipt of an audit report that recommends corrective actions, provide TheraSense with a corrective action plan and schedule for carrying it out.

(3) Following a TheraSense quality audit, Flextronics will be assigned an overall rating of acceptable, marginal or unacceptable. In the event Flextronics receives an unacceptable rating TheraSense will re-audit Flextronics within six (6) months. ***

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(4) Flextronics agrees to provide to TheraSense any observations and corrective actions implemented as the result of any audits conducted by the FDA.

(5) Flextronics shall have the right to refuse access to areas where Flextronics customer confidentiality issues may arise.

11. Acceptance

11.1 Acceptance testing shall be performed by TheraSense in accordance with the procedures agreed upon in writing by the parties and incorporated in the Specifications. TheraSense shall notify Flextronics of any defects or non-conformance as soon as reasonably possible after same are discovered by TheraSense, and Flextronics shall have an opportunity to inspect and test the Product claimed to be defective or non-conforming. Flextronics agrees to promptly replace (at no additional charge to TheraSense) any Product supplied to TheraSense hereunder which does not fully comply with the Specifications. Upon the successful completion of Acceptance testing the Product will be considered accepted. If within ten (10) business days after receipt TheraSense does not reject the Product or notify Flextronics that it will reject them, then such Product will be deemed accepted.

11.2 Except as set forth in Section 11.1, TheraSense shall not be obligated to accept or pay for any Product that does not comply with the Specifications or any rules or regulations referred to above. TheraSense's

failure to inspect, test, or reject any particular shipment shall not constitute a waiver by TheraSense of any of its rights to inspect and reject any subsequent shipment, or of Flextronics' responsibilities to provide subsequent shipments, of Product in accordance with the Specifications. With the exception of TheraSense's manufacturing processes required to use the Product, Flextronics shall not be liable for Product altered outside of its factory by someone other than Flextronics or for Product subjected, by an entity other than Flextronics, to misuse, abuse, improper alteration, accident or negligence in use, storage, transportation or handling. Notwithstanding the above, Flextronics shall not be responsible in any way for modifications to the Product made by TheraSense during TheraSense's subsequent manufacturing process.

12. Limitation of Liability

EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT AND FOR INTENTIONAL ACTS OR GROSS NEGLIGENCE, NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH THE DESIGN, MANUFACTURE, PACKAGING, DELIVERY, STORAGE OR USE OF THE PRODUCT.

13. Intellectual Property Indemnification

13.1 Indemnification by TheraSense. Flextronics agrees to notify TheraSense promptly of all claims actions, whether actual or potential, alleging that the Product infringes on the intellectual property rights of any third party (a "Claim"). TheraSense shall defend and indemnify Flextronics against any Claim and will have the sole expense and control of the defense of any Claim. Flextronics shall give TheraSense, at TheraSense's expense, all assistance reasonably requested in defending or settling a Claim. Notwithstanding the foregoing, TheraSense shall not be required to defend any Claim based upon, (i) the use of the Product by Flextronics as part of any procedure or in testing or experimenting other than with the prior written agreement of TheraSense.

13.2 THIS SECTION 13 STATES THE PARTIES' TOTAL RESPONSIBILITIES, LIABILITIES, AND REMEDIES TO ONE ANOTHER FOR ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTIES.

14. General Indemnity

14.1 Indemnification by Flextronics. Flextronics shall hold harmless and indemnify TheraSense, its directors, officers, agents, and employees, from any and all third party claims, suits, losses and expenses, including attorneys

fees, provided that any such claim, suit, loss or expense is attributable to bodily injury, sickness, disease, or death, or injury to property which is caused by Flextronics' failure to comply with federal, state or local law including but not limited to the Civil Rights Act of 1964, 42 U.S.C. (S)2000e et. seq. ("Title VII"), the Age Discrimination in Employment Act, 29 U.S.C. (S)621 et. seq., the American with Disabilities Act, the Civil Rights Act of 1966, the Civil Rights Act of 1991, Executive order 11246, as amended, and any other statute, regulation or ordinance prohibiting illegal discrimination or retaliation. Except as otherwise provided in this Agreement, Flextronics shall defend, indemnify and hold TheraSense, its, directors, officers, employees, and agents harmless from and against any and all claims, injuries, liabilities, judgments, and damages, including but not limited to property damage, personal injury and death, including all reasonable costs and expenses (including attorneys fees), as a result, whether direct or indirect, of any injury or damage to a third party caused or alleged to be caused on account of Flextronics' failure to meet manufacturing workmanship Specifications.

14.2 Indemnification by TheraSense. Except as otherwise provided in this Agreement, TheraSense shall defend, idemnify and hold harmless Flextronics from and against any and all claims, injuries, liabilities, judgments, and damages, including but not limited to property damage, personal injury and death, including all reasonable costs and expenses (including attorney fees), as a result, whether direct or indirect, of any injury or damage to a third party caused or alleged to be caused on account of any alleged defect of the Product, other than a defect related to workmanship.

14.3 Limits to Indemnification. These obligations to defend and indemnify (in 14.1, 14.2 & 14.3) do not extend to claims, injuries or damages to the extent resulting from the negligent or intentional conduct, act, omission or obligation of the party seeking indemnification.

14.4 Cooperation. The indemnified party agrees to cooperate with the indemnifying party in the defense of any such claim, lawsuit or action and to make available to each other at the indemnifying party's expense such of the documents, employees and expertise as are necessary in defense of such action. Each party agrees to notify the other of such a claim or suit promptly upon learning that same is within the scope of the indemnification set forth herein. The Indemnifying party shall control the management of any such claim or suit.

15. Term and Termination

15.1 Term. The term of this Agreement shall commence on the Effective Date and shall continue for five (5) years thereafter (the "Initial

Term") unless earlier terminated as provided in Section 15.2 or 20.1. After the expiration of the Initial Term hereunder (unless this Agreement has been earlier terminated) this Agreement shall be automatically renewed for separate but successive one-year terms (each a "Renewal Term").

15.2 Termination. This Agreement may be terminated by either party:

(a) for any reason upon a one (1) year written notice to the other, or (b) if the other party defaults in any payment to the terminating party and such default continues for a period of fifteen (15) days after the delivery of written notice thereof by the non-defaulting party to the other party, (c) if the other party defaults in the performance of any other material term or condition of this Agreement and such default continues for a period of sixty (60) days after the delivery of written notice thereof by the terminating party to the other party, or (d) commences a voluntary or has involuntary proceeding commenced under any federal or state, law or similar law and if involuntary, such is not set aside within sixty (60) days of its being commenced; (ii) appoints or is appointed a receiver, trustee or similar official or a general assignment for the benefit of such party's creditors; (iii) proceeds to dissolve, wind up or liquidate; or (iv) becomes unable to pay its debts either because it is subject to a suspension of payments order, bankruptcy, or other insolvency proceeding, Pursuant to Section 20.1 termination of this Agreement for any reason shall not affect the obligations of either party that exist as of the date of termination. Upon termination under Section 15.2, TheraSense shall be responsible for the finished Products, Inventory, and Special Inventory in existence at the date of termination or expiration in the same mariner as for cancellations as set forth in Section 4.5. Notwithstanding termination or expiration of this Agreement, Sections 9, 12, 15, and 20 shall survive said termination or expiration.

15.3 After following the dispute resolution procedure set forth in Section 19, TheraSense may following the initial twelve (12) months of this Agreement and upon six (6) months notice, terminate this Agreement for convenience without liability except for the raw materials inventory, work in process, unamortized Flextronics Development Funding and production special tooling charges and Product on order, in transit or received, but not paid for as of the date of termination.

16. Raw Materials Inventory

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17. Confidentiality

17.1 Flextronics and TheraSense both agree that in the performance of

this contract there may be the need for one or the other party to disclose its confidential information to the other.

17.2 "Confidential Information" shall include information supplied to the receiving party in written form and clearly marked "Confidential" and information disclosed orally, provided that the disclosing party provides within thirty (30) days of the first disclosure a document that identifies the topic of the information considered confidential and states that it is "Confidential."

17.3 Each party agrees to keep Confidential Information transferred to it in strict confidence and not to disclose or otherwise use such Information for any purpose other than determining conformance to Specifications, processing Products into TheraSense's products or otherwise fulfilling its obligations under this Agreement without the prior written consent of the other party. All such documents provided by the disclosing party containing Confidential Information shall at either party's request be returned to it except that one (1) copy shall be retained by counsel for that party to ensure compliance hereunder.

17.4 The above notwithstanding, each party's obligation of the confidence with respect to the Confidential Information disclosed hereunder, shall not include:

(1) Information which, at the time of disclosure to the receiving party is published, known publicly or is otherwise in the public domain;

(2) Information which, after disclosure to the receiving party is published or becomes known publicly or otherwise becomes part of the public domain, through no fault of the receiving party;

(3) Information, which, prior to the time of disclosure to the receiving party, was known to the receiving party, as evidenced by its written records;

(4) Information which has been or is disclosed to the receiving party in good faith by a third party who was not, or is not, under any obligation of confidence or secrecy to the receiving party at the time said third party discloses to the receiving party; and

(5) Information which is independently developed by or on behalf of the receiving party, without reliance on the Information received hereunder.

17.5 The above provisions notwithstanding, each party agrees to keep in strict confidence and not to disclose the identity, interest and participation of the other party in the work or evaluation and the relationship of the parties hereunder except to the extent as required by law.

17.6 Each party represents that it is under no obligation to any third party that would interfere with its disclosing the above-described Information to the other party and further, that any Information which it transmits or otherwise discloses to the other party is not Information with respect to which that party is under any obligation to keep confidential or which that party knows to be the proprietary property of any third party.

17.7 Except as specifically provided in this Agreement, no right to use any Information disclosed hereunder, either express or implied, is granted by either party.

17.9 The obligations of confidentiality and nonuse set forth herein shall remain in effect for a period of five (5) years after the expiration of this Agreement or any extension of it.

17.10 Flextronics shall not issue any publicity, news release, technical article or other public announcement relating to this Agreement and the products or services of TheraSense without, in any case, obtaining the prior written consent of TheraSense.

18. Patents and Trademarks

18.1 It is agreed that all patentable inventions made, conceived or acquired by TheraSense relating to the Product will be the exclusive property of TheraSense. TheraSense will pay all expenses relating to the securing and maintaining of appropriate patent protection with respect to such patentable inventions. It shall be in the sole discretion of TheraSense to determine what patent protection, if any, on such invention should be sought and/or maintained. TheraSense shall grant to Flextronics ***, which license shall expire upon termination or expiration of this Agreement.

19. Disputes

The Director of Purchasing and Flextronics' Business Development representative shall initially review any and all disputes between the parties relating to this Agreement. The two individuals shall meet and conduct good faith discussions to attempt to resolve the dispute. If they are unsuccessful, review shall be escalated to the TheraSense Director of Purchasing and Flextronics' Vice President of Marketing, who shall conduct a similar good faith meeting. If still unsuccessful after a reasonable time, the matter will be escalated to the TheraSense Vice President of Operations and the President of Flextronics for a good faith meeting to attempt to resolve the dispute. If settlement has not been reached thereafter, then the dispute shall be settled by binding arbitration. Such arbitration shall be conducted in San Francisco, California in accordance with the then current rules of the American Arbitration Association with a panel of three arbitrators. Each party shall choose one member of the panel, and both shall agree on the third member of the panel. The arbitrators shall be selected from the National Panel of Arbitrators of the

American Arbitration Association. Reasonable discovery as determined by the arbitrators shall apply to the arbitration proceeding. The laws of the State of California shall apply to the arbitration proceedings. Judgment

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upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The prevailing party, as determined by the arbitration panel, shall have its arbitration costs and reasonable attorney fees paid by the other party.

20. General

20.1 Force Majeure. Neither party will be deemed in default of this Agreement to the extent that performance of its obligations or attempts to cure any breach are delayed or prevented by reason of a Force Majeure, provided that such party gives the other party written notice thereof promptly and, in any event, within ten (10) days of discovery thereof and uses its commercially reasonable efforts to continue to so perform or cure. In the event of such a Force Majeure, the time for performance or cure will be extended for a period equal to the duration of the Force Majeure, but in no event more than sixty (60) calendar days.

20.2 Assignment. The rights and liabilities of the parties hereto will bind and inure to the benefit to their respective successors, executors and administrators, as the case may be; provided that, as TheraSense has specifically contracted for Flextronics' services, Flextronics may not assign or delegate its obligations, other than as specified herein, under this Agreement either in whole or in part, without the prior written consent of TheraSense. Any attempted assignment in violation of the provisions of this Section 20.2 will be void.

20.3 Severability. If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of this Agreement shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement shall continue if full force and effect.

20.4 No Waiver. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative, and may be exercised singularly or concurrently. Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

20.5 Notices. All notices required or permitted under this Agreement will be in writing, will reference this Agreement and will be deemed given when: (i) delivered personally (ii) when sent by confirmed telex or facsimile; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) day after deposit with a commercial overnight carrier, with written verification of receipt. All communications will be sent to the addresses set forth below to or such other address as may be designated by a party by giving written notice to the other party pursuant to this Section 20.5:

TheraSense, Inc.	Flextronics, International
1360 South Loop Road	2090 Fortune Drive
Alameda CA 94502	San Jose CA 95131
Attn.: John Purlee	Attn-: Greg Keese
Director of Purchasing	Director Business Development

20.6 Compliance with Laws and Regulations. Flextronics and TheraSense agree to comply with all Federal, State and local laws and regulations that are applicable to the Products in the Territory in which the Products are intended for use.

20.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United States and the State of California, as applied to agreements entered into and to be performed entirely within California between California residents excluding its choice of law principals. Any and all disputes between the parties relating in any way to the entering into of this Agreement and/or the validity, construction, meaning, enforceability, or performing of this Agreement or any of its provisions, or the intent of its provisions or any dispute relating to patent validity or infringement arising under this Agreement shall be settled by arbitration as provided in Section 17 hereof.

20.8 Interpretation. This Agreement will be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either party. The headings and captions are included for reference purposes only and do not affect the interpretation of the provisions hereof. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall be deemed to constitute only one Agreement. When used herein, the word "including" will not be construed as limiting. When the application warrants, the term "TheraSense" shall mean "TheraSense and/or its authorized subcontractors" and the term "Flextronics" shall mean "Flextronics or its authorized subcontractors".

20.9 Status. The relationship between Flextronics and TheraSense is that of independent contractors. Neither is the legal representative, agent, partner, joint venturer or employee of the other for any purpose whatsoever, and has no right or authority to create any obligations of any kind or to make any representations or warranties, whether express or implied, in respect of the other or to bind the other in any respect whatsoever. This agreement shall be deemed to have been drafted by both parties.

20.10 Reports. Each month during the term of this Agreement, Flextronics shall provide the TheraSense buyer with a report of the deliveries made that month, cumulative deliveries to date, and amount of raw materials available in inventory.

20.11 Complete Agreement. This Agreement, including all Exhibits and any Purchase Order(s) issued hereunder, constitute the entire Agreement between the parties in connection with the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties. In the event of a conflict, this Agreement shall take precedence over the preprinted terms and conditions on the reverse side of TheraSense's Purchase Order or any acknowledgment of Flextronics. No amendment to or modification of this Agreement will be binding unless in writing and signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

TheraSense, Inc.	Flextronics International USA, Inc.
By: /s/ W. Mark Lortz	By: /s/ illegible signature
Name: W. Mark Lortz	Name: _____
Title: President & CEO	Title: _____
Date: Dec. 7, 1999	Date: _____

EXHIBIT A

PRODUCT AND MANUFACTURING DEVELOPMENT

In support of TheraSense's development of the Freestyle and Messenger System Flextronics will provide the following services in accordance with the terms outlined below:

Service	Terms	Projected Expenses
PCB Layout		
RF Design Services (*)	***	***
Digital Design (Including Test Engineering And other engineering Services)		
Digital Design	***	***
Test Engineering	***	***
Mechanical Design	***	***
Test Equipment Development & Procurement . Std. Material O/H & Markup . Equipment Capital Cost 100% amortized. (Cost to be preapproved by TheraSense) . Total Amortized amount not to exceed		
Prototype Assembly (*)	***	***
Freestyle		
Messenger	***	***

(*) ***

Flextronics will provide TheraSense a quarterly summary of the total expenses incurred for the project and the balance in the deferred expenses. Flextronics will add a *** cost of money factor *** on the deferred expense balance and recover *** deferred expense balance over the first two years of production and sale by TheraSense or first *** systems manufactured which ever occurs first. In the event TheraSense sales volume does not reach

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*** units in the first two years of manufacturing the un-amortized balance of deferred expenses will be converted to a loan, and repaid over a period not to exceed 15 months for the date the loan is originated.

In addition to the services and manufacturing support Flextronics will provide in the development of the *** and *** products, Flextronics will also work with TheraSense to Co-develop the information management interfaces to process manufacturing production releases and sales order/TheraSense distribution processing.

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EXHIBIT B

PRODUCT PRICING

Meter Assembly target price based upon the following cost data supplied by Flextronics. This cost does not include any ancillary products or packaging of any type. The cost will be revised as these items are identified and added to the cost of the product.

Meter Only	***	***	***
Product Costs	***	***	***
Material Cost	***	***	***
Attrition/Other			
Subtotal Material			
Material Overhead	***	***	***
Freight			
Total Material O/H, Other			
Direct Labor (PCBA)	***	***	***
Direct Labor Overhead			
Subtotal Labor/Overhead			
Test Labor	***	***	***
Test Labor Overhead			
Subtotal Test/Overhead			
Sales, G&A	***	***	***
Profit			

Final Selling Price	***	***	***

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EXHIBIT C

PRODUCT DEFINITION AND SPECIFICATIONS

TBD

EXHIBIT D

QUALITY CONTROL REQUIREMENTS

TBD

EXHIBIT 10.10

[CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION]

ASSIGNMENT OF PATENT RIGHTS AND TECHNOLOGY

This Assignment is entered into this 1st day of August, 1991, by and between the Board of Regents of The University of Texas System, an agency of the State of Texas (hereinafter "Assignor" which term includes successors and assigns), Dr. Adam Heller, an individual residing at 5317 Valburn Circle, Austin, Texas 78731 (hereinafter "Heller"), and E. Heller and Company, a Texas Corporation, having its principal place of business at 5317 Valburn Circle, Austin, Texas 78731 (hereinafter "Assignee," which term includes successors and assigns).

W I T N E S S E T H:

WHEREAS, by virtue of two assignments one of which was executed by Heller and Brian A. Gregg (coinventor) on August 28, 1989, and the second of which was executed by Heller and Ruben Maidan (coinventor) on March 22, 1991, which are attached hereto as Exhibit "A", Assignor is the owner of all right, title, and interest in and to certain Patent Rights (as hereinafter defined) "Enzyme Electrodes" and "Interferant Eliminating Biosensors"; and

WHEREAS, Assignor is the owner of all right, title, and interest in and to certain Technology (as hereinafter defined) and Know-How (as hereinafter defined) relating to "Enzyme Electrodes", "Interferant Eliminating Biosensors", and "Preactivated Interferant Eliminating Biosensors"; and

WHEREAS, under the Rules and Regulations promulgated by the Assignor, Heller has a partial interest in *** of the royalties received by Assignor from licensing or other disposition of the Patent Rights, the Technology, and the Know-How, after costs of licensing and obtaining a patent or other protection have first been recaptured by Assignor (hereinafter the "Heller Interest") and Heller has assigned such interest to Assignee; and,

WHEREAS, Heller desires to confirm the assignment of the Heller Interest to Assignee; and,

WHEREAS, Assignor and Heller entered into a letter agreement dated August 1, 1991, attached hereto as Exhibit "B", and desire to confirm that agreement; and,

WHEREAS, Assignee desires to acquire all of Assignor's right, title, and interest in, to, and under the Patent Rights, the Technology, and the Know-How, and desires to confirm the assignment of the Heller Interest to

Assignee; and,

WHEREAS, Assignor desires to assign, sell, and convey the entire right, title, and interest of Assignor in the Patent Rights, the Technology, and the Know-How to Assignee, its successors and assigns, in exchange for the consideration hereinafter set forth; and,

NOW, THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

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ARTICLE I

DEFINITIONS

1.1 Technology. The term "Technology" as used herein shall mean all inventions, patents, patent applications, and rights listed on Exhibits "C" and "D".

1.2 Patent Rights. The term "Patent Rights" as used herein shall mean all patent applications listed on Exhibit "C" or patents that issue thereon, and any subject matter that may in the future be included in a continuation, continuation-in-part, or divisional, to these patent applications, which is disclosed in writing to Assignor and which names Heller as either sole or joint inventor including an invention disclosure entitled "Preactivated Interferant Eliminating Biosensors" attached hereto as Exhibit "D".

1.3 Know-How. The term "Know-How" as used herein shall mean existing technology not claimed in the Patent Rights, but nevertheless proprietary, valuable trade secrets, inventions, processes, procedures, methods, product codes, formulas, techniques, designs, drawings, technical and clinical data, and other valuable and technical information relating to "Enzyme Electrodes", "Interferant Eliminating Biosensors", and "Preactivated Interferant Eliminating Biosensors".

1.4 Licensed Products. The term "Licensed Products" as used herein shall mean products covered by one or more claims of the Patent Rights or produced by methods covered by one or more claims of such Patent Rights or utilizing or incorporating Technology or Know-How.

1.5 Licensed Processes. The term "Licensed Processes" as used herein shall mean all methods and procedures covered by one or more claims of the Patent

Rights or utilizing or incorporating Technology or Know-How for the manufacture or use of Licensed Products.

1.6 Income. The term "Income" as used herein shall mean all income
received by Assignee from the sale, licensing, or other transfer of the Patent Rights, the Technology, or the Know-How to third parties (excluding any reimbursement to Assignee by a third party of the actual out-of-pocket legal expenses and costs Assignee has incurred for filing, prosecution and maintenance of any issued patent and/or patent application covered under Patent Rights, documentation of which shall be provided in Assignee's semi-annual written reports).

ARTICLE II

ASSIGNMENT

2.1 Assignment by Assignor. Assignor hereby assigns, sells, and conveys to
Assignee, its successors and assigns, the entire right, title, and interest throughout the world in and to the Patent Rights and the Technology, subject only to: (a) any rights of the United States Government which may exist now or in the future due to a research funding agreement to which the United States Government may be a party; and (b) the conditions of this Agreement.

2.2 Assignment by Heller. Heller hereby confirms the assignment, sale, and
conveyance to Assignee, its successors and assigns, of the entire right, title, and interest throughout the world in and to the Heller Interest.

ARTICLE III

CONSIDERATION

3.1 License to Third Party. Assignor, Heller, and Assignee agree that, in
the event the Patent Rights, the Technology, and/or the Know-How are sold, licensed, or otherwise disposed of for value to a third party or parties, Assignor shall receive *** derived from such sale, license, or other disposition, subject to retention by Assignee of its *** or other consideration. Accordingly, Assignee agrees to pay to Assignor *** received from a third party or third parties beyond the *** or other consideration. In the event that Assignee engages in litigation and/or settlement negotiations to protect Patent Rights, *** by Assignee shall be paid to Assignor, provided, however, that Assignee shall be entitled to deduct reasonable attorneys' fees and court costs incurred in such litigation and/or settlement negotiations. Such payment to Assignor shall be made within thirty (30) days following the expiration of the

calendar quarter in which Assignee receives a payment. All payments shall be made to The University of Texas at Austin at: The University of Texas at Austin, Office of the Executive Vice President and Provost, Main Building 201, Austin, Texas 78712-1111, Attention: Patricia C. Ohlendorf.

3.2 Manufacture and Sale of Licensed Products by Assignee. Should Assignee elect to itself manufacture, sell, or otherwise dispose of for value Licensed Products or Licensed Processes, Assignor and Assignee agree to negotiate the compensation Assignee shall pay to Assignor. Assignee further agrees that the compensation due Assignor shall be an amount representing the equivalent of what Assignor reasonably believes it would have received as royalty, licensing fees, and other compensation ("Compensation") had Assignor licensed or otherwise disposed of for value the Technology, Patent Rights and Know How (hereafter "Technology", for the purposes of this Paragraph 3.2) to a party other than Assignee ("Third Party"). This equivalent amount shall be negotiated in good faith by the parties, taking into account, but not limited to, the following: (a) Compensation Assignee must pay to a Third Party for the use of comparable Technology; (b) Compensation Assignee receives for its own license or other disposal for value of the Technology to a Third Party; (c) The nature and scope of the license or other disposal for value of the Technology by Assignor to a Third Party, as exclusive or nonexclusive, restricted or nonrestricted in terms of territory or with respect to whom the Licensed Products and/or Licensed Processes may be sold; (d) Assignor's policies and procedures regarding the licensing or other disposal for value of its intellectual property; (e) The effect of the Technology in promoting the sales of other products of the Third Party; (f) The duration of Technology related patents and term of any license; (g) The established or projected profitability of the Licensed Products and Licensed Processes; (h) The utility and advantages of the Licensed Products and Licensed Processes over old modes or existing products or processes, if any, that can be used for achieving similar results; (i) The portion of the profit or the selling price of Licensed Products and Licensed Processes that may be customary in the particular business or in comparable businesses which market the Technology, if any, or similar Technology; (j) The portion of the profit from the sale or other disposal for value of Licensed Products and Licensed Processes that should be credited to the Technology as

*** Confidential treatment requested

distinguished from non-Technology related elements, such as business risks by the Third Party and/or significant features or improvements to the Technology added by the Third Party; and (k) The Compensation due Assignor had the Technology been licensed pursuant to Paragraph 3.1. Any negotiating dispute shall be subject to mediation as described in Article XI hereto. Payment by Assignee to Assignor shall be made as described in Paragraph 3.1 above.

3.3 Assignment Fee. Assignee shall pay to Assignor a fee of *** by

September 1, 1991.

ARTICLE IV

BOOKS, RECORDS, AND REPORTS

4.1 Books. Assignee shall maintain true and complete books of account containing an accurate record of all data necessary for the proper computation of income, royalty and other payments, and the calculation thereof, as well as attorneys' fees and court costs. Assignor or its authorized representative shall have the right to examine such books, under appropriate terms of confidentiality with Assignee, at all reasonable times, upon ten (10) days prior written notice for the sole purpose of verifying the accuracy of reports rendered by Assignee. Such examination shall be made during normal business hours at Assignee's principal place of business or such other location as Assignor and Assignee may agree.

4.2 Payments and Reports. Assignee shall submit to Assignor semi-annual written reports covering that fiscal period of Assignee and accurately identifying income and expenses in sufficient form and detail as to enable Assignor to determine the income, royalties, or other payments due. Such reports shall be due thirty (30) days following each semi-annual period. A report shall be submitted, even if no income has been received or no royalties or other payments are due during the fiscal quarters of that period, in accord with the terms of Paragraph 3.1 herein. Reports shall be mailed to The University of Texas at Austin at the address in Paragraph 3.1 herein.

4.3 Commercialization Report. Assignee shall submit to Assignor, at the address listed in paragraph 3.1 herein, a written report by September 1 of each year which details Assignee's commercialization efforts during the preceding year with regard to Patent Rights, Technology, and Know-How.

ARTICLE V

CONFIDENTIALITY

5.1 Duty of Confidence. Assignor and Assignee each agree that all information contained in documents marked "confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this Agreement, and not disclosed by the recipient party (except as required by law or court order), its agents or employees without the prior written consent of the other party, unless such information (a) was in the public domain at the time of disclosure, (b) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns, (c) was lawfully disclosed to the recipient party

by a third party having the right to disclose it, (d) was already known by the recipient party at the time of disclosure, (e) was independently developed, (f) is required to be submitted to a government agency pursuant to any preexisting obligation, or (g) must be disclosed under the Texas Open Records Act.

5.2 Degree of Care. Each party's obligation of confidentiality hereunder shall be fulfilled by using at least the same degree of care with the other party's confidential information as it uses to protect its own confidential information. This obligation shall exist while this Agreement is in force.

ARTICLE VI

CONSIDERATION RECEIVED BY HELLER

6.1 Sufficiency of Consideration. Heller acknowledges that he has received sufficient consideration for assigning his rights in the Patent Rights, the Technology, and the Know-How hereunder from Assignee and no further consideration shall be received by Heller from either Assignor or Assignee in connection with this Assignment. Heller expressly waives his right to receive any royalties or other benefits under the Rules and Regulations of the Board of Regents of The University of Texas System relating to intellectual property rights in the Patent Rights, the Technology, and the Know-How and acknowledges that any such royalties or other benefits that would be due to Heller but for this Agreement shall be and remain the property of The University of Texas at Austin. Specifically: (a) as stated in Exhibit B hereto, Subsection (1), the *** paid to The University of Texas at Austin remaining after the deduction of an amount covering patent expenses thus far paid by The University in regards to Patent Rights, shall be shared with Heller's coinventors in the proportion each would receive were Heller still included among the inventors who share in The University's income; and (b) as stated in Exhibit B hereto, Subsection (7), the *** of any income paid to The University of Texas at Austin under this Assignment shall be shared with Heller's coinventors in the proportion each would receive were Heller still included among the inventors who share in The University's income.

ARTICLE VII

RESERVATION BY ASSIGNOR

7.1 Reservation. Assignee and Heller acknowledge and agree to the reservation by Assignor for all components of The University of Texas System of a *** nonexclusive license to use Patent Rights, Technology, and Know-How in

educational and research activities.

ARTICLE VIII

REPRESENTATIONS

8.1 Representation. The parties hereto represent and warrant that they have the right and authority to enter into this Assignment and that they have not executed or entered into any other agreements inconsistent with the terms and provisions hereof.

*** Confidential treatment requested

8.2 Documents. Heller and Assignor covenant that Heller, Assignor, and their heirs, legal representatives, assigns, administrators, and executors, will, at the expense of Assignee, its successors and assigns, execute all papers and perform such other acts as may be reasonably necessary to give Assignee, its successors and assigns, the full benefit of this Assignment.

ARTICLE IX

USE OF NAME OR FACILITIES

9.1 Name. Assignee shall not use the name of Assignor or The University of Texas at Austin in any promotional material.

9.2 Facilities. Heller acknowledges and agrees that any direct commercialization efforts with respect to Patent Rights, Technology, or Know-How are his or Assignee's private endeavor and shall not be carried out using facilities or other resources of Assignor or The University of Texas at Austin. Assignee shall not use the facilities or other resources of Assignor or The University of Texas at Austin.

ARTICLE X

BREACH

10.1 Default. In the event that Assignee shall default in any of its material obligations under this Assignment (including but not limited to the payment of compensation to Assignor), Assignor may require the reconveyance of the assigned intellectual property should Assignor give Assignee written notice of default, and such default is not cured within ninety (90) days of Assignee's receipt of such notice. Assignee further agrees to notify Assignor of any such

cure in writing sent to the address listed in Paragraph 3.1 herein, and shall describe such cure to Assignor's satisfaction. Assignor's right to require reconveyance hereunder shall not preclude Assignor from seeking or obtaining any other remedy to which it may be entitled, at any time.

ARTICLE XI

MEDIATION

11.1 Dispute Resolution. Any dispute arising under or related to this Assignment which involves a question of fact may be submitted by either party for mediation, if the parties are unable to resolve the dispute within a reasonable time after written notice is sent by one party to the other of the existence of such dispute. The institution of any mediation proceeding shall not relieve Assignee of its compensation obligations described in Article III herein, during the pendency of such proceeding.

ARTICLE XII

GOVERNING LAW

12.1 Construction and Enforcement. This Assignment shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

ARTICLE XIII

DISCLAIMER OF WARRANTY

13.1 Specific Disclaimer. Assignor makes no representations other than those expressly stated in this Assignment, and specifically, Assignor MAKES NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE TECHNOLOGY OR PATENT RIGHTS OR KNOW HOW WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.

ARTICLE XIV

INDEMNIFICATION

14.1 Hold Harmless. Assignee shall hold harmless and indemnify Assignor, the University of Texas System, and The University of Texas at Austin, its officers, employees and agents from and against any claims, demands, or causes

of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the Assignment granted hereunder by Assignee or its officers, employees, agents or representatives.

ARTICLE XV

DISPOSITION

15.1 Assignee may not assign or otherwise dispose of (except by license) the Patent Rights and Technology without the prior written consent of Assignor.

EXECUTED by the duly authorized representatives of the parties on the date indicated below the signatures of the parties hereto.

ASSIGNOR:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: /s/ Hans Mark

Hans Mark
Chancellor

Date: May 15, 1992

APPROVED AS TO CONTENT:

By: /s/ G. J. Fonken

G. J. Fonken

Executive Vice President and Provost

The University of Texas at Austin

Date:

APPROVED AS TO FORM:

HELLER

By: /s/ Adam Heller

Adam Heller

Date: ILLEGIBLE

ASSIGNEE:

E. HELLER AND COMPANY

By: /s/ Ephraim Heller

(Print) Ephraim Heller

Title Illegible

Date: ILLEGIBLE

By: /s/ Dudley R. Dobie, Jr.

Dudley R. Dobie, Jr.
Office of General Counsel

Date: 5/11/92

THE STATE OF TEXAS

COUNTY OF TRAVIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared Hans Mark, Chancellor for The University of Texas System, an agency of the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 15th day of May.

/s/ Becky F. Boyer

Notary Public, State of Texas

(SEAL)

My Commission Expires: 9/19/92

/s/ Becky F. Boyer

Typed or Printed Name of Notary

THE STATE OF TEXAS

COUNTY OF TRAVIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared Adam Heller of 5317 Valburn Circle, Austin, Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of April, 1992.

/s/ Norma R. Horn

Notary Public, State of Texas

(SEAL) My Commission Expires: 4/5/95

/s/ Norma R. Horn
Typed or Printed Name of Notary

THE STATE OF TEXAS

COUNTY OF TRAVIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared Ephraim Heller of E. Heller and Company, 5317 Valburn Circle, Austin, Texas 78731, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of April, 1992.

/s/ Norma R. Horn
Notary Public, State of Texas

(SEAL) My Commission Expires: 4/5/95

/s/ Norma R. Horn
Typed or Printed Name of Notary

EXHIBIT A

FILE NO. UTSB: 413
PATENT

A S S I G N M E N T

FOR GOOD AND VALUABLE CONSIDERATION, the receipt, sufficiency and adequacy of which are hereby acknowledged, the undersigned, does hereby:

SELL, ASSIGN AND TRANSFER to Board of Regents, The University of Texas System (the "Assignee"), having a place of business at 201 West 7th Street, Austin, Texas, 78701, the entire right, title and interest for the United States and all foreign countries in and to any and all improvements which are disclosed in the application for United States Letters Patent, Serial No. 389,226, which has been filed on August 2, 1989 and is entitled ENZYME ELECTRODES, such

application and all divisional, continuing, substitute, renewal, reissue and all other applications for patent which have been or shall be filed in the United States and all foreign countries on any of such improvements; all original and reissued patents which have been or shall be issued in the United States and all foreign countries on such improvements; and specifically including the right to file foreign applications under the provisions of any convention or treaty and claim priority based on such application in the United States;

AUTHORIZE AND REQUEST the issuing authority to issue any and all United States and foreign patents granted on such improvements to the Assignee;

WARRANT AND COVENANT that no assignment, grant, mortgage, license or other agreement affecting the rights and property herein conveyed has been or will be made to others by the undersigned, and that the full right to convey the same as herein expressed is possessed by the undersigned;

COVENANT, when requested and at the expense of the Assignee, to carry out in good faith the intent and purpose of this assignment, the undersigned will execute all divisional, continuing, substitute, renewal, reissue, and all other patent applications on any and all such improvements; execute all rightful oaths, declarations, assignments, powers of attorney and other papers; communicate to the Assignee all facts known to the undersigned relating to such improvements and the history thereof; and generally do everything possible which the Assignee shall consider desirable for vesting title to such improvements in the Assignee, and for securing, maintaining and enforcing proper patent protection for such improvements;

TO BE BINDING on the heirs, assigns, representatives and successors of the undersigned and extend to the successors, assigns and nominees of the Assignee.

(Signature) /s/ Brian A. Gregg Date August 28, 1989

Name: Brian A. Gregg

(Signature) /s/ Adam Heller Date August 28, 89

Name: Adam Heller

(Signature) Date Recorded Patent & Transfer Office 9/28/89

Name:

(Signature) Date /s/ ILLEGIBLE, Commissioner of Patents

Name:

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

BEFORE ME, the undersigned authority, on this 28th day of August, 1989, personally appeared Brian A. Gregg and Adam Heller known to me to be the persons whose names subscribed to the foregoing instrument and acknowledged to me that they executed the same of their own free will for the purposes and consideration therein expressed.

/s/ Norma R. Horn

Notary or Consular Officer

[SEAL]

ARNOLD, WHITE & DURKEE

P. O. Box 4433
Houston, Texas 77210

2001 Jefferson Davis Highway, Suite 40,
Arlington, Virginia 22202

EXHIBIT A

UTSB: 465
PATENT

A S S I G N M E N T
- - - - - - - - - -

FOR GOOD AND VALUABLE CONSIDERATION, the receipt, efficiency and adequacy of which are hereby acknowledged, the undersigned, do hereby:

SELL, ASSIGN AND TRANSFER to Board of Regents, The University of Texas System (the "Assignee"), having a place of business at 201 West 7th Street, Austin, Texas, 78701, the entire right, title and interest for the United States and all foreign countries in and to any and all improvements which are disclosed in the application for United States Letters Patent, Serial No. 07/664,054, which has been filed on March 4, 1991, and is entitled INTERFERANT ELIMINATING BIOSENSORS, such application and all divisional, continuing, substitute, renewal, reissue and all other applications for patent which have been or shall be filed in the United States and all foreign countries on any of such improvements; all original and reissued patents which have been or shall be issued in the United States and all foreign countries on such improvements; and specifically including the right to file foreign applications under the provisions of any convention or treaty and claim priority based on such application in the United States;

AUTHORIZE AND REQUEST the issuing authority to issue any and all United States and foreign patents granted on such improvements to the Assignee;

WARRANT AND COVENANT that no assignment, grant, mortgage, license or other agreement affecting the rights and property herein conveyed has been or will be made to others by the undersigned, and that the full right to convey the same as herein expressed is possessed by the undersigned;

COVENANT, when requested and at the expense of the Assignee, to carry out in good faith the intent and purpose of this assignment, the undersigned will execute all divisional, continuing, substitute, renewal, reissue, and all other patent applications on any and all such improvements; execute all rightful oaths, declarations, assignments, powers of attorney and other papers; communicate to the Assignee all facts known to the undersigned relating to such improvements and the history thereof; and generally do everything possible which the Assignee shall consider desirable for vesting title to such improvements in the Assignee, and for securing, maintaining an enforcing proper patent protection for such improvements;

TO BE BINDING on the heirs, assigns, representatives and successors of the undersigned and extend to the successors, assigns and nominees of the Assignee.

(Signature) /s/ Adam Heller Date March 22, 1991

Name: Adam Heller

(Signature) /s/ Ruben Maidan Date March 22, 1991

Name: Ruben Maidan

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

BEFORE ME, the undersigned authority, on this 22nd day of March, 1991, personally appeared ADAM HELLER and RUBEN MAIDAN, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same of their own free will for the purposes and consideration therein expressed.

/s/ Constance J. Hannan

Notary of Consular Officer
Constance J. Hannan
My commission expires 4/11/93

[SEAL]

ARNOLD, WHITE & DURKEE

P.O. Box 4433
Houston, Texas 77210

2001 Jefferson Davis Hwy., Ste. 401
Arlington, Virginia 22202

EXHIBIT B

August 1, 1991

Dr. Adam Heller
Department of Chemical Engineering
CPE 4.450

Re: UTSB:413 - "Enzyme Electrodes"
UTSB:465 - "Interferant Eliminating Biosensors"

Dear Dr. Heller:

I write to followup our previous communications regarding your request that The University exclusively license or release to you the inventions entitled UTSB:413 and UTSB:465, which you co-invented. I am setting out below conditions under which The University will release and/or assign to you, as appropriate, its intellectual property rights in the subject matter presently described in patent applications UTSB:413 and UTSB:465, and any subject matter that may in the future be included in a continuation, continuation-in-part, or divisional, to these patent applications. These conditions are consistent with similar arrangements into which The University has entered:

(1) You (or your company) will pay The University a nonrefundable fee of *** by September 1, 1991. These funds shall be used by The University to pay patent expenses that we have thus far incurred on these cases. In the unlikely event that funds remain after deduction of those expenses, we shall share with your coinventors the proportion of the *** inventors' share that each would receive were you still included among the inventors who share in The University's income;

(2) Effective August 1, 1991, you (or your company) shall assume all financial and decision making responsibility for maintenance and prosecution of these patent applications and any patents that issue, including foreign counterparts. The University shall inform Arnold, White & Durkee of this shift in responsibility. Should you wish to have the cases transferred from Arnold, White & Durkee to your own attorney, The University will cooperate in this transfer subject to reimbursement of any associated expenses above ***;

(3) You (and your company) agree to, and acknowledge, reservation by The University of Texas System for itself and its component institutions of a royalty-free, nonexclusive license to use the inventions in educational and research activities;

(4) Any direct commercialization efforts regarding these inventions will be your (or your company's) private endeavor and cannot be carried out using University facilities or other

resources;

(5) In the event the inventions are commercialized, *** of any royalties or other income that you (or your company) receive from such commercialization shall be paid to The University as royalty after the total gross income received by you (or your company) reaches ***;

*** Confidential treatment requested

(6) You will inform this office in writing by September 1st of each year of any commercialization efforts made regarding the inventions during the previous year. At the time any royalty payments shall become due to The University, they shall be paid on a quarterly basis; and

(7) You acknowledge that you shall not receive any portion of the inventors' share of income which The University may receive from commercialization of these inventions. Your coinventors will receive from The University the proportion of the inventors' share that they would have received were you still going to receive a portion of such funds.

It is our intent to include in this release/assignment the disclosure that you recently made of an invention entitled "Preactivated Interferant Eliminating Biosensors." However, any future inventions, other than those that can be filed as continuations or continuations-in-part on the existing applications, cannot be included in this release/assignment. All such future inventions are subject to individual disclosure and review in accordance with our usual procedures. At such time we will give fair consideration to any request by you that an invention be released to you.

After careful consideration, I have decided that these terms are considered final by The University. If you agree to them, please sign in the space indicated below on both copies and return one to me. We shall then consider the terms effective and operational although formal assignment documents for the two pending patent applications will need to be prepared and executed. We will ask The University of Texas System to prepare these documents upon receipt of an executed copy of this letter.

Sincerely yours,

/s/ G.J. Fonken
G.J. Fonken

GJF:cm

cc: Associate Vice President Patricia C. Ohlendorf
Dean Herbert H. Woodson
Associate Dean Dale E. Klein
Professor Thomas Edgar
Mr. Dudley R. Dobie, Jr.
Ms. Paulette Braeutigam
Dr. Brian A. Gregg
Dr. Ruben Maiden

/s/ Adam Heller

Dr. Adam Heller

Date August 4, 1991

EXHIBIT C

UT File No.	U.S. Serial Filing No. (Date)	Title	Inventor(s)
UTSB:413	389,226 (3-2-89)	Enzyme Electrodes	Brian A. Gregg Adam Heller
UTSB:465	664,054 (3-4-91)	Interferant Eliminating Biosensors	Adam Heller Ruben Maidan

EXHIBIT D

INVENTION DISCLOSURE
The University of Texas at Austin

I. Descriptive

1. Title of invention ***.
---
2. Brief description. Is the Invention a new process, composition of matter, a device, or one or more products? A new use for or an improvement to an

existing product or process?

***

Use additional sheets to elaborate or attach descriptive materials.

3. From the description, pick out and expand on novel and unusual features. How does the invention differ from present technology? What problems does it solve or what advantages does it possess?

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*** Confidential treatment requested

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*** Confidential treatment requested

4. If not indicated previously, what are possible uses for the invention? In addition to immediate applications, are there other uses that might be realized in the future?

***

_____
_____
_____

5. Does the invention possess disadvantages or limitations? Can they be overcome? How?

_____
_____
_____
_____

6. Enclose sketches, drawings, photographs, and other materials that help illustrate the description. (Rough artwork, flow sheets, Polaroid photographs, and penciled graphs are satisfactory as long as they tell a clear and understandable story. Enclosed.

II. Other Pertinent Data

1. Are there publications--theses, reports, preprints, reprints, etc.--pertaining to the invention? Please list with publication dates, and attach copies insofar as possible. Include manuscripts for publication (submitted or not), news releases, feature articles, and items from internal publications.

   a. ***
   ---

   b. _____

   c. _____

   d. _____

2. Are laboratory records and data available? Give reference numbers and physical location, but do not enclose.

***

_____

3. Are related patents or other publications known to the inventor? Please list.

***

_____

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*** Confidential treatment requested

4. Date, place, and circumstances of first public disclosure.

***

_____

_____

_____

5. Was the work that led to the invention sponsored? If yes, attach copy of contact or agreement if possible, and fill in the appropriate blanks below.

   a. Title of government agency *** Conract No.

   ____

b. Name of industrial company

c. Name of university sponsor

d. Other sponsor(s) ***

6. Any commercial interest shown at this stage? Name companies and specific persons if possible.

***

a. Do you know of other qualified firms? Please list.

***

7. Name(s) and title(s) of inventor(s)

a. ***

b. ***

c.

(Contract for more data *** Telephone ***

(name)

*** Confidential treatement requested

8. Mailing address for inventor(s) ***

***

(street and number) (city and state) (zip code)

9. Signature(s) of inventor(s) and date

a. /s/ *** *** (date) ***

b. /s/ *** *** (date) ***

c. (date)

Use the space below and additional sheets to elaborate on answers to questions and to provide any other helpful data.

*** Confidential treatment requested

6. ***

***

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*** Confidential treatment requested

[CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.]

Exhibit 10.11

FIRST AMENDMENT TO THE AGREEMENT ENTITLED
"ASSIGNMENT OF PATENT RIGHTS AND TECHNOLOGY"
ENTERED INTO AUGUST 1, 1991 BETWEEN
THE UNIVERSITY OF TEXAS, ADAM HELLER, AND E. HELLER AND COMPANY
(THE "AMENDMENT")

WHEREAS, under the August 1, 1991, agreement entitled "Assignment of Patent Rights and Technology" (hereafter "Assignment"), and Exhibit A hereto, the Board of Regents of the University of Texas System on behalf of The University of Texas at Austin (hereafter collectively referred to as "Assignor") assigned to E. Heller and Company ("Assignee") its right, title, and interest in, to, and under the Patent Rights and the Technology (as such terms are defined in the Assignment); and

WHEREAS, under Paragraph 3.1 of the Assignment the parties agreed that in return for its assignment of rights, Assignor would be compensated as noted in the event Patent Rights, the Technology, and the Know-How are sold, licensed, or otherwise disposed of for value to a third party or parties; and under Paragraph 3.2 of the Assignment the parties also agreed that Assignor would be compensated for a to-be-negotiated amount should Assignee elect to itself manufacture, sell, or otherwise dispose of for value Licensed Products and Licensed Processes (as such terms are defined in the Assignment) and which are derived from the Patent Rights, the Technology, and the Know-How; and

WHEREAS, since the effective date of the Assignment, Assignee has invested approximately *** in research and development of biosensors within the scope of the Technology, Patent Rights, and Know-How, and estimates that an additional investment of approximately *** will be necessary to complete product development and enter into clinical trials, and Assignee, on behalf of itself and its Affiliates (as defined below), has now elected to manufacture, sell, or otherwise dispose of for value, including sublicensing, the Patent Rights, Technology, Know-How, Licensed Products, and Licensed Processes; and

WHEREAS, Assignor and Assignee now desire to amend Paragraphs 3.1 and 3.2 and certain other paragraphs of the Assignment and specifically set out herein the mutually agreed compensation due Assignor for Assignee's disposition for value of the Patent Rights, the Technology, the Know-How, Licensed Products and Licensed Processes.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained the parties agree as follows:

1. All capitalized terms not defined in this Amendment shall have the meaning given to them in the Assignment.

2. Section 1.2 is amended to read in its entirety as follows:

1.2 Patent Rights. The term "Patent Rights" as used herein shall mean
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Assignor's rights in all inventions and intellectual property disclosed in the patent applications patents and other invention disclosures listed on Exhibit B and Exhibit C hereto, including all U.S. and

*** Confidential treatment requested

foreign patent applications including provisional applications, and all divisions, continuations, continuations in-part, and substitutions thereof; all foreign patent applications corresponding to the preceding applications; and all U.S. and foreign patents issuing on any of the preceding applications, including extensions, reissues, and re-examinations.

3. Section 1.3 is amended to read in its entirety as follows:

1.3 Know-How. The term "Know How" as used herein shall mean

Assignor's rights in all ideas, inventions, data, trade secrets, instructions, processes, formulas, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, manufacturing (including but not limited to processes, yields, reagants and conditions relating to compound manufacture) data and information, owned or controlled by Assignor existing as of the last signature date of this Assignment which are generally not known, and which are necessary or useful for the manufacture of Licensed Products. Excluded from Know-How are any inventions included with Patent Rights.

4. Section 1.4 is amended to read in its entirety as follows:

1.4 Licensed Products. The term "Licensed Products" as used herein
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shall mean any product which (i) is covered by a Valid Claim in the country such product is made or sold, or (ii) incorporates in material part or is made using the Technology, Know-How, Licensed Processes or Other Intellectual Property. For the avoidance of doubt, subject to the foregoing, a Licensed Product unit shall mean any instrument or associated disposable.

5. Article 1 is amended to add new Section 1.7 as follows:

1.7 Affiliate. The term "Affiliate" as used herein shall mean any
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corporation or other entity which is directly or indirectly controlling, controlled by or under the common control with a party hereto. For the purposes of this definition, "control" shall mean the direct or indirect ownership of at least fifty percent (50%) of the outstanding shares or other voting rights of the subject entity to elect directors, or if not meeting the preceding, any entity owned or controlled by or owning or controlling at the maximum control or ownership right permitted in the country where such entity exists.

6. Article 1 is amended to add new Section 1.8 as follows:

1.8 Net Sales. The term "Net Sales" as used herein shall mean the gross revenues received by Assignee, its Affiliates or sublicensees from sales of Licensed Products, less (i) normal and customary rebates, and cash and trade discounts, actually taken, (ii) sales, value-added, use and/or other excise taxes or duties actually paid, (iii) outbound transportation charges prepaid or allowed, (iv) import and/or export duties actually paid, and (v) amounts allowed or credited due to returns.

7. Article 1 is amended to add new Section 1.9 as follows:

1.9 Valid Claim. The term "Valid Claim" as used herein shall mean (i) a claim of an issued and unexpired patent included within the Patent Rights which has not been disclaimed

or admitted to be invalid or unenforceable through reissue or otherwise, or (ii) a claim of a pending application within the Patent Rights provided that not more than five (5) years have elapsed from the date the claim takes priority for filing purposes.

8. Article 1 is amended to add new Section 1.10 as follows:

1.10 Dominating Patent. The term "Dominating Patent" as used herein shall mean an unexpired patent which is owned by a third party covering Licensed Products made and sold by Assignee or its sublicensees under circumstances such that Assignee or its sublicensee has no commercially reasonable alternative but to obtain a license under such patent in order to make, use or commercialize a Licensed Product.

9. Article 1 is amended to add new Section 1.11 as follows:

1.11 Other Intellectual Property. The term "Other Intellectual Property" as used herein shall mean Board's rights in any biosensor related inventions (whether or not patentable), improvements, discoveries, developments, original works of authorship, software, trade secrets, Know-How made, conceived, reduced to practice or otherwise developed, by an employee of Assignor pursuant to either (i) a consulting agreement entered into by such employee and EHC or its sublicensee; or (ii) any similar agreement between an employee of the University of Texas at Austin and Assignee, and all intellectual property rights therein and thereto, shall be subject to the Assignment in Section 2.1 below.

10. Section 2.1 is amended to read in its entirety as follows:

2.1 Assignment by Assignor. Assignor hereby transfers, assigns, sells, and conveys to Assignee, its successors and assigns, the entire

right, title and interest throughout the world in and to the Patent Rights, Technology, Know-How, and Other Intellectual Property subject only to: (a) any rights of the United States Government which may exist now or in the future due to a research funding agreement to which the United States Government may be a party; and (b) the terms and conditions of this Agreement.

11. Article 3 is amended to read in its entirety as follows:

3.1 Royalties. In consideration for the Assignment herein, Assignee shall pay to Assignor the greater of (i) an annual minimum royalty of *** or (ii) royalties on Net Sales of Licensed Products sold by Assignee, an Affiliate or its sublicensees which are within the scope of a Valid Claim as follows:

Royalty Rate	Numbers of Licensed Products Sold Worldwide During the Term
*** of Net Sales	1-100,000
*** of Net Sales	100,001-200,000
*** of Net Sales	200,001-and above

Any minimum annual royalty payable hereunder shall be *** against any running royalty payable to Assignor during such year.

3.2 Sublicense Payment. In addition to the royalties subject to Section 3.1 above, Assignee shall pay to Assignor *** received by Assignee and its Affiliates from licensees and sublicensees of the Patent Rights, Know-How, Technology or Other Intellectual Property. Notwithstanding the foregoing, it is understood and agreed that Assignor shall not be entitled to any portion of amounts received from licensees or sublicensees for equity in Assignee less than *** of fair market value, debt financing, research and development funding, the license or sublicense of any intellectual property other than the Patent Rights, Know-how, Technology or Other Intellectual Property, or reimbursement for patent or other expenses, and to be determined in a manner consistent with generally accepted accounting principles (GAAP).

3.3 Royalties on Combination Products. In the event that a Licensed Product is sold by Assignee, an Affiliate or its sublicensee in combination as a single product with another product whose sale and use are not within the scope of a Valid Claim in the country for which the combination product is sold, Net Sales from such sales for purposes of calculating the amounts due under Section 3.1 above shall be calculated by multiplying the Net Sales of that combination by the fraction A/(A + B), where A is the gross selling price of the Licensed Product sold separately and B is the gross selling price of the other product sold

separately. In the event that no such separate sales are made by Assignee, an Affiliate or its sublicensee, Net Sales for royalty determination shall be as reasonably allocated by Assignee, an Affiliate or its sublicensee between such Licensed Product and such other product, based upon their relative importance and proprietary protection. Notwithstanding the above, in no event shall Assignor receive a royalty of less *** the running royalty amount per unit of Licensed Product due under Section 3.1 above.

3.4 Third Party Royalty Offset. In the event Assignee, an Affiliate or its sublicensee enters into a license agreement with any third party with respect to a Dominating Patent or to settle a claim of infringement or misappropriation of any intellectual property of a third party relating to the practice or use of the Technology and or Know-How, Assignee, an Affiliate or its sublicensee may offset any payments made in accordance with such license agreements against any amounts of running royalties owned by Assignee pursuant to Article 3 herein up to a maximum of *** the amount otherwise due to such third party; provided, however that in no event will the running royalties due to Assignor be lower than the following:

Royalty Rate	Number of Licensed Products Sold Worldwide During the Term
*** of Net Sales	1-100,000
*** of Net Sales	100,001-200,000
*** of Net Sales	200,001 - and above

*** Confidential treatment requested

In addition, in such event, the amounts due to Assignor under Section 3.2 above shall be reduced by an amount equal to *** the amount paid to such third party.

3.5 One Royalty. No more than one royalty payment shall be due with respect to a sale of a particular Licensed Product. No multiple royalties shall be payable because any Licensed Product, or its manufacture, use or sale is covered by more than one Valid Claim. No royalty shall be payable under this Article 3 with respect to Licensed Products distributed for use in research and/or development, in clinical trials or as promotional samples.

3.6 Royalty Term. Royalties due under this Article 3 shall be payable on a country-by-country and Licensed Product-by-Licensed Product basis until the expiration of the last-to-expire issued Valid Claim covering such Licensed Product in such country, or if no such Valid Claim issued

in a country, until the fifth anniversary of the first commercial sale of a Licensed Product in such country.

3.7 In the event Assignee engages in litigation and/or settlement negotiations to advance a claim it makes that a third party is infringing on Licensed Products and/or Licensed Processes, *** on any litigation or settlement recovery by Assignee will be paid to Assignor; provided, however, that Assignee shall be entitled to first deduct reasonable and documented attorney's and other professional fees, expert fees, court costs, and other reasonable expenses incurred by Assignee in such litigation and/or settlement activities.

12. Section 4.2 is amended to read in its entirety as follows:

4.2 Payments and Reports. The first annual minimum royalty payment of ***

*** shall be due and payable to Assignor within 30 days of the date of the last signature on this Amendment. Thereafter, minimum annual royalty payments, when due, shall be due and payable within thirty (30) days after the end of the applicable year. All running royalties payable hereunder by Assignee shall be due within thirty (30) days following the end of each respective semi-annual reporting period, which ending dates shall be June 30 and December 31 for each successive year. Each report will accurately identify income and expenses in sufficient form and detail so as to enable Assignor to determine the royalties due for such semi-annual period, and shall be mailed to the following: Office of the Executive Vice President and Provost, The University of Texas at Austin, Main Building 201, Austin, Texas 78712-1111, ATTN: Patricia C. Ohlendorf, with a copy to the Office of Technology Licensing and Intellectual Property at the address listed in 16.3 herein. Checks shall be made payable to The University of Texas at Austin. Except as expressly provided herein, all amounts payable hereunder shall be payable in United States dollars without deductions for taxes, assessments, fees, or charges of any kind.

13. Article 15 is amended to read in its entirety as follows:

15.1 Assignment. Neither party may assign this Assignment without the
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prior consent of the other, which consent shall not be unreasonably withheld; provided, however, Assignee may assign this Assignment in connection with a transfer of all or substantially all of its

*** Confidential treatment requested

assets relating to this Assignment, whether by sale, merger, operation of law or otherwise. This Assignment shall be binding upon and inure to the benefit of the parties and their successors and assigns.

14. New Article 16 is added as follows:

MISCELLANEOUS

16.1 Affiliate Rights/Obligations. Assignee shall have the right to extend the provisions of the Assignment regarding the right to manufacture, sell, or otherwise dispose of for value, including licensing and sublicensing, the Patent Rights, Technology, Know-How, Other Intellectual Property, Licensed Products, and Licensed Processes, to any Affiliate, provided such Affiliate consents to be bound by the Assignment to the same extent as Assignee. Further, Assignee shall have the right to extend the provisions of this Amendment in their entirety to any Affiliate, provided such Affiliate consents to be bound by the applicable provisions of this Amendment to the same extent as Assignee.

16.2 Entire Agreement. The Assignment and this Amendment constitute the entire and only agreement between the parties with respect to the Patent Rights, Technology, Know-How, Other Intellectual Property, Licensed Products, and Licensed Processes, and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreement altering or supplementing the terms of the Assignment may be made except by means of a written document signed by a duly authorized representative of each party.

16.3. Notices. Any notices under this Assignment or shall be given by prepaid, first class, certified mail, return receipt requested, addressed as follows (or such other address as may be given from time to time under the terms of this provision):

<TABLE>

<S>	<C>
in the case of Assignor - BOARD OF REGENTS The University of Texas System 201 West 7th Street Austin, Texas 78701 ATTN: System Intellectual Property Office	with a copy to - OFFICE OF THE EXECUTIVE VICE PRESIDENT & PROVOST The University of Texas at Austin Austin, Texas 78712-1111 ATTN: Patricia C. Ohlendorf with a copy to - OFFICE OF TECHNOLOGY LICENSING AND INTELLECTUAL PROPERTY The University of Texas at Austin MCC Building Suite 1.9A 3925 West Braker Lane Austin, Texas 78759 ATTN: Director

</TABLE>

or in the case of Assignee -

E. HELLER AND COMPANY
1311 Harbor Bay Parkway, Suite 1000
Alameda, California 94502
ATTN: Ephraim Heller

16.4 LIMITATION OF LIABILITY. SUBJECT TO ARTICLE XIV OF THE ASSIGNMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS ASSIGNMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY

16.5 Right to Independently Develop. Nothing in this Assignment will impair Assignee's right to independently acquire, license, develop for itself, or have others develop for it, technology or intellectual property performing the same or similar functions as the Know-How or the Patent Rights, or the Other Intellectual Property, or to market and distribute licensed products based on such other intellectual property and technology.

16.6 Further Assurances. At any time or from time to time on and after the date of this Assignment, Assignor shall at the request and sole expense of Assignee (i) deliver to Assignee such records, data or other documents consistent with the provisions of this Assignment, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as Assignee may reasonably deem necessary or desirable in order for Assignee to obtain the full benefits of the Assignment and Amendment and the transactions contemplated hereby.

16.7 Severability. In the event that any provisions of this Assignment are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Assignment shall remain in full force and effect without said provision. The parties shall in good faith negotiate a substitute clause for any provision declared invalid or unenforceable which shall most nearly approximate the intent of the parties in entering this Assignment.

16.8 Modification; Waiver. This Assignment may not be altered, amended or modified in any way except by a writing signed by both parties. The failure of a party to enforce any provision of the Assignment shall not be construed to be a waiver of the right of such party to thereafter enforce that provision or any other provision or right.

15. Except as specifically modified or amended hereby, the Assignment shall remain in full force and effect and, as so modified or amended, is hereby ratified, confirmed and approved. No provision of this Amendment may be modified or amended except expressly in a writing signed by both parties nor shall any terms be waived except expressly in a writing signed by the party charged therewith. This Amendment shall be governed in accordance with the laws of the State of Texas, without regard to

principles of conflicts of laws.

IN WITNESS WHEREOF, this Amendment effective as of March 19, 1998, is hereby executed by the duly authorized representatives of the parties on the date indicated below in duplicate, each of which shall be deemed an original and together shall form one and the same instrument.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

/s/ Ray Farabee

Ray Farabee
Vice Chancellor and General Counsel
Date: 4/7/98

APPROVED AS TO CONTENT

/s/ Patricia C. Ohlendorf

Patricia C. Ohlendorf
Counsel to the President

Vice Provost
Date: 3/27/98

APPROVED AS TO FORM

/s/ Georgia Harper

Name: Georgia Harper

Office of General Counsel
Date: 4/7/98

E. HELLER AND COMPANY

/s/ Ephraim Heller

Ephraim Heller
President
Date: 3/19/98

ADAM HELLER

/s/ Adam Heller

Adam Heller
Date: 3/19/98

EXHIBIT B

(See attached)

COLLEGE OF ENGINEERING

THE UNIVERSITY OF TEXAS AT AUSTIN

Department of Chemical Engineering, Austin, Texas 78712-1062

Adam Heller
Ernest Cockrell, Sr. Chair
Telephone: (512) 471-8874
FAX: (512) 471-8799
e-mail: heller@che.utexas.edu

January 6, 1997

To: Dr. Paulette Braeutigam, Technology
Licensing Coordinator

From: Adam Heller

Dear Paulette:

This letter follows your discussion with Ephraim wherein you agreed to cover in the current agreement between The University of Texas at Austin and E. Heller & Company all presently existing intellectual property relating to biosensors that originated in my group. These include the following:

US Patents Issued:

The already issued patents are:

US 5,543,326 - Biosensor including chemically modified enzymes.

US 5,356,786 - Interferant eliminating biosensor

US 5,320,725 - Electrode and Method for the detection of hydrogen peroxide.

US 5,264,105 - Enzyme electrodes.

US 5,264,104 - Enzyme electrodes.

US 5,262,305 - Interferant eliminating biosensor.

US 5,262,035 - Enzyme electrodes.

US Patents Currently Prosecuted:
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(1) ***

*** Confidential treatment requested

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*** Confidential treatment requested

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*** Confidential treatment requested

-4-

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*** Confidential treatment requested

-5-

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*** Confidential treatment requested

-6-

***

With my regards and best wishes for 1997.

Adam Heller

AH:n

*** Confidential treatment requested

-7-

EXHIBIT B

EXECUTIVE VICE PRESIDENT AND PROVOST

THE UNIVERSITY OF TEXAS AT AUSTIN

Main Building 201, Austin, Texas 78712-1111

August 1, 1991

Dr. Adam Heller
Department of Chemical Engineering
CPE 4.450

Re: UTSB:413 - "Enzyme Electrodes"
UTSB:465 - "Inteferant Eliminating Biosensors"

Dear Dr. Heller:

I write to followup our previous communications regarding your request that The University exclusively license or release to you the inventions entitled UTSB:413 and UTSB:465, which you co-invented. I am setting out below conditions under which The University will release and/or assign to you, as appropriate, its intellectual property rights in the subject matter presently described in patent applications UTSB:413 and UTSB:465, and any subject matter that may in the future be included in a continuation, continuation-in-part, or divisional, to these patent applications. These conditions are consistent with similar arrangements into which The University has entered:

(1) You (or your company) will pay The University a nonrefundable fee of [Thirty Thousand Dollars ($30,000)] by September 1, 1991. These funds shall be used by The University to pay patent expenses that we have thus far incurred on these cases. In the unlikely event that funds remain after deduction of those expenses, we shall share with your coinventors the proportion of the [fifty percent (50%)] inventors' share that each would receive were you still included among the inventors who share in The University's income;

(2) Effective August 1, 1991, you (or your company) shall assume all financial and decision making responsibility for maintenance and prosecution of these patent applications and any patents that issue, including foreign counterparts. The University shall inform Arnold, White & Durkee of this shift in responsibility. Should you wish to have the cases transferred from Arnold, White & Durkee to your own attorney, The University will cooperate in this transfer subject to reimbursement of any associated expenses above [$300.00;]

[CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS AGREEMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION]

Exhibit 10.12

LICENSE AGREEMENT

This License Agreement (the "Agreement"), effective as of February 23, 2000 (the "Effective Date"), is entered by and between

ASULAB SA., organized under the laws of Switzerland, with offices at Rue des Sors 3, CH-2074 Marin, Switzerland ("Asulab"),

AND

THERASENSE, Inc., a California corporation with principal place of business at 1360 South Loop Road, Alameda, CA 94502, USA ("TheraSense").

BACKGROUND

A. Asulab owns certain Patent Rights (as defined below) relating to sensors for measuring analyte levels in body fluids; and

B. TheraSense desires to obtain a license under the Patent Rights, and Asulab desires to grant such a license to TheraSense, on the terms and conditions herein.

NOW THEREFORE, Asulab and TheraSense agree as follows:

1. DEFINITIONS

1.1 "Affiliate" means any corporation or other entity, which is directly or indirectly controlling, controlled by or under the common control with Asulab or TheraSense. For the purpose of this Section 1.1, "control" shall mean the direct or indirect ownership of at least fifty percent (50%) of the outstanding shares or other voting rights of the subject entity to elect the majority of the directors, or the maximum percentage control or ownership rights permitted under the law of the relevant country.

1.2 "Confidential Information" shall mean

a) any proprietary or confidential information or material in tangible form disclosed hereunder that is marked as "Confidential" at the time it is delivered to the receiving party, or

b) proprietary or confidential information disclosed orally hereunder which is identified as confidential or proprietary when disclosed and

such disclosure of confidential information is confirmed in writing within thirty (30) days by the disclosing party.

1.3 "Patent Rights" shall mean the patents and patent applications listed on Exhibit A and all directly related patents and patent applications filed in any country worldwide necessary for development and commercialization of the Products (including all reissues, extensions, substitutions, reexaminations, supplementary protection certificates and the like, patents of addition, provisionals, continuations, continuations-in-part, divisionals, reissues, and foreign counterparts thereof).

1.4 "Field" means analytical and diagnostic instruments for diabetes monitoring.

1.5 "FreeStyle" means a system for the in vitro monitoring of glucose using a test strip manufactured by TheraSense which coulometrically measures less than 0.4 microliters of body fluid. For the avoidance of doubt FreeStyle does not include the electronic meter for TheraSense's in vivo glucose sensor.

1.6 "Licensed Product" means any current or future product, which is within the scope of an issued Valid Claim or was within the scope of an issued Valid Claim. Each individual disposable test strip shall be counted as one Licensed Product.

1.7 "Net Sales" means the gross revenues actually received by TheraSense or its Affiliates form a third party from sales of Licensed Products, less ***

For purposes of clarification in the event that sales are made through distributors, Net Sales shall be based on gross revenues actually received by TheraSense from the Distributors less the discounts listed above.

1.8 "Territory" means the entire world.

1.9 "Valid Claim" means

a) a claim of an issued and unexpired patent included within the Patent Rights which has not been held unenforceable or invalid by a court or other governmental agency of competent jurisdiction, and which has not been disclaimed or admitted to be invalid or unenforceable through reissue or otherwise; or

b) a claim of a pending patent application within the Patent Rights.

2. LICENSE

2.1 Grant to TheraSense

Asulab hereby grants to TheraSense and its Affiliates a non-exclusive license under Patent Rights to make, import, have imported, use, sell, have sold and offer for sale the Licensed Products in the Territory for use in the Field.

*** Confidential treatment requested

2.2 Limitation of Rights

2.2.1 Notwithstanding the rights granted in Section 2.1, TheraSense agrees that:

a) the deposition of electron transfer mediators onto a Licensed Product shall only be performed by TheraSense or TheraSense Affiliates; and

b) the package for Licensed Product shall be marked with a trademark, trade name or brand name owned by TheraSense or a TheraSense Affiliate. Sales of Licensed Product marked with a trademark, trade name or brand name of a company other than TheraSense or a TheraSense Affiliate shall require Asulab's prior written approval. Such an approval may be withheld without reasons. Notwithstanding the foregoing, TheraSense and its distributors shall mark all Licensed Product in accord with local laws and regulations.

2.2.2 Notwithstanding the rights granted in Section 2.1, Asulab agrees that TheraSense may contract with third parties to manufacture and supply one or more components, including the synthesis of chemicals, necessary or useful in the manufacture of the Licensed Products for use in the Field.

2.2.3 TheraSense does not have the right to sublicense the Patent Rights.

3. CONSIDERATION

3.1 Commercialization of Asulab System

TheraSense shall conduct in-house clinical testing, clinical trials, market research, and preparation and submission of FDA 510k application for the Asulab system. Upon execution of a mutually agreeable distribution agreement between Asulab and TheraSense, TheraSense shall market the Asulab System to major US retailers. TheraSense shall use its best reasonable efforts to commercialize the Asulab System with one or more major retailers in North America. For a period of two (2) years from the Effective Date, Asulab shall work exclusively with TheraSense on the marketing of the Asulab System in North America. For a period of two (2) years from the Effective Date, Asulab shall not directly or indirectly engage in

discussions with North American retailers or marketing partners (other than TheraSense) regarding the sale of the Asulab system in North America.

3.2 Royalties

In consideration of the license granted herein, for each calendar year beginning in 2000 TheraSense shall pay to Asulab the greater of:

3.2.1 a minimum royalty of *** for the year 2000, *** for the year 2001, and *** for each calendar year thereafter (such minimum royalties to be paid at the end of each calendar year); or

3.2.2 a running royalty based on Net Sales of all Licensed Products. The royalty rate on Net Sales of Licensed Products shall be as follows:

a) *** until TheraSense files 510k application with the US FDA for clearance to market the in vitro glucose monitoring system provided by Asulab to TheraSense on November 24, 1999 (the "Asulab System"); then

b) *** until the US FDA approves TheraSense's 510k application to market the Asulab System; then

c) *** until a total of Licensed Products are sold in the Territory in any calendar year; then

d) *** for the remainder of that calendar year and in all years thereafter.

In the event that:

i) TheraSense reasonably cannot submit a 510k application to the US FDA on the Asulab System within nine (9) months of the Effective Date,

ii) the US FDA rejects TheraSense's application to market the Asulab System; or

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iii) the Asulab System cannot reasonably be expected to be commercialized, in spite of ThereSense having used its best efforts to obtain FDA approval,

and the responsibility for event i), ii) or iii) belongs primarily to Asulab (for example, due to product performance, product availability, patent encumbrances, etc.), then the royalty rate shall *** as soon as *** Licensed Products are sold and follow from there on what is specified in Section 3.2.2 c) and d).

For sales in countries where there are no issued Valid Claims, the royalty rate shall be equal to *** of the royalty rates specified herein above in this Section 3.2.2 for sales in countries in which a Valid Claim exists if the Licensed Product originates also from a country without Valid Claim. If however the Valid Claim exists either in the country of origin or in the country of destination of the Licensed Product, the royalty rate shall be *** rates specified herein above in Section 3.2.2. If the Valid Claim exists in both the country of origin and the country of destination, the royalty rate shall be *** according to Section 3.2.2 herein above.

3.3. Combination Products

In the event that a test strip that is a Licensed Product is sold in combination as a single product with another component or other product whose manufacture, sale and use are not covered by a claim within the Patent Rights for which the combination product is sold, Net Sales from such sales for purposes of calculating the amounts due under Sections 3.2 above shall be as reasonably allocated between such Licensed Product and such component or other product, based upon their relative importance and proprietary protection. Combination Products currently contemplated by TheraSense and the corresponding royalty rates are listed in Exhibit B.

3.4 One Royalty

No more than *** shall be due with respect to a sale of a particular Licensed Product. *** shall be payable because any Licensed Product, or its manufacture, sale or use is covered by more

*** Confidential treatment requested

than one Valid Claim. *** under Section 3.2 above with respect to Licensed Products distributed for use in research and/or development, in clinical trials or as promotional samples, unless they are sold or distributed against a counter-benefit.

3.5 Royalty Term

Royalties due under this Article 3 shall be payable on *** until the expiration of the last-to-expire issued Valid Claim covering such Licensed Product.

3.6 Payments, Reports and Records

3.6.1 Payments; Currency

TheraSense agrees to pay all running royalties due to Asulab within sixty (60) days after the last day of each half-calendar year in which they accrue. If the *** in a given calendar year *** for that

calendar year, the difference shall be paid within sixty (60) days after the last day of the calendar year. All payments due hereunder shall be paid in United States dollars.

3.6.2 Taxes

*** In case taxes are due, TheraSense *** that are to be withheld for the sale of Licensed Products in the country of the sales.

3.6.3 Royalty Reports

TheraSense shall deliver to Asulab within sixty (60) days after the end of each half-calendar year in which Licensed Products are sold a report setting forth in reasonable detail the calculation of the royalties payable Asulab for such half-calendar year, including the Licensed Products sold per country and the net Sales thereof. Such reports shall be Confidential Information of TheraSense subject to Article 5 herein.

*** Confidential treatment requested

3.7 Books and Records

TheraSense and its Affiliates shall maintain accurate books and records which enable the calculation of royalties payable hereunder to be verified. TheraSense shall retain the books and record for each half-calendar year period for three (3) years after the submission of the corresponding report under Section 3.6.3 hereof. Upon thirty (30) days prior notice to TheraSense, independent accountants selected by Asulab reasonably acceptable to TheraSense, after entering into a confidentiality agreement with TheraSense, may have access to TheraSense's books and records during TheraSense's normal business hours at mutually agreed times to conduct a review or audit once per calendar year, for the sole purpose of verifying the accuracy of TheraSense's payments and compliance with this Agreement. The audit will be limited to TheraSense's books and records documenting Net Sales and royalty calculations.

3.8 FreeStyle Meter Manufacturing

During the term of the Agreement, in the event that TheraSense determines that it would like to sell an electronic meter utilizing a *** for use with FreeStyle test strip Licensed Product, then TheraSense shall solicit bids for the design and manufacture of the *** and the meter. In the event that TheraSense wishes to perform the design or manufacture *** of the and the meter then TheraSense may submit an internal bid for some or all of the project. Asulab shall have a right of first bid and last call for the design and manufacture of the *** and meter to be sold in Europe. In order for Asulab's bid not to be accepted by TheraSense, the bid of TheraSense or a third party must be equivalent or superior to the specifications, quality,

delivery, price and other terms that are proposed in Asulab's bid. Asulab's bid shall be due on the same date as the third parties' bids.

4. DILIGENCE

Commercially Reasonable Efforts

TheraSense agrees to use best efforts to develop and commercialize the Licensed Products and obtain such approvals as may be necessary for the sale of the

*** Confidential treatment requested

Licensed Products in the Territory. TheraSense may conduct such activities itself or through third parties.

5. CONFIDENTIALITY

5.1 Confidential Information

Each party agrees not to use the Confidential Information disclosed to it by the other party for its own use or for any purpose except to carry out discussions concerning, and the undertaking of, any business relationship between the two; except to the extent that such Confidential Information:

a) was already known to the receiving party, other than under obligation of confidentiality, at the time of such disclosure;

b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party;

c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in breach of this agreement;

d) was independently developed by the receiving party as demonstrated by documented evidence prepared contemporaneously with such independent development;

e) was subsequently lawfully disclosed to the receiving party by a person other than a party hereto.

Neither party will disclose any Confidential Information of the other party to third parties except those directors, officers, employees, consultants and agents who are required to have the information in order to carry out the business relationship. Each party has had or will have those directors, officers, employees, consultants and agents to whom Confidential Information of the other party is disclosed or who have access to Confidential Information of the other party sign a

Non-Disclosure Agreement in content substantially similar to the terms of this Article 5. Each party agrees that it will take all reasonable measures to protect the secrecy of and avoid disclosure

or use of Confidential Information of the other party in order to prevent it from falling into the public domain or the possession of persons other than those persons authorized hereunder to have any such information, which, measures shall include the highest degree of care that either party utilizes to protect its own Confidential Information of a similar nature. Each party agrees to notify the other party in writing of any misuse or misappropriation of such Confidential Information of the other party which may come to its attention.

5.2 Mandatory Disclosure

In the event that either party or their respective directors, officers, employees, consultants or agents are requested or required by legal process to disclose any of the confidential Information of the other party, the party required to make such disclosure shall give prompt notice so that the other party may seek a protective order or other appropriate relief. In the event that such protective order is not obtained, the party required to make such disclosure shall disclose only that portion of the Confidential Information which its counsel advises that it is legally required to disclose.

5.3 Return of Materials

Upon termination of this Agreement for any reason, any materials or documents which have been furnished by one party to the other will be promptly returned, accompanied by all copies of such documentation, except for one copy which may be retained by each party's legal department to monitor its compliance with this Agreement.

5.4 Term

The commitments of either party under this Article 5 shall survive termination of this Agreement, and shall continue for a period of five (5) years following the termination date of this Agreement.

5.5 Confidential Terms

Each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided disclosures may be made as required by securities or other applicable laws, or to a party's

accountants, attorneys and other professional advisors, or by TheraSense to

actual or prospective investors or corporate partners.

6. REPRESENTATIONS AND WARRANTIES

6.1 Asulab

Asulab represents and warrants that

a) it is a corporation duly organized, validly existing and in good standing under the laws of Switzerland; and

b) the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Asulab; and

c) as of the Effective Date, it has the right to grant the rights and licenses granted herein, and the Patent Rights are free and clear of any lien, encumbrance or security interest;

d) it has not previously granted, and will not grant during the term of this Agreement, any exclusive license on the Patent Rights, or any portion thereof; and

e) as of the Effective Date, there are no threatened or pending actions, lawsuits, claims or arbitration proceedings in any way relating to the Patent Rights.

6.2 TheraSense

TheraSense represent and warrants that

a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of California; and

b) the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of TheraSense.

7. PROSECUTION AND ENFORCEMENT

7.1 Asulab's Responsibilities

Asulab shall have the sole right to control the preparation, filing, prosecution and maintenance of the Patent Rights, and any interference or opposition proceeding relating thereto, using patent counsel of its choice and at its sole expense; provided Asulab shall keep .TheraSense informed of the preparation, filing, prosecution, and/or maintenance of the Patent Rights, and TheraSense may provide to Asulab substantive comment and input thereon.

7.2 Enforcement

If either party hereto becomes aware that any Patent Rights are being or have been infringed by any third party, such party shall promptly notify the other party hereto in writing describing the facts relating thereto in reasonable detail. Asulab shall decide what actions will be taken to enforce the Patent Rights, it being understood that TheraSense shall assist Asulab upon request and at Asulab's expense.

7.3 Infringement Claims

If the practice by TheraSense of the license granted herein results in any allegation or claim of infringement of an intellectual property right of third party against TheraSense, TheraSense shall have the right to defend any such claim, suit or proceeding, at its own expense, by counsel of its own choice and shall have the right and authority to settle any such suit; provided, however, Asulab shall cooperate with TheraSense, at TheraSense's reasonable request and expense, in connection with the defense of such claim. If the Patent Rights are concerned Asulab shall have the right to decide on the actions to be taken and shall bear the related expenses.

8. DISPUTE RESOLUTION

8.1 Mediation

If a dispute arises out of or relates to this contract, or the breach thereof, and if said dispute cannot be settled through negotiation, the parties agree first to

try in good faith to settle the dispute by mediation under the mediation rules of the International Chamber of Commerce before resorting to arbitration, litigation, or some other dispute resolution procedures.

8.2 Arbitration

If the parties are unable to resolve any dispute, controversy or claim between them arising out of or relating to the validity, construction, enforceability or performance of this Agreement, including disputes relating to alleged breach or to termination of this Agreement (each, a "Dispute"), the Dispute shall be settled by binding arbitration conducted in Frankfurt, Germany, pursuant to the Arbitration Rules of the International Chamber of Commerce then in effect by one (1) arbitrator appointed in accordance with such rules. The arbitrator shall, in rendering its decision, apply the substantive law of Switzerland, without regard to its conflict of laws provisions. All proceedings and documents will be in the English language.

9. INDEMNIFICATION

9.1 Indemnification of Asulab

TheraSense shall indemnify, defend and hold harmless Asulab, its Affiliates and its directors, officers and employees (each an "Asulab Indemnitee") from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professional fees and other expenses of litigation and/or arbitration) (a "Liability") resulting from a claim, suit or proceeding (any of the foregoing, a "Claim") brought by a third party against an Asulab Indemnitee or one its Affiliate's Indemnitee, arising from or occurring as a result of activities performed by TheraSense in connection with the development, manufacture, sale or use of any Licensed Product, except to the extent caused by the negligence or willful misconduct of Asulab.

9.2 Indemnification Procedures

In the event that an Indemnitee intends to claim indemnification under this Article 9 it shall promptly notify the other party (the "Indemnitor") in writing of such alleged Liability. The Indemnitor shall have the sole right to control the

defense and/or settlement thereof, provided that the indemnified party may participate in any such proceeding with counsel of its choice and at its own expense. The indemnity agreement in this Article 9 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld unreasonably. The Indemnitee under this Article 9, its employees and agents, shall cooperate fully with the Indemnitor and its legal representatives and provide full information in the investigation of any Claim covered by this indemnification. Neither party shall be liable for any costs or expenses incurred by the other party without its prior written authorization.

10. TERM AND TERMINATION

10.1 Term

The term of this Agreement shall commence on the Effective Date, and unless earlier terminated as provided in this Article 10, shall continue in full force and effect on a Licensed Product-by-Licensed Product basis until the life of the last to expire patents under the Patent Rights.

10.2 Permissive Terminations

Beginning two (2) years from the Effective Date, TheraSense may terminate this Agreement with one hundred and twenty (120) days prior written notice to Asulab. In the event that TheraSense terminates this Agreement under this Section 10.2, TheraSense shall refrain from using the Patent Rights in whatever form.

10.3 Termination for Cause

In the event one party has materially breached or defaulted in the performance of any of its obligations hereunder, and such breach or default has continued for sixty (60) days after written notice thereof was provided to the breaching or defaulting party by the non-breaching or non-defaulting party, the other party may terminate this Agreement. Any termination shall become effective at the end of such sixty (60) days period unless the

breaching or defaulting party has cured any such breach or default prior to the expiration of the sixty (60) day period; provided, however, if TheraSense receives notification from Asulab of a material breach and if TheraSense notifies Asulab in writing within thirty (30) days of receipt of such default notice that it disputes the asserted default, the matter will be submitted to arbitration as provided in Article 8 of this Agreement. In such event, Asulab shall not have the right to terminate this Agreement until it has been determined in such arbitration proceeding that TheraSense materially breached this Agreement, and TheraSense fails to cure such breach within sixty (60) days after the conclusion of such arbitration proceeding.

10.4 Termination for Insolvency

If voluntary or involuntary proceedings by or against TheraSense are instituted in bankruptcy under any insolvency law, or a receiver or custodian is appointed for TheraSense, or proceedings are instituted by or against TheraSense for corporate reorganization or the dissolution of TheraSense, which proceedings if involuntary, shall not have been dismissed within one hundred and eighty (180) days after the date of filing, or if TheraSense makes an assignment for the benefit of creditors, or substantially all of the assets of TheraSense are seized or attached and not released within one hundred and eighty (180) days thereafter, Asulab may immediately terminate this Agreement effective upon notice of such termination.

10.5 Effect of Termination

10.5.1 Accrued rights and Obligations

Termination of this Agreement for any reason shall not release any party hereto from any liability which, at the time of such termination, has already accrued to the other party or which is attributable to a period prior to such termination, nor preclude either party from pursuing any rights and remedies it may have hereunder or at law or in equity which accrued or are based upon any event occurring prior to such termination.

10.5.2 Stock on Hand

In the event this Agreement is terminated for any reason, TheraSense shall have the right to sell or otherwise dispose of the Stock of any licensed Product then on hand, within a period of 6 months, subject to Article 3.

10.6 Survival

Section 7.2, 7.3, 10.5 and 10.6 and Articles 5,6,8,9 and 11 of this Agreement shall survive termination of this Agreement for any reason.

11. MISCELLANEOUS

11.1 Governing Law

This Agreement, and any proceeding subject to Article 8, shall be governed by and construed in accordance with the laws of Switzerland.

11.2 Independent Contractors

The relationship of the parties hereto is that of independent contractors. The parties hereto are not deemed to be agents, partners or joint ventures of the other for any purpose as a result of this Agreement or the transactions contemplated thereby.

11.3 Assignment

The parties agree that their rights and obligations under this Agreement shall not be delegated, transferred or assigned to a third party without prior written consent of the other party hereto; provided TheraSense may assign this Agreement, without Asulab's consent (a) to its Affiliates, and (b) to an entity that acquires all or substantially all of the business of assets of TheraSense to which this Agreement pertains, whether by merger, reorganization, acquisition, sale or otherwise. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

11.4 Rights to Develop Independently

Nothing in this Agreement will impair TheraSense's right to independently acquire, license, develop for itself, or have develop for it, intellectual property and technology performing similar functions as the Patent Rights or to market and distribute Licensed Products or other products based on such other intellectual property and technology.

11.5 Notices

Any required notices hereunder shall be given in writing by certified

mail or international express delivery service (e.g. DHL) at the address of each party below, or to such other address as either party may substitute by written notice. Notice shall be deemed served when delivered or, if delivery is not accomplished by reason or some fault of the addressee, when tendered.

If to Asulab SA: Asulab SA
Rue des Sors 3
CH-2074 Marin
Switzerland
Attn. Dr. Rudolf Dinger, Director
Copy to Dr. Hanspeter Rentsch, General Counsel of Swatch Group, Seevorstadt 6, CH-2501 Biel, Switzerland

If to TheraSense: TheraSense Inc.
1360 South Loop Road
Alameda, CA 94502, USA
Attn. Ephraim Heller, Vice President of Business Development

11.6 Force Majeure

Neither party shall lose any rights hereunder or be liable to the other party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence,

intentional conduct or misconduct of the nonperforming party and such party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

11.7 Compliance with Laws

Each party shall furnish to the other party any information requested or required by that party during the term of this Agreement or any extensions hereof to enable that party to comply with the requirements of any U.S. or foreign, state and/or government agency.

11.8 Severability, Waiver

In the event that any provisions of this Agreement are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect without said provision. The parties shall in good faith negotiate a substitute clause for any provision declared invalid or unenforceable, which shall most nearly approximate the intent of the parties in entering this Agreement. The failure of a party to enforce any provision of the

Agreement shall not be construed to be a waiver of the right of such party to thereafter enforce that provision or any other provision or right.

11.9 Entire Agreement, Modification

This Agreement sets forth the entire Agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior discussions, agreements and writings in relating thereto. This Agreement may not be altered, amended or modified in any way except by a writing signed by both parties.

11.10 Counterparts

This Agreement may be executed in two counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

IN WITNESS WHEREOF, Asulab and TheraSense have executed this Agreement by their respective duly authorized representatives.

<TABLE>
<S>
Marin, 21, February 2000

Asulab SA

/s/ Signature Illegible
By:

Print Name: W. SALATHE R. DINGER

Title DIRECTOR MANG. DIRECTOR

<C>
Alameda, 23 Feb 2000

TheraSense Inc.

/s/ Signature Illegible
By:

Print Name: Ephraim Heller

Title: Vice President, Business Development
</TABLE>

EXHIBIT A

Asulab Mediator Patents and Patent Applications

Title: Mono, bis or tris(substituted 2,2'-bipyridine) iron, ruthemium, osmium or vanadium complexes and their methods of preparation

Country or region	Application number	Application date	Patent number	Date of grant
Europe*	92903806.5	19.02.1992	0 526 603	04.12.1996
Australia	12441/92	19.02.1992	657 307	09.03.1995
Canada	2,080,834.9	19.02.1992	2,080,834	21.12.1999

Japan	503783/92	19.02.1992	2855481	27.11.1998
USA	07/949,485	19.02.1992	5,393,903	28.02.1995

* BE, CH/LI, DE, FR, GB, IT and NL
French priority patent application No 91 02199 of February 21, 1991 now abandoned in favor of European patent designating France.

Title: Sensor for measuring the amount of a component in solution
-----

Country or region	Application number	Application date	Patent number	Date of grant
Europe*	92903775.2	19.02.1992	0 526 602	02.01.1997
Australia	12219/92	19.02.1992	656 360	02.02.1995
Canada	2,808,840-3	19.02.1992	2,080,840	06.04.1999
Japan	503902/92	19.02.1992	2770250	17.04.1998
USA	07/938,219	19.02.1992	5,378,628	03.01.1995

* BE, CH/LI, DE, FR, GB, IT and NL
French priority patent application No 91 02200 of February 21, 1991 now abandoned in favor of European patent designating France.

Title: Sensor for measuring the amount of a component in solution
-----

Country or region	Application number	Application date	Patent number	Date of grant
France	91 07404	14.06.1991	91 07404	10.11.1994

Title: Transition metal complexes having 2,2'-bipyridine ligands substituted by
----- at least one ammonium alkyl radical

Country or region	Application number	Application date	Patent number	Date of grant
France	92 15214	15.12.1992	92 15214	28.07.1995
Europe*	93119597.8	06.12.1993	0 602 488	31.03.1999
Australia	52404/93	14.12.1993	665 327	21.12.1995

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USA	08/166,977	14.12.1993	5,410,059	25.04.1995

* BE, CH/LI, DE, GB, IT and NL

*** Confidential treatment requested

EXHIBIT B

COMBINATION PRODUCTS

Combination Products shall include a starter kit that includes at least a glucose meter and Licensed Products. The royalty due on sales of Licensed Products included in such a starter kit shall be calculated based on a price of $0.25 per Licensed Product.

EXHIBIT 10.13

EXHIBIT A

PROMISSORY NOTE

$62,650 December 1, 1997

For value received, the undersigned promises to pay to Therasense, Inc., a California corporation (the "Company"), or order, at its principal office the principal sum of $62,650 without interest. Said principal shall be due on the earlier of (i) December 1, 2001, or (ii) the undersigned's termination of employment with or services to the Company.

Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The maker waives presentment for payment, protest, notice of protest, and notice of non-payment of this Note.

This Note is secured by a pledge of 895,000 shares of Common Stock of the Company, pursuant to the provisions of the Restricted Common Stock Purchase Agreement between the Company and the undersigned executed contemporaneously with this Note.

The holder of this Note shall have full recourse against the maker, and shall not be required to proceed against the Shares or other collateral securing this Note in the event of default.

/s/ W. Mark Lortz

Mark Lortz

EXHIBIT 10.14

EXHIBIT A

PROMISSORY NOTE

$72,495 March 5, 1999

For value received, the undersigned promises to pay to Therasense, Inc., a California corporation (the "Company"), or order, at its principal office the principal sum of $72,495.00 without interest. Said principal shall be due on the earlier of March 5, 2003, or (ii) the undersigned's termination of employment with or services to the Company.

Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The maker waives presentment for payment, protest, notice of protest, and notice of non-payment of this Note.

This Note is secured by a pledge of 289,980 shares of Common Stock of the Company, pursuant to the provisions of the Common Stock Purchase and Security Agreement between the Company and the undersigned executed contemporaneously with this Note.

The holder of this Note shall have full recourse against the maker, and shall not be required to proceed against the Shares or other collateral securing this Note in the event of default.

/s/ W. Mark Lortz

W. Mark Lortz

EXHIBIT 10.15

EXHIBIT B

PROMISSORY NOTE

$17,500 July 30, 1998

For value received, the undersigned promises to pay to TheraSense, Inc., a California corporation (the "Company"), or order, at its principal office the principal sum of $17,500 without interest. Said principal shall be due on the earlier of April 6, 2002, or (ii) the undersigned's termination of employment with or services to the Company.

Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The maker waives presentment for payment, protest, notice of protest, and notice of non-payment of this Note.

This Note is secured by a pledge of 125,000 shares of Common Stock of the Company, pursuant to the provisions of the Repurchase Agreement between the Company and the undersigned executed contemporaneously with this Note.

The holder of this Note shall have full recourse against the maker, and shall not be required to proceed against the Shares or other collateral securing this Note in the event of default.

/s/ Charles Liamos

Charles Liamos

EXHIBIT 10.16

EXHIBIT A

PROMISSORY NOTE

$15,187.50 March 5, 1999

For value received, the undersigned promises to pay to TheraSense, Inc., a California corporation (the "Company"), or order, at its principal office the principal sum of $15,187.50 without interest. Said principal shall be due on the earlier of March 5, 2003, or (ii) the undersigned's termination of employment with or services to the Company.

Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The maker waives presentment for payment, protest, notice of protest, and notice of non-payment of this Note.

This Note is secured by a pledge of 60,750 shares of Common Stock of the Company, pursuant to the provisions of the Common Stock Purchase and Security Agreement between the Company and the undersigned executed contemporaneously with this Note.

The holder of this Note shall have full recourse against the maker, and shall not be required to proceed against the Shares or other collateral securing this Note in the event of default.

/s/ Charlie Liamos

Charlie Liamos

EXHIBIT 10.17

EXHIBIT A

PROMISSORY NOTE

$61,250 September 1st, 1999

For value received, the undersigned promises to pay to Therasense, Inc., a California corporation (the "Company"), or order, at its principal office the principal sum of $61,250.00 without interest. Said principal shall be due on the earlier September 1, 2003, or (ii) the undersigned's termination of employment with or services to the Company.

Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The maker waives presentment for payment, protest, notice of protest, and notice of non-payment of this Note.

This Note is secured by a pledge of 175,000 shares of Common Stock of the Company, pursuant to the provisions of the Restricted Common Stock Purchase Agreement between the Company and the undersigned executed contemporaneously with this Note.

The holder of this Note shall have full recourse against the maker, and shall not be required to proceed against the Shares or other collateral securing this Note in the event of default.

/s/ Charlie Liamos

Charlie Liamos

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated March 24, 2000, except for Note 12 as to which the date is October , 2000, relating to the financial statements of TheraSense, Inc. at December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP

San Jose, California
October 11, 2000

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