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ORIGINAL FILED
2011 OCT -6 A 9:36
RICHARD W. WIEKING
CLERK U.S. DISTRICT COURT
SAN JOSE DISTRICT OF CALIFORNIA
E-filing

11 UNITED STATES DISTRICT COURT
12 NORTHERN DISTRICT OF CALIFORNIA

13 SAN JOSE DIVISION 11

4941

HRL

15 SECURITIES AND EXCHANGE COMMISSION,	Case No.
16 Plaintiff,	
17 vs.	COMPLAINT
18 CHRISTOPHER SELLS and TIMOTHY MURAWSKI,	
19 Defendants.	

20
21
22 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

23 **SUMMARY OF THE ACTION**

24 1. Defendants Christopher Sells and Timothy Murawski, the former Vice President of
25 Commercial Operations and Vice President of Sales, respectively, of Hansen Medical, Inc. ("Hansen
26 Medical") violated the antifraud and related provisions of the federal securities laws. In 2008 and
27 2009, Sells orchestrated a scheme to defraud the investors of Hansen Medical by using undisclosed
28 trickery to make it appear that the company had successfully sold its largest and most expensive

1 product when it had not actually completed the sales. Murawski actively participated in the scheme.
2 As a result, Hansen Medical reported grossly inflated sales revenue to its investors and to the market.

3 2. Hansen Medical sells medical equipment to hospitals. As Sells and Murawski were
4 aware, Hansen Medical had a policy, which was described to the public and to its shareholders, to
5 determine when a sale was complete and revenue from the sale could properly be recorded by the
6 company. Key to that policy were the requirements that the company's medical equipment had
7 actually been installed in the purchasing hospital, and that Hansen Medical had actually trained at
8 least one physician from the purchasing hospital who would be operating the equipment.

9 3. Sells and Murawski engaged in a myriad of schemes to make it appear that sales had
10 been completed, when they had not. Among those schemes, Sells and Murawski directed Hansen
11 Medical personnel to install the large Hansen Medical equipment at purchasing hospitals before the
12 hospitals were ready for the installation, and then immediately dismantle the equipment and place it
13 in storage for months. In another instance, Sells and Murawski knew that Hansen Medical could not
14 actually train the physicians, as required, before the last day of Hansen Medical's fiscal year, so they
15 directed the forgery of a doctor's signature on the training form to make it falsely appear that all the
16 necessary steps had been taken for the sale by the end of the year. In another transaction, Sells
17 entered into a separate, undisclosed oral side agreement to offer different terms to a purchaser, so that
18 the purchaser would not have to keep the expensive Hansen Medical equipment if it could not
19 successfully resell it to a hospital.

20 4. Sells and Murawski hid their schemes and devices from company accountants and
21 from the company's independent auditors, and circumvented the company's policies to make it
22 appear that they had completed more sales than they had. As a result, Hansen Medical improperly
23 recorded revenue for the transactions, which materially inflated the company's reported financial
24 performance.

25 5. Sells and Murawski thus violated the antifraud provisions of the Securities Act and the
26 Exchange Act that prohibit persons from engaging in schemes to defraud and employing deceptive
27 devices, and further violated statutes and rules under the Exchange Act prohibiting the falsification of
28 records and the circumvention of internal accounting controls. Sells also made false or misleading

1 statements or material omissions to an accountant, and he aided and abetted Hansen Medical's
2 violations of antifraud provisions of the Exchange Act prohibiting materially false and misleading
3 statements, and both Sells and Muraski further aided and abetted Hansen Medical's violations of
4 provisions under the Exchange Act requiring a public company to accurately file periodic reports and
5 to maintain accurate books, records, and accounts and a reasonable system of internal accounting
6 controls.

7 6. Sells and Murawski will, unless enjoined, continue to engage in the acts, practices and
8 courses of business alleged herein, or in transactions, acts, practices and courses of business of
9 similar purport and object.

10 7. The Commission seeks an order enjoining Sells and Murawski from future violations
11 of the federal securities laws they violated, and imposing civil money penalties, and prohibiting Sells
12 from serving as an officer or director of any public company.

13 JURISDICTION AND VENUE

14 8. The Commission brings this action pursuant to Sections 20(b), 20(c) and 22(a) of the
15 Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections
16 21(d) and (e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and
17 (e)].

18 9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and
19 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e), and 27
20 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

21 10. Sells and Murawski, directly or indirectly, made use of the means or instrumentalities
22 of interstate commerce, or of the mails, or of the facilities of a national securities exchange in
23 connection with the transactions, acts, practices and courses of business alleged herein.

24 11. Venue in this District is proper pursuant to Section 22(a) of the Securities Act [15
25 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Sells and Murawski
26 engaged in acts, practices and courses of business that constitute violates of the Securities Act and the
27 Exchange Act in this District.

FACTUAL ALLEGATIONS

A. Hansen Medical's Disclosed Policy for Recording Sales Revenue

16. From in or around November 2007 through approximately November 2009, Hansen Medical maintained a policy, described to the public, for determining when revenue from the sales of its Sensei systems could properly be recorded, based on American Institute of Certified Public Accountants, Statement of Position 97-2, Software Revenue Recognition (hereafter "SOP 97-2"). Hansen Medical's policy sought to ensure that its Sensei system was properly installed in a hospital and that the hospital's physicians were trained on its proper use. Additionally, Hansen Medical did not have any means of valuing its training and installation separately. Accordingly, under Hansen Medical's announced policy, before revenue from a sale was recorded, Hansen Medical first required both installation of the Sensei system and physical training to be completed.

17. To properly install a Sensei system, personnel from Hansen Medical's field services group spent one to two days at the purchasing hospital, due to the complexity of the equipment. The field services group then submitted to Hansen Medical's finance department an installation completion form, signed by the Hansen Medical installer and by a representative from the customer, which Hansen Medical's customer service manager reviewed to make sure it was properly completed.

18. Hansen Medical trained physicians from the purchasing hospitals on the proper use of the Sensei system at Hansen Medical facilities in California or Ohio. Hansen Medical's clinical group, which was responsible for observational and hands-on clinical training, signed an acknowledgment form at the conclusion of the training, and obtained the trained physician's signature on the form as well. The clinical group then submitted the signed training form to Hansen Medical's finance department, where it was reviewed by Hansen Medical's customer service manager to make sure it was properly completed.

19. To document the completion of the necessary steps for recording revenue from a sale, a senior accountant in Hansen Medical's finance department included the installation and training forms in a revenue recognition file, which she reviewed, that included the other, necessary documentation for the transaction. Once the senior accountant's review was complete, she provided

1 the files – including the installation completion and physician training forms –to Hansen Medical’s
2 Controller. The Controller also reviewed the file, including the installation completion form and the
3 physician training forms, to confirm that it was proper for Hansen Medical to record revenue from a
4 Sensei system sale.

5 20. At the end of each quarter, in connection with Hansen Medical’s preparation of
6 quarterly financial statements that it filed with the Commission on Forms 10-Q, the same revenue
7 recognition files compiled for each Sensei system sale recorded during the quarter were provided to
8 the company’s independent audit firm. The audit firm personnel reviewed the files to determine
9 whether they agreed with Hansen Medical’s decision to record revenue for the sales.

10 21. Each of these steps followed in Hansen Medical’s internal control process depended
11 upon the truthful presentation of the evidence documenting all of the terms of a transaction as well as
12 the completion of installation of the Sensei system and training of physicians at Hansen Medical’s
13 facilities on the Sensei system’s proper use.

14 **B. Sells and Murawski Use Ploys and Devices to Circumvent Revenue Requirements**

15 22. In or about April 2008, Hansen Medical hired Sells to lead the sales organization.
16 Sells became the Senior Vice President of Commercial Operations. Thus, Sells was in charge of a
17 wide array of key operations, including the sales organization, clinical training, field services
18 (including installations), and customer service. Sells was also made a member of Hansen Medical’s
19 disclosure committee. In this role he was expected to review and provide comments on Hansen
20 Medical’s press releases and SEC filings each quarter, including the company’s annual forms that
21 included the company’s financial statements.

22 23. In or about July 2008, Sells hired Murawski as Director of National Accounts, where
23 he was responsible for sales to large, national hospital chains. In or around January 2009, Murawski
24 assumed responsibility for all sales in the Midwest and the Northeast, and was promoted to Vice
25 President of Sales. Throughout his tenure at Hansen Medical, Murawski reported directly to Sells.

26 24. Upon joining Hansen Medical, Sells and Murawski have admitted that they were
27 informed of the criteria that needed to be met before the company could properly record revenue
28 from a completed sale of a Sensei system. In keeping with the publicly-described policy, Sells and

1 Murawski have admitted that they understood that both installation and physician training had to be
2 completed before revenue could be recorded for a sale.

3 a. Sells and Murawski Use a Temporary Installation of a Sensei System to Inflate Sales
4 in the Third Quarter of 2008

5 25. In or about September 2008, the sales staff of Hansen Medical was engaged in
6 negotiations with a customer hospital ("Hospital A") for the potential sale of a Sensei system. On or
7 about September 15, 2008, Hospital A provided a purchase order to Hansen Medical in which
8 Hospital A agreed to pay Hansen Medical \$700,000 to acquire a Sensei system.

9 26. However, because Hospital A was in the midst of constructing a new lab where the
10 Sensei system would eventually be installed, the hospital asked to delay installation of the Sensei
11 system for approximately six to nine months.

12 27. Aware of Hospital A's impediment to an immediate installation of the Sensei system,
13 Sells and Murawski engaged in series of ploys to make it appear that Hansen Medical's system had
14 been installed during Hansen Medical's third fiscal quarter, and that a sale had therefore been
15 completed. At the direction of Sells and Murawski, on or around July 31, 2008, a Hansen Medical
16 sales representative proposed to Hospital A that the Sensei system be installed in a temporary
17 location at the hospital.

18 28. In the e-mail to the hospital, the sales representative further committed that Hansen
19 Medical would "absorb and pay for ALL the reinstallation of your Sensei for the new lab once it is
20 ready." Sells became aware of the email and reprimanded the sales representative for putting the
21 commitment to pay for reinstallation in writing. As Sells understood, revenue from the sale to
22 Hospital A could not properly be recorded by Hansen Medical when the company had an outstanding
23 obligation to return to the hospital to reinstall the equipment at a later date.

24 29. During a conference call on or around September 19, 2008 with Hospital A's
25 management, Sells and Murawski agreed that Hansen Medical would install the Sensei system
26 temporarily at Hospital A on or before September 30, 2008, but would then immediately dismantle
27 the system and place it in storage at the hospital. Hansen Medical would later install the Sensei
28

1 system permanently, when the hospital's lab was ready, with Hansen Medical paying all of the
2 additional costs associated with the installation. Hospital A accepted this arrangement.

3 30. On or about September 26, 2008, Hansen Medical personnel temporarily installed the
4 Sensei system at Hospital A, but then immediately took the system apart and placed it into storage at
5 Hospital A. The Hansen Medical personnel conducting the installation also obtained the necessary
6 signatures from Hospital A on the installation completion form.

7 31. The signed installation completion form indicating that the Sensei system had been
8 properly and timely installed at Hospital A was then provided to Hansen Medical's customer service
9 department, where it was reviewed for completion and then passed along to a senior accountant in the
10 finance department for her review and for review by the company Controller. However, neither Sells
11 nor Murawski, nor anyone acting at their direction, informed Hansen Medical's finance personnel
12 that the Sensei system had been immediately dismantled and placed into storage at Hospital A, and
13 that Hansen Medical was obligated to perform further work at Hospital A to permanently install the
14 equipment at an as-yet-undetermined date in the future.

15 32. Following the finance department's review of the forms for the purported Sensei
16 system sale to Hospital A, Hansen Medical recorded approximately \$700,000 in revenue during the
17 third quarter of 2008.

18 33. The installation completion form for Hospital A was also made available to Hansen
19 Medical's independent auditor, who reviewed and concurred with the company's decision to record
20 revenue for the apparent sale of a Sensei system to Hospital A during the third quarter of 2008.

21 34. On or about October 23, 2008, Hansen Medical publicly announced its results for the
22 third quarter, which ended on September 30, 2008. In that announcement, Hansen Medical reported
23 that it had recorded revenue for "a single-quarter record of 14 Sensei [systems]." It further
24 announced that those sales had "generated revenues of \$10.9 million, a 214% year-over-year increase
25 and the highest quarterly result in the company's history." On or about October 23, 2008, Hansen
26 Medical management conducted a conference call with company investors and market analysts in
27 which they repeated this information.
28

1 35. On or about November 5, 2008, Hansen Medical filed with the Commission its Form
2 10-Q for the quarter ended September 30, 2008. The financial statements included in Hansen
3 Medical's Form 10-Q reported \$700,000 in revenue inappropriately recorded from the Hospital A
4 sale, which represented a material portion of Hansen Medical's product revenue reported during the
5 quarter.

6 36. In or about March 2009, several months after Hansen Medical inappropriately
7 recorded revenue for the Sensei system sale to Hospital A, Hansen Medical personnel returned to
8 Hospital A and installed the Sensei system in the hospital's new lab, at Hansen Medical's expense.

9 37. Sells and Murawski knew, or were reckless in not knowing, that their conduct and the
10 conduct of others carried out at their direction and with their approval, created the false appearance
11 that Hansen Medical had completed a sale, to Hospital A and all the criteria for the company to
12 properly record revenue from a sale had been met, when it had not.

13 b. Sells and Murawski Engage in a Scheme to Use Falsified Training Documents for a
14 Purported Sale During the Fourth Quarter of 2008

15 38. In or about December 2008, Hansen Medical was attempting to raise operating capital
16 for the company. During this period, Hansen Medical offered securities pursuant to a registration
17 statement that had been filed with the Commission and which was effective on or about March 17,
18 2008, to raise up to approximately \$75,000,000.

19 39. Sells and Murawski were each aware of Hansen Medical's intention to raise funds for
20 operations, and they believed that Hansen Medical needed to show strong Sensei system sales to help
21 attract potential investors.

22 40. On or about December 19, 2008, less than two weeks before the last day of Hansen
23 Medical's 2008 fiscal year, Sells chastised Hansen Medical's sales personnel in an e-mail to them for
24 weak sales, describing their efforts as "not acceptable from a senior sales team." Sells stated: "this is
25 a very important quarter with additional funding on the line for Hansen Medical." Sells told them: "it
26 is imperative that we find a way to finish in an acceptable manner." With particular focus on the
27 number of Sensei system sales for the quarter, Sells stated: "finish[ing] below 12 systems [sales]"
28

1 would jeopardize the company's current funding efforts or require layoffs." Sells signed the e-mail
2 "Grumpy Santa." Murawski responded to Sells' email: "Well said!"

3 41. In or around December 2008, Sells was anxious to complete a sale to a customer
4 hospital ("Hospital B") before the end of 2008, so that Hansen Medical could record a sale, and
5 revenue for the sale, during the fourth quarter of 2008. Hospital B had sent Hansen Medical a
6 purchase order in which Hospital B agreed to purchase a Sensei system for \$660,000 in or around
7 May 2008; however, the sale was subject to a condition requiring approval from the state in which
8 the hospital operated.

9 42. On or about December 24, 2008, one week before the last day of Hansen Medical's
10 fiscal year, Sells sent an e-mail to Hospital B personnel telling them that there would be a price
11 increase if the transaction did not close in 2008. On or about December 27, 2008, Hospital B
12 informed Sells that the state had supplied the necessary approvals to allow Hospital B to purchase the
13 Sensei system.

14 43. However, as Sells was aware, as of Sunday, December 28, 2008, no Hospital B
15 doctors had been trained by Hansen Medical to use the Sensei system and such training was required
16 before Hansen Medical could record revenue from the sale. As Sells was also aware, physician
17 training required that one or more doctors from Hospital B visit Hansen Medical's offices in either
18 Ohio or California and a full day engaged in hands-on and observational clinical training. Because
19 the physicians were not available to complete such physician training before the last day of the fiscal
20 year which fell just three business days from then, Sells and Murawski devised a plan to falsify the
21 physician training paperwork.

22 44. Aware of the practical impossibility of completing the full Hansen Medical physician
23 training with the Hospital B physicians by December 31, 2008, on or about Monday, December 29,
24 Sells instructed the Hansen Medical clinical training representative assigned to the Hospital B
25 account to obtain the Hospital B doctors' signatures on the physician training form. On or about the
26 same day, Murawski also told the same Hansen Medical training representative that she needed to get
27 the Hospital B physicians to sign the training form no later than Wednesday, December 31, 2008.
28

1 45. Further aware that the Hospital B doctors might not be willing to sign, or available to
2 sign, the required training forms without actually having completed the necessary training, Murawski
3 indicated to the Hansen Medical training representative that a forgery of their signatures would be
4 acceptable.

5 46. On or around December 30, 2008, one day before the last day of Hansen Medical's
6 2008 fiscal year, the training representative e-mailed the Hospital B doctors a request that they sign
7 the required physician training forms acknowledging they had been trained, even though they had not
8 yet been trained. When the Hospital B doctors did not promptly respond to the e-mail request, the
9 training representative forged the signature of one of the Hospital B doctors on the training form.

10 47. The Hansen Medical training representative then sent the forged physician training
11 forms indicating that the Hospital B physicians had been properly and timely trained to Hansen
12 Medical's customer service manager, who reviewed it for completion and passed it along to the
13 senior accountant in the finance department for her review and for review by the company Controller.

14 48. Neither Sells nor Murawski, nor anyone else acting at their direction, informed the
15 company's finance personnel that the physicians had not actually been trained to use the Sensei
16 system. The finance personnel also were also not told that the physician's signature on the training
17 form had been forged.

18 49. Following the finance department's review of the apparently completed forms for the
19 Sensei system sale to Hospital B, including the forged physician training form, Hansen Medical
20 recorded the purported sale to Hospital B during the fourth quarter of 2008, and revenue of \$660,000
21 for the sale, and reported those figures in its 2008 year-end financial statements.

22 50. The forged physician training form for Hospital B was also made available to Hansen
23 Medical's independent auditing firm, in connection with its annual audit of the company's financial
24 statements for the 2008 fiscal year. Personnel from the audit firm reviewed the information for the
25 sale to Hospital B. Unaware that no physician had actually been trained to use the Sensei system and
26 unaware that the physician's signature had been forged, they concurred with the company's decision
27 to record revenue on the Hospital B sale during the fourth quarter of 2008.
28

1 51. In or about June 2009, months after Hansen Medical inappropriately recorded revenue
2 for the Sensei system sale to Hospital B, Hansen Medical training personnel completed a physician
3 training on the Sensei system with a physician from Hospital B.

4 52. Sells and Murawski knew, or were reckless in not knowing, that their conduct and the
5 conduct of others carried out at their direction and with their approval, created the false appearance
6 that Hansen Medical had completed a sale to Hospital B, and all the criteria for the company to
7 properly record revenue from a sale had been met, when it had not.

8 c. Sells Enters Into an Undisclosed Oral Side Agreement in a December 2008 Sales
9 Transaction

10 53. In or about December 2008, personnel from a customer ("Hospital C") discussed with
11 Hansen Medical sales personnel potentially purchasing a Sensei system, but informed the Hansen
12 Medical sales personnel that they did not have sufficient funds to buy the system at that time. To
13 complete the transaction by the end of 2008, Sells orchestrated a scheme entailing a three-way
14 transaction in which a third party leasing company, with whom Sells had a prior business
15 relationship, agreed to buy the system from Hansen Medical and lease it to Hospital C.

16 54. On or about December 8, 2008, the leasing company entered into a leasing
17 arrangement with Hospital C. The lease gave Hospital C the right to return the system to the leasing
18 company in six months by paying a minimal fee.

19 55. The leasing company's principal asked Sells for assistance from Hansen Medical to
20 limit the risk to the leasing company in the event that Hospital C returned the system to the leasing
21 company. In a phone call, Sells verbally agreed that, if the hospital returned the Sensei system to the
22 leasing company, Hansen Medical would help market the Sensei system and that Hansen Medical
23 would make the leasing company whole.

24 56. As Sells was aware, the separate agreement that he entered into on behalf of Hansen
25 Medical with the leasing company ran counter to Hansen Medical's stated policies for sales and
26 recording revenue from sales. As Hansen Medical informed the public in its Form 10-K for fiscal
27 year 2007, filed February 28, 2008, "Our standard terms do not allow for contingencies, such as trial
28 or evaluation periods, refundable orders, payments contingent upon the customer obtaining financing

1 or other contingencies which would impact the customer's obligation. In situations where
2 contingencies such as those identified are included, all related revenue is deferred until the
3 contingency is resolved."

4 57. With Sells' promise in place, on or about December 22, 2008, the leasing company
5 sent a purchase order to Hansen Medical in which the leasing company agreed to purchase a Sensei
6 system from Hansen Medical for \$650,000. The purchase order did not mention the separate
7 agreement Sells had made with the leasing company to ensure that it was made whole in the event of
8 a return of the Sensei system by Hospital C. Sells did not reduce the agreement to writing nor
9 include the terms with other documentation regarding the sale to the leasing company.

10 58. Hansen Medical's senior accountant and Controller each reviewed the relevant
11 documents for the Hospital C transaction, including the purchase order, none of which included the
12 separate terms agreed to by Sells. Sells also did not inform the company's finance personnel, nor did
13 anyone working at his direction, that he had entered into an undisclosed side agreement with the third
14 party leasing company.

15 59. Following the review of the file of documents supporting the recording of revenue for
16 the purported Hospital C sales transaction in the fourth quarter of 2008, including the signed contract
17 with the leasing company, Hansen Medical recorded approximately \$650,000 in revenue on the sale
18 to the leasing company in its financial statements for Hansen Medical's fourth quarter ended
19 December 31, 2008.

20 60. The file of documents supporting the recording of revenue for the Hospital C sales
21 transaction in the fourth quarter of 2008 was also made available to Hansen Medical's independent
22 audit firm. Personnel from the audit firm reviewed and concurred with the company's decision to
23 record revenue on the Hospital C sale in the fourth quarter of 2008.

24 61. On or about March 3, 2009, in connection with the independent audit firm's audit of
25 Hansen Medical's 2008 year end financial statements, Sells signed a letter in which he expressly and
26 falsely confirmed to the auditors that all "oral or written side agreements" for fiscal year 2008 had
27 been disclosed to the auditors. Despite this representation, Sells did not disclose the separate, side
28

1 agreement he had arranged with the leasing company, nor did he inform the auditors of the additional
2 undisclosed terms to the transaction.

3 62. Hospital C returned the Sensei system to the leasing company in the fall of 2009.
4 Based upon Sells' oral side agreement, the leasing company insisted that Hansen Medical accept
5 return of the Sensei system and provide a refund to the leasing company.

6 63. Sells knew, or was reckless in not knowing, that his conduct and the conduct of others
7 carried out with his knowledge and approval, created the false appearance that Hansen Medical had
8 completed a sale to the leasing company involved in the Hospital C transaction, and all the criteria for
9 the company to properly record revenue from a sale had been met, when it had not.

10 d. Hansen Medical Files Its 2008 Form 10-K Containing the Falsified Revenue from the
11 Hospital A, Hospital B and Hospital C Transactions

12 64. On or about January 8, 2009, Hansen Medical publicly announced preliminary results
13 for the fourth quarter of 2008. In that announcement, Hansen Medical reported that it expected to
14 record revenue on 10 Sensei systems and expected to record fourth quarter revenues in the range of
15 \$7.1 million to \$7.4 million.

16 65. On or about February 12, 2009, Hansen Medical publicly announced its final results
17 for the fourth quarter of 2008. In that announcement, Hansen Medical reported that it had recognized
18 revenue on 10 systems and had "generated fourth quarter revenues of \$7.3 million, a 74% year-over-
19 year increase." On or about February 12, 2009, Hansen Medical management conducted a
20 conference call with company investors and market analysts in which they repeated this information.

21 66. On or about March 16, 2009, Hansen Medical filed with the Commission its annual
22 report on Form 10-K for the fiscal year ended December 31, 2008. The financial statements that
23 were made a part of Hansen Medical's Form 10-K included \$1,310,000 in revenue inappropriately
24 recorded from the sales to Hospital B and to the leasing company associated with Hospital C,
25 amounting to a material portion of Hansen Medical's product revenue for the fourth quarter of 2008
26 as reported. Hansen Medical's Form 10-K for the fiscal year 2008 included inflated sales of Sensei
27 systems resulting in annual revenues of more than \$30 million, with a material portion of its annual
28 revenues (and announced sales) based upon the Hospital A, Hospital B and Hospital C transactions.

1 e. Sells and Murawski Scheme to Use Another Temporary Installation to Create the
2 Appearance of Another Sensei System Sale in the First Quarter of 2009

3 67. On or about March 12, 2009, as the end of Hansen Medical's first fiscal quarter of
4 2009 drew near, Sells sent Hansen Medical's sales force an e-mail that he signed "Mr. Nervous." In
5 the e-mail, Sells informed the sales staff of Hansen Medical of the importance of the first quarter of
6 2009 results to the company's prospects for raising capital. Sells stated that he therefore expected the
7 sales staff to complete the sales of at least 10 Sensei systems no later than March 31, 2009, the last
8 day of Hansen Medical's first fiscal quarter.

9 68. One potential sale that Sells specifically referred to in his e-mail involved a customer
10 hospital ("Hospital D"). On or about Friday, March 27, 2009, Murawski requested that Hospital D
11 sign a contract to purchase a Sensei system and permit installation of the system at Hospital D. In an
12 e-mail Murawski wrote to a Vice President at Hospital D, Murawski stated: "I can't stress enough
13 how important this sale is to our organization. We are in the middle of a \$50 million funding round.
14 Therefore, everyone in the organization was counting on this sale." Also on or about Friday, March
15 27, 2009, Murawski e-mailed another Hospital D executive offering to discount the price for the
16 Sensei system if it would help close the deal before the end of the fiscal quarter (which fell on the
17 following Tuesday), again noting the \$50 million funding round, and stating: "It is more important
18 for me to hit a unit number than it is to achieve a specific sales price."

19 69. Hospital D, however, was not prepared to accommodate the installation of the Sensei
20 system. To get around the installation requirement, Sells and Murawski again arranged for Hansen
21 Medical personnel to install the system at Hospital D but to then immediately dismantle the system
22 and place it in storage at the hospital until a later date when Hansen Medical would return to install
23 the Sensei system at Hansen Medical's expense.

24 70. On or about Tuesday, March 31, 2009, while other terms of the contract with Hospital
25 D executives were being negotiated, Hansen Medical personnel installed the Sensei system at
26 Hospital D but immediately took the system apart and placed it into storage at Hospital D. Based on
27 the temporary installation, the Hansen Medical personnel obtained the signatures from Hospital D for
28

1 the installation completion form. Later that evening, the final terms of the contract were agreed
2 upon.

3 71. The signed installation completion form indicating that the Sensei system had been
4 properly and timely installed at Hospital D was provided to the customer service department on or
5 about March 31, 2009, where it was reviewed for completion and then passed along to the senior
6 accountant in the finance department for her review and review by the company Controller. Neither
7 Sells nor Murawski, nor anyone acting at their direction, informed the company's finance personnel
8 that the Sensei system had only been temporarily installed and immediately dismantled and placed in
9 storage. The finance personnel were also not told that Hansen Medical was obligated to perform
10 further work at Hospital D to install the equipment at a later date.

11 72. Following the finance department's review of the forms for the purported Sensei
12 system sale to Hospital D, including the installation completion form, Hansen Medical recorded a
13 sale, and approximately \$550,000 in revenue for the sale, during the first quarter ended March 31,
14 2009.

15 73. The installation completion form for Hospital D was also made available to Hansen
16 Medical's independent audit firm. Personnel from the audit firm reviewed and concurred with the
17 company's decision to record revenue for the apparent sale of a Sensei system to Hospital D during
18 the first quarter of 2009.

19 74. On or about April 16, 2009, Hansen Medical publicly announced preliminary financial
20 results for the first quarter of 2009, reporting that it expected to record revenue on the sale of 10
21 Sensei systems and expected to record fourth quarter revenues in the range of \$7.0 million to \$7.2
22 million.

23 75. On or about May 5, 2009, Hansen Medical publicly announced its final results for the
24 first quarter of 2009, reporting that it had recorded the sale of 10 Sensei systems, and had generated
25 first quarter revenues of "\$7.1 million, a 14% increase compared to revenue of \$6.2 million in the
26 same period in 2008." On or about May 5, 2009, Hansen Medical management conducted a
27 conference call with company investors and market analysts in which they repeated this information.
28

1 76. On or about May 8, 2009, Hansen Medical filed with the Commission its Form 10-Q
2 for the quarter ended March 31, 2009. The financial statements included in Hansen Medical's Form
3 10-Q reported \$550,000 in revenue inappropriately recorded from the Hospital D sale, which
4 represented a material portion of Hansen Medical's product revenue during the first quarter.

5 77. In or after May 2009, months after Hansen Medical inappropriately recorded revenue
6 for the Sensei system sale to Hospital D, Hansen Medical installation personnel returned to Hospital
7 D and installed the Sensei system, at Hansen Medical's expense.

8 78. Sells and Murawski knew, or were reckless in not knowing, that their conduct and the
9 conduct of others carried out at their direction and with their approval, created the false appearance
10 that Hansen Medical had completed a sale to Hospital D, and all the criteria for the company to
11 properly record revenue from a sale had been met, when it had not.

12 **C. Hansen Medical Raises Approximately \$35 Million of Much Needed Capital**

13 79. In or around April 2009, Hansen Medical filed a prospectus supplement with the
14 Commission to supplement its March 2008 effective registration statement. The prospectus
15 supplement was part of the offer to sell Hansen Medical common stock to the public. The prospectus
16 supplement incorporated by reference Hansen Medical's Form 10-K for the fiscal year ended
17 December 31, 2008.

18 80. On or about April 22, 2009, Hansen Medical sold more than 11.5 million shares of its
19 common stock to public investors, resulting in approximately \$35 million in net proceeds to the
20 company.

21 **D. Sells Knowingly and Substantially Assisted in the Making of False Statements by**
22 **Hansen Medical**

23 81. For each of the above announcements of financial results, for the third and fourth
24 fiscal quarters of 2008 and the reported annual audited financial results for the 2008 fiscal year, as
25 well as the first fiscal quarter of 2009, Hansen Medical materially misrepresented its financial condition
26 and falsely and misleadingly described the basis on which its revenues were recorded, and reported to
27 the public.

1 87. By reason of the foregoing, defendants Sells and Murawski violated, and unless
2 restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. §
3 78j(b)] and Rule 10b-5 (a) and (c) [17 C.F.R. §§ 240.10b-5(a) and (c)].

4 **SECOND CLAIM FOR RELIEF**

5 *Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) by Sells*

6 88. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

7 89. Hansen Medical, directly or indirectly, with scienter, made untrue statements of
8 material fact or omitted to state a material fact necessary in order to make the statements made, in the
9 light of the circumstances under which they were made, not misleading in connection with the
10 purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, of the
11 mails, or the facilities of a national securities exchange.

12 90. Defendant Sells, by means of the conduct set forth above, knowingly provided
13 substantial assistance to Hansen Medical's violations of Section 10(b) of the Exchange Act and Rule
14 10(b)5-(b).

15 91. By reason of the foregoing, defendant Sells violated, and unless restrained and
16 enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule
17 10b-5(b) thereunder [17 C.F.R. § 240.10b-5].

18 **THIRD CLAIM FOR RELIEF**

19 *Violations of Section 17(a)(1) and (3) of the Securities Act by Sells and Murawski*

20 92. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

21 93. Defendants Sells and Murawski, directly or indirectly, with scienter, in the offer or
22 sale of a security, employed devices, schemes, or artifices to defraud.

23 94. Defendants Sells and Murawski, directly or indirectly, in the offer or sale of a security,
24 engaged in transactions, practices, or courses of business which operates or would operate as a fraud
25 or deceit upon the purchaser.

26 95. By reason of the foregoing, defendants Sells and Murawski violated, and unless
27 restrained and enjoined will continue to violate, Section 17(a)(1) and (3) of the Securities Act [15
28 U.S.C. § 77q(a)(1) and (3)].

1 **FOURTH CLAIM FOR RELIEF**

2 *Aiding and Abetting Issuer Violations of Section 13(a) of the Exchange Act*
3 *and Rules 12b-20, 13a-1, and 13a-13 by Sells and Murawski*

4 96. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

5 97. Hansen Medical filed with the Commission an annual report on Form 10-K for the
6 fiscal year 2008, and quarterly reports on Form 10-Q for the third quarter of 2008 and the first quarter
7 of 2009 that contained untrue statements of material fact and omitted to state material information
8 required to be stated therein or necessary in order to make the required statements made, in the light
9 of the circumstances under which they were made, not misleading, in violation of Section 13(a) of the
10 Exchange Act [15 U.S.C. § 78m(a)], and Rules 12b-20, 13a-1, and 13a-13 thereunder [17 C.F.R. §§
11 240.12b-20, 240.13a-1, and 240.13a-13].

12 98. By engaging in the conduct described above, defendants Sells and Murawski
13 knowingly provided substantial assistance to Hansen Medical's violations of Section 13(a) of the
14 Exchange Act, and Rules 12b-20, 13a-1, and 13a-13 thereunder.

15 99. By reason of the foregoing, defendant Sells and Murawski aided and abetted, and
16 unless restrained and enjoined will continue to aid and abet, violations of Section 13(a) of the
17 Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-13 promulgated thereunder
18 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13].

19 **FIFTH CLAIM FOR RELIEF**

20 *Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1*
21 *by Sells and Murawski*

22 100. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

23 101. By engaging in the conduct described above, defendants Sells and Murawski directly
24 or indirectly, knowingly circumvented a system of internal accounting controls and knowingly
25 falsified a book, record, or account described in Section 13(b)(2) of the Exchange Act [15 U.S.C. §
26 78m(b)(2)].

1 102. By engaging in the conduct described above, defendants Sells and Murawski falsified
2 or caused to be falsified Hansen Medical's required books, records, and accounts, in violation of Rule
3 13b2-1 under the Exchange Act [17 C.F.R. § 240.13b2-1]

4 103. By reason of the foregoing, defendants Sells and Murawski violated and, unless
5 restrained or enjoined, will continue to violate Section 13(b)(5) of the Exchange Act [15 U.S.C. §
6 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].

7 **SIXTH CLAIM FOR RELIEF**

8 *Aiding and Abetting Violations of Section 13(b)(2)(A) of the Exchange Act by Sells and Murawski*

9 104. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

10 105. Based on the conduct alleged above, Hansen Medical failed to make or to keep books,
11 records or accounts, which, in reasonable detail, accurately and fairly reflected the company's
12 transactions and the dispositions of its assets, in violation of Section 13(b)(2)(A) of the Exchange Act
13 [15 U.S.C. § 78m(b)(2)(A)].

14 106. By engaging in the conduct described above, defendants Sells and Murawski
15 knowingly provided substantial assistance to Hansen Medical's failure to make and keep books,
16 records, and accounts, which, in reasonable detail, accurately and fairly reflected the company's
17 transactions and the dispositions of its assets.

18 107. By reason of the foregoing, defendants Sells and Murawski aided and abetted, and
19 unless restrained and enjoined, will continue to aid and abet, violations of 13(b)(2)(A) of the
20 Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

21 **SEVENTH CLAIM**

22 *Aiding and Abetting Violations of Section 13(b)(2)(B) of the Exchange Act by Sells and Murawski*

23 108. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

24 109. Based on the conduct alleged above, Hansen Medical failed to devise and to maintain
25 a sufficient system of internal accounting controls, in violation of Section 13(b)(2)(B) of the
26 Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

1 110. By engaging in the conduct described above, defendants Sells and Murawski
2 knowingly provided substantial assistance to Hansen Medical's failure to devise and to maintain a
3 sufficient system of internal accounting controls.

4 111. By reason of the foregoing, defendants Sells and Murawski aided and abetted, and
5 unless restrained and enjoined, will continue to aid and abet, violations of 13(b)(2)(B) of the
6 Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

7 **EIGHTH CLAIM**

8 *Violations of Rule 13b2-2 Under the Exchange Act by Sells*

9 112. Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

10 113. Defendant Sells, directly or indirectly, while an officer of an issuer, in connection with
11 an audit, review or examination of the financial statements of the issuer required to be made or the
12 preparation or filing of any document or report required to be filed with the Commission, made, or
13 caused to be made, a materially false or misleading statement to an accountant or omitted to state, or
14 caused another person to omit to state to an accountant, a material fact necessary in order to make
15 statements made, in light of the circumstances under which such statements were made, not
16 misleading.

17 114. By reason of the foregoing, defendant Sells violated, and unless restrained and
18 enjoined, will continue to violate Rule 13b2-2 under the Exchange Act [17 C.F.R. § 240.13b2-2].

19 **PRAAYER FOR RELIEF**

20 WHEREFORE, the Commission respectfully requests that this Court:

21 I.

22 Issue an order permanently restraining and enjoining defendant Sells from violating
23 Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and (3)], and Sections 10(b)
24 and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)], and Rules 10b-5, 13b2-1 and
25 13b2-2 [17 C.F.R. §§ 240.10b-5, 240.13b2-1 and 240.13b2-2], and from aiding and abetting
26 violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a),
27 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20,
28 240.13a-1 and 240.13a-13];

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II.

Issue an order permanently restraining and enjoining defendant Murawski from violating Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and (3)], and Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)], and Rules 10b-5 (a) and (c) and 13b2-1 [17 C.F.R. §§ 240.10b-5(a) and (c) and 240.13b2-1], and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13];

III.

Pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], prohibit defendant Sells from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

IV.

Order defendants Sells and Murawski to pay civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)];

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of the Court; and

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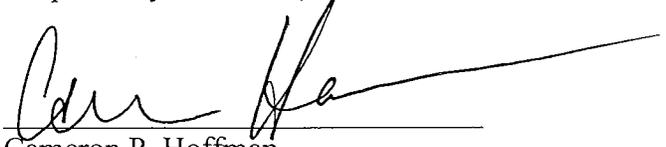
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VI.

Grant such other relief as this Court may deem just and necessary.

Respectfully submitted,



Cameron P. Hoffman
Attorneys for Plaintiff

SECURITIES AND EXCHANGE COMMISSION

Dated: October 6, 2011

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