

HEMOSENSE INC  
Form DEF 14A  
January 27, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |  |  |
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| <input type="checkbox"/> Preliminary Proxy Statement                                   | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement                         |  |
| <input type="checkbox"/> Definitive Additional Materials                               |  |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 |  |

**HEMOSENSE, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NOTICE OF  
2006 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MARCH 16, 2006**

*To our Stockholders:*

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of HemoSense, Inc. (the *Company*). The meeting will be held the offices of Wilson Sonsini Goodrich & Rosati, PC located on 650 Page Mill Road, Palo Alto, California 94301, on Wednesday, March 16, 2006, for the following purposes:

1. To elect two Class I directors to each serve for a three-year term that expires at the 2009 Annual Meeting of Stockholders and until their successors have been duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2006; and
3. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

The meeting will begin promptly at 12:00 p.m., local time, and check-in will begin at 11:30 a.m., local time. Only holders of record of shares of our common stock (AMEX: HEM) at the close of business on February 8, 2006 will be entitled to notice of, and to vote at, the meeting and any postponements or adjournments of the meeting.

For a period of at least 10 days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose relating to the Annual Meeting during normal business hours at our principal executive offices located at 651 River Oaks Parkway, San Jose, California 95134.

By order of the Board of Directors,

/s/ JAMES D. MERSELIS  
James D. Merselis

San Jose, California

January 27, 2006

**YOUR VOTE IS IMPORTANT!**

**REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE BY TELEPHONE OR COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. NO ADDITIONAL POSTAGE IS NECESSARY IF THE PROXY IS MAILED IN THE UNITED STATES OR CANADA. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE MEETING.**

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**PROXY STATEMENT**  
**FOR**  
**2006 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON MARCH 16, 2006**

The Board of Directors of HemoSense, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our 2006 Annual Meeting of Stockholders to be held on Wednesday, March 16, 2006, beginning at 12:00 p.m., local time, at the offices of Wilson Sonsini Goodrich & Rosati, PC located on 650 Page Mill Road, Palo Alto, California 94301, and at any postponements or adjournments thereof. This proxy statement contains important information regarding the meeting. Specifically, it identifies the matters upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes the voting procedures.

In this proxy statement: the terms *we*, *our*, *HemoSense* and the *Company* each refer to HemoSense, Inc.; the term *Board* means our Board of Directors; the term *proxy materials* means this proxy statement, the enclosed proxy card and our Annual Report on Form 10-K for the year ended September 30, 2005, filed with the U.S. Securities and Exchange Commission on December 2, 2005; and the term *Annual Meeting* means our 2006 Annual Meeting of Stockholders.

We are sending these proxy materials on or about February 15, 2006, to all stockholders of record at the close of business on February 8, 2006 (the *Record Date*).

**QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION**  
**AND VOTING AT THE ANNUAL MEETING**

- Why am I receiving these proxy materials?*** You are receiving these proxy materials from us because you were a stockholder of record at the close of business on the Record Date (which was February 8, 2006). As a stockholder of record, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this proxy statement.
- What is the purpose of the annual meeting?*** At our meeting, stockholders of record will vote upon the items of business outlined in the notice of meeting (on the cover page of this proxy statement), each of which is described more fully in this proxy statement. In addition, management will report on the performance of the Company and respond to questions from stockholders.
- Who is entitled to attend the meeting?*** You are entitled to attend the meeting *only* if you were a HemoSense stockholder (or joint holder) of record as of the close of business on February 8, 2006, or if you hold a valid proxy for the meeting. You should be prepared to present photo identification for admittance.

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Please also note that if you are not a stockholder of record but hold shares in *street name* (that is, through a broker or nominee), you will need to provide proof of beneficial ownership as of the Record Date, such as your most recent brokerage account statement, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.

The meeting will begin promptly at 12:00 p.m., local time. Check-in will begin at 11:30 a.m., local time.



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| <b><i>Who is entitled to vote at the meeting?</i></b>   | <p>Only stockholders who owned our common stock at the close of business on the Record Date are entitled to notice of and to vote at the meeting, and at any postponements or adjournments thereof.</p> <p>As of the Record Date, a to-be-determined number of shares of our common stock were outstanding. Each outstanding share of our common stock entitles the holder to one vote on each matter considered at the meeting. Accordingly, there are xxxxxx maximum of votes that may be cast at the meeting.</p>   |
| <b><i>How many shares must be present or represented to conduct business at the meeting (that is, what constitutes a quorum)?</i></b> | <p>The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock entitled to vote at the meeting will constitute a quorum. A quorum is required to conduct business at the meeting. The presence of the holders of our common stock representing at least xxxxxx votes will be required to establish a quorum at the meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.</p>  |
| <b><i>What items of business will be voted on at the meeting?</i></b>   | <p>The items of business scheduled to be voted on at the meeting are as follows:</p> <ol style="list-style-type: none"><li>1. the election of two nominees to serve as Class I directors on our Board; and</li><li>2. the ratification of the appointment of our independent registered public accounting firm for the 2006 fiscal year.</li></ol> <p>These proposals are described more fully below in this proxy statement. As of the date of this proxy statement, the only business that our Board intends to present or knows of that others will present at the meeting is as set forth in this proxy statement. If any other matter or matters are properly brought before the meeting, it is the intention of the persons who hold proxies to vote the shares they represent in accordance with their best judgment.</p> |
| <b><i>How does the Board recommend that I vote?</i></b>   | <p>Our Board recommends that you vote your shares <b>FOR</b> each of the director nominees and <b>FOR</b> the ratification of our independent registered public accounting firm for the 2006 fiscal year.</p>  |
| <b><i>What shares can I vote at the meeting?</i></b>  | <p>You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the <i>stockholder of record</i>, and (2) shares held for you as the <i>beneficial owner</i> through a broker, trustee or other nominee such as a bank.</p>  |
| <b><i>What is the difference between holding shares as a stockholder of record and as a beneficial owner?</i></b>                     | <p>Most HemoSense stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.</p>  |

**Stockholders of Record.** If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, Inc., you are considered, with respect to those shares, the *stockholder of record*, and these proxy materials are being

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sent directly to you by us. As the *stockholder of record*, you have the right to grant your voting proxy directly to HemoSense or to vote in person at the meeting. We have enclosed a proxy card for you to use.

**Beneficial Owner.** If your shares are held in a brokerage account or by another nominee, you are considered the *beneficial owner* of shares held *in street name*, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the meeting. Please note that since a beneficial owner is not the *stockholder of record*, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

***How can I vote my shares without attending the meeting?*** Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. Stockholders of record of our common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelope. HemoSense stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided by the broker, trustee or nominee and mailing them in the accompanying pre-addressed envelope.

***How can I vote my shares in person at the meeting?*** Shares held in your name as the stockholder of record may be voted in person at the meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. ***Even if you plan to attend the meeting, we recommend that you also submit your proxy card or voting instructions as described above so that your vote will be counted if you later decide not to, or are unable to, attend the meeting.***

***Can I change my vote?*** You may change your vote at any time prior to the vote at the meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our Secretary prior to your shares being voted, or by attending the meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

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### *Is my vote confidential?*

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within HemoSense or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy card, which are then forwarded to HemoSense management.

***What vote is required to approve each item and how are votes counted?*** The vote required to approve each item of business and the method for counting votes is set forth below:

**Election of Directors.** The two director nominees receiving the highest number of affirmative **FOR** votes at the meeting (a plurality of votes cast) will be elected to serve as Class I directors. You may vote either **FOR** or **WITHHOLD** your vote for the director nominees. A properly executed proxy marked **WITHHOLD** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

**Ratification of Independent Auditors.** For the ratification of the appointment of our independent registered public accounting firm, the affirmative **FOR** vote of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. You may vote **FOR**, **AGAINST** or **ABSTAIN** for these items of business. If you **ABSTAIN**, your abstention has the same effect as a vote **AGAINST**.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board ( **FOR** all of the Company's nominees to the Board and **FOR** ratification of the independent registered public accounting firm, and in the discretion of the proxy holders on any other matters that properly come before the meeting).

### *What is a broker non-vote ?*

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters. The election of directors and the ratification of the appointment of an independent registered public accounting firm are considered routine matters. Therefore, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares **FOR** all of the Company's nominees to the Board and **FOR** ratification of the independent registered public accounting firm. A *broker non-vote* occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine.

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| <b><i>How are broker non-votes counted?</i></b>   | Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will <i>not</i> be counted in tabulating the voting result for any particular proposal.   |
| <b><i>How are abstentions counted?</i></b>  | If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted for the purpose of determining both the presence of a quorum and the total number of votes cast with respect to a proposal (other than the election of directors), but they will not be voted on any matter at the meeting. In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote <i>AGAINST</i> a proposal.  |
| <b><i>What happens if additional matters are presented at the meeting?</i></b>                          | Other than the two proposals described in this proxy statement, we are not aware of any other business to be acted upon at the meeting. If you grant a proxy, the persons named as proxy holders, James D. Merselis (our President and Chief Executive Officer) and Paul Balsara (our Vice President, Finance and Chief Financial Officer), will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If, for any unforeseen reason, any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by our Board.  |
| <b><i>Who will serve as inspector of election?</i></b>  | We expect a representative of Computershare Trust Company, Inc., our transfer agent, to tabulate the votes and act as inspector of election at the meeting.   |
| <b><i>What should I do in the event that I receive more than one set of proxy/voting materials?</i></b> | You may receive more than one set of these proxy solicitation materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. In addition, if you are a stockholder of record and your shares are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each HemoSense proxy card and voting instruction card that you receive to ensure that all your shares are voted.   |
| <b><i>Who is soliciting my vote and who will bear the costs of this solicitation?</i></b>               | Your vote is being solicited on behalf of the Board, and the Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, by electronic mail or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We may also engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank |

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nominees and other institutional owners. Our costs for such services, if retained, will not be material.

***Where can I find the voting results of the meeting?***

We intend to announce preliminary voting results at the meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2006.

***What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?***

As a stockholder, you may be entitled to present proposals for action at a future meeting of stockholders, including director nominations.

**Stockholder Proposals:** For a stockholder proposal to be considered for inclusion in the HemoSense proxy statement for the annual meeting to be held in 2007, the written proposal must be received by the Secretary of HemoSense at our principal executive offices no later than November 15, 2006, or 120 days prior to the mailing date of the HemoSense proxy statement. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in the HemoSense proxy statement is instead a reasonable time before HemoSense begins to print and mail its proxy materials. Such proposals also must comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), and any other applicable rules established by the U.S. Securities and Exchange Commission (the *SEC*). Proposals should be addressed to:

Secretary

HemoSense, Inc.

651 River Oaks Parkway

San Jose, California 95134

**Nomination of Director Candidates:** You may propose director candidates for consideration by our Board. Any such recommendations should include the nominee's name and qualifications for Board membership and should be directed to the Secretary of HemoSense at the address of our principal executive offices set forth above. In addition, our Bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by the Bylaws of HemoSense, as well as a statement by the nominee consenting to being named as a nominee and to serve as a director if elected. In addition, the stockholder must give timely notice to the Secretary of HemoSense in accordance with the provisions of our Bylaws, which require that the notice be received by the Secretary of HemoSense no later than October 18, 2006.

**Copy of Bylaw Provisions:** You may contact the Secretary of HemoSense at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

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The following table provides information relating to the beneficial ownership of our common stock as of the Record Date, by:

each stockholder known by us to own beneficially more than 5% of our common stock;

each of our executive officers named in the Summary Compensation Table on page 22 (our Chief Executive Officer and our four other most highly compensated executive officers);

each of our directors; and

all of our directors and executive officers as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole or shared voting power or investment power and any shares that the individual has the right to acquire within 60 days of January 15, 2006 (the most recent practicable date) through the exercise of any stock option or other right. The number and percentage of shares beneficially owned is computed on the basis of 11,132,502 shares of our common stock outstanding as of the January 15, 2006. The information in the following table regarding the beneficial owners of more than 5% of our common stock is based upon information supplied by principal stockholders or Schedules 13D and 13G filed with the SEC. Shares of our common stock that a person has the right to acquire within 60 days of January 15, 2006 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. The address for those persons for which an address is not otherwise provided is c/o HemoSense, Inc., 651 River Oaks Parkway, San Jose, California 95134.

| <b><u>Name and Address of Beneficial Owner</u></b>  | <b><u>Number of<br/>Shares<br/>Outstanding</u></b> | <b><u>Warrants and<br/>Options<br/>Exercisable<br/>within 60 days</u></b> | <b><u>Approximate<br/>Percent<br/>Owned</u></b> |
|---|--|---|---|
| Entities affiliated with MPM Capital (1)<br><br>111 Huntington Ave., 31 <sup>st</sup> Floor<br><br>Boston, MA 02199 | 3,537,359  | 42,225  | 32.2%   |
| Vanguard V, L.P. (2)<br><br>1330 Post Oak Boulevard, Suite 1550<br><br>Houston, TX 77056                            | 699,357  | 0   | 6.3%  |
| W Capital Partners Ironworks, L.P. (3)  | 694,407  | 6,900   | 6.3%  |

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|  |         |      |
|--|---------|------|
| One East 52nd St., 5th Floor                                       |         |      |
| New York, NY 10022   |         |      |
| James D. Merselis  | 225,052 | 2.0% |
| Paul Balsara   | 80,292  | *    |
| Maria Navarro  | 48,938  | *    |
| Timothy Still  | 48,938  | *    |
| Richard P. Powers  |         |      |
| Edward F. Brennan, Ph.D.   | 32,678  | *    |
| Gregory M. Ayers, M.D. Ph.D.                                       | 68,142  | *    |
| Robert D. Ulrich, Ph.D.  |         |      |
| Kurt C. Wheeler  |         |      |
| <i>All directors and executive officers as a group (9 persons)</i> | 504,040 | 4.5% |

\* Less than 1%.

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- (1) Includes 838,354 shares held by MPM BioVentures GmbH & Co. Parallel-Beteiligungs KG, 262,825 shares held by MPM BioVentures II, L.P., 2,381,352 shares held by MPM BioVentures II-QP, L.P. and 54,828 shares held by MPM Asset Management Investors 2000 B LLC. MPM Asset Management II, LLC is the general partner of MPM Asset Management II, L.P., the general partner of MPM BioVentures GmbH & Co. Parallel-Beteiligungs KG, MPM BioVentures II, L.P. and MPM BioVentures II-QP, L.P. Ansbert Gadicke, Michael Steinmetz, Luke Evnin, Nicholas Galakatos and Kurt Wheeler, as investment managers of MPM Asset Management II, LLC, the general partner of MPM Asset Management II, L.P., and MPM Asset Management Investors 2000 B LLC, share voting and investment power with respect to shares held by MPM BioVentures GmbH & Co. Parallel-Beteiligungs KG, MPM BioVentures II, L.P., MPM BioVentures II-QP, L.P. and MPM Asset Management Investors 2000 B LLC. Mr. Wheeler disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.
- (2) Includes 699,357 shares held by Vanguard V, L.P. Dr. Ulrich is a member of Vanguard V Venture Partners, LLC, the general partner of Vanguard V, L.P., and shares voting and investment power with respect to shares held by Vanguard V, L.P. with Jack M. Gill, Clifford H. Higginson and Curtis K. Myers, the other members of Vanguard V Venture Partners, LLC. Dr. Ulrich disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.
- (3) WCP I, L.L.C. is the general partner of W Capital Partners Ironworks, L.P. David S. Wachter, Stephen Wertheimer and Robert J. Migliorino, as managing members of WCP I, L.L.C., share voting and investment power with respect to shares held by W Capital Partners Ironworks, L.P.

### **Compliance with Section 16(a) Filing Requirements**

Section 16(a) of the Exchange Act requires our directors, officers and beneficial owners of more than 10% of our common stock to file reports of ownership and reports of changes in the ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us, or written representations from reporting persons that, other than the Form 3 filing for Richard P. Powers, we believe that during our fiscal year ended September 30, 2005, all Forms 3, 4 or 5 were timely filed.



**Table of Contents****CORPORATE GOVERNANCE AND BOARD MATTERS****Director Independence**

Our Board consists of six directors. The Company's directors are Gregory M. Ayers, M.D., Ph.D., Edward F. Brennan, Ph.D., James D. Merselis, Richard P. Powers, Robert D. Ulrich, Ph.D. and Kurt Wheeler. Our Board has determined that each of the directors other than James D. Merselis, the Company's President and Chief Executive Officer, Edward F. Brennan and Gregory Ayers satisfy the current independent director standards established by rules of the American Stock Exchange ( Amex ).

**Committees of the Board**

Our Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. From time to time, our Board may also create various ad hoc committees for special purposes. The membership during the last fiscal year and the function of each of the committees are described below.

| <u>Name of Director</u>   | <u>Audit<br/>Committee</u> | <u>Compensation<br/>Committee</u> | <u>Nominating and<br/>Governance<br/>Committee</u> |
|---|----------------------------|-----------------------------------|--|
| <b>Non-Employee Directors:</b>                                    |                            |                                   |  |
| Gregory M. Ayers, M.D., Ph.D.                                     |                            |                                   |  |
| Edward F. Brennan, Ph.D.  | X                          | X                                 | X  |
| Richard P. Powers   | X*                         |                                   |  |
| Robert D. Ulrich, Ph.D.   | X                          | X                                 | X*   |
| Kurt Wheeler  |                            | X*                                |  |
| <b>Employee Director:</b>   |                            |                                   |  |
| James D. Merselis   |                            |                                   |  |
| <b><u>Number of Meetings Held During the Last Fiscal Year</u></b> | <b>3</b>                   | <b>1</b>                          | None   |

X = Committee member

\* = Chairman of Committee

**Audit Committee.** The Audit Committee oversees the Company's accounting and financial reporting processes and the audits of its financial statements. In this role, the Audit Committee monitors and oversees the integrity of the Company's financial statements and related disclosures, the qualifications, independence, and performance of the Company's independent auditor, and the Company's compliance with applicable legal requirements and its business conduct policies. Our Board has determined that each member of the Audit Committee meets the independence and financial literacy requirements of the AMEX rules and the independence requirements of the SEC. Our Board has determined that Richard P. Powers continues to qualify as an audit committee financial expert, as defined in SEC rules. The Audit Committee has a written charter, which was adopted by our Board in March 2005. A copy of the charter is attached as **Appendix A** to this proxy statement. The report of the Audit Committee appears on page 13 of this proxy statement.

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*Compensation Committee.* The Compensation Committee, together with the Chief Executive Officer and the Board, establishes compensation for the other executive officers and administers the 2005 Equity Incentive Plan and 1997 Stock Plan. The Compensation Committee has a written charter, which was adopted by our Board in March 2005. The report of the Compensation Committee appears beginning on page 15 of this proxy statement.

*Nominating and Governance Committee.* The Nominating and Governance Committee advises the Company's management in fields related to current or future business directions of the Company, and regularly reviews issues and developments relating to corporate governance and formulating and recommending corporate governance standards to the Board of Directors. The Nominating and Governance Committee also approves all nominees for

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membership on the Board, including the slate of director nominees to be proposed by the Board to our stockholders for election or any director nominees to be elected or appointed by the Board to fill interim director vacancies on the Board. The Nominating and Governance Committee did not hold a meeting during fiscal 2005.

### **Meetings Attended by Directors**

The Board held six meetings during fiscal 2005. Since our initial public offering in June 2005, the Audit Committee held three meetings, the Compensation Committee held one meeting, and the Nominating and Governance Committee held no meetings in fiscal 2005. No director attended fewer than 75% of the meetings of the Board or committee(s) on which he or she served during fiscal 2005, except Dr. Ayers with respect to his attendance at Audit Committee meetings during the period when he served on the Audit Committee.

The directors of the Company are encouraged to attend the Company's annual meeting of stockholders. The Company has not previously held an annual meeting of stockholders since it became subject to the Exchange Act.

### **Director Nominees**

*Nominations.* The Nominating and Governance Committee has not established a formal procedure for considering nominees for director nominated by the Company's stockholders. The Board believes that our independent committee can identify appropriate candidates to our Board. Stockholders may nominate candidates for director in accordance with the advance notice and other procedures contained in our Bylaws.

*Director Qualifications.* While the Nominating and Governance Committee has not established formal procedures or specific minimum qualifications for director candidates, the candidates for Board membership should have the highest professional and personal ethics and values, and conduct themselves consistent with our Code of Ethics. Additionally, candidates and nominees must ultimately reflect a Board that is comprised of directors who (i) have broad and relevant experience, (ii) are predominantly independent, (iii) are of high integrity, (iv) have qualifications that will increase overall Board effectiveness and enhance long-term stockholder value, and (v) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.

*Stockholder Nominations and Recommendations.* As described above in the Question and Answer section of this proxy statement under "What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?", our Bylaws set forth the procedure for the proper submission of stockholder nominations for membership on our Board. In addition, while the Nominating and Governance Committee has not established a formal procedure for considering nominees for director nominated by the Company's stockholders, the Committee may consider properly submitted stockholder recommendations (as opposed to formal nominations) for candidates for membership on the Board. A stockholder may make such a recommendation by submitting the following information to our Secretary at 651 River Oaks Parkway, San Jose, California 95134: the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, professional and personal references, information regarding any relationships between the candidate and HemoSense within the last three years and evidence of ownership of HemoSense stock by the recommending stockholder.

*Identifying and Evaluating Director Nominees.* Typically new candidates for nomination to the Board are suggested by existing directors or by our executive officers, although candidates may initially come to our attention through professional search firms, stockholders or other persons. The Nominating and Governance Committee of the Board shall carefully review the qualifications of any candidates who have been properly

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brought to its attention. Such a review may, in the Committee's discretion, include a review solely of information provided to the Committee or may also include discussion with persons familiar with the candidate, an interview with the candidate or other actions that the Committee deems proper. The Committee shall consider the suitability of each candidate, including the current members of the Board, in light of the current size and composition of the Board. In evaluating the qualifications of the candidates, the Nominating and Governance

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Committee considers many factors, including, issues of character, judgment, independence, age, expertise, diversity of experience, length of service, and other commitments. The Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. Candidates properly recommended by stockholders are evaluated by the Committee using the same criteria as other candidates.

## **Director Compensation**

We reimburse our non-employee directors for their expenses incurred in connection with attending board and committee meetings and compensate them with an annual retainer amount and fees for participating as board or committee members. We have in the past granted non-employee directors options to purchase our common stock pursuant to the terms of our 1997 and 2005 Stock Plans, and our board continues to have the discretion to grant options to new and continuing non-employee directors.

Additionally, the 2005 Equity Incentive Plan provides that each director will automatically receive:

one-time option grants of 11,250 shares vesting annually over three years from the date of joining the board which are to be granted on such date at an exercise price equal to the fair market value of our common stock on the date of grant; and

annual option grants of 3,750 shares vested in full on the third anniversary of the date of grant which are to be granted on the date of each annual stockholder meeting following the closing of the Company's initial public offering on July 1, 2005 at an exercise price equal to the fair market value of our common stock on the date of grant, provided that such grant will only be made to non-employee directors that have been members of the board for at least six months at the time of such annual stockholder meeting.

## **Code of Ethics**

HemoSense is committed to maintaining the highest standards of business conduct and ethics. Our Code of Ethics (the "Code") reflects our values and the business practices and principles of behavior that support this commitment. The Code satisfies SEC rules for a code of ethics required by Section 406 of the Sarbanes-Oxley Act of 2002, as well as the AMEX listing standards requirement for a code of conduct. The Code is available on the Company's website at [www.HemoSense.com](http://www.HemoSense.com) under Investors Corporate Governance Code of Ethics. We will post any amendment to the Code, as well as any waivers that are required to be disclosed by the rules of the SEC or AMEX, on our website.

## **Compensation Committee Interlocks and Insider Participation**

No member of our Compensation Committee nor any executive officer of HemoSense has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity. No Compensation Committee member is an officer or employee of HemoSense.

## **Certain Relationships and Related Transactions**

In the Company's last fiscal year, there has not been nor is there currently proposed any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds \$60,000 and in which any director, executive officer, holder of more than 5% of our common stock or any member of their immediate families had or will have a direct or indirect material interest. There are no other family relationships among any of our directors or executive officers.

**Communications with the Board by Stockholders**

Stockholders wishing to communicate with the Board or with an individual Board member concerning the Company may do so by writing to the Board or to the particular Board member, and mailing the correspondence to: Attention: Board of Directors, c/o Secretary, HemoSense, Inc., 651 River Oaks Parkway, San Jose, California 95134. The envelope should indicate that it contains a stockholder communication. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed.

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**REPORT OF THE AUDIT COMMITTEE<sup>1</sup>**

The Audit Committee of the Board of Directors is comprised solely of independent directors (as defined by AMEX rules) and who were all appointed by the Board of Directors. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors, a copy of which is attached to this Proxy Statement. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. As more fully described in the charter, the purpose of the Audit Committee is to provide general oversight of HemoSense's financial reporting, integrity of financial statements, internal controls and internal audit functions. The Audit Committee has authority to retain outside legal, accounting or other advisors as it deems necessary to carry out its duties and to require HemoSense to pay for such expenditures.

The Audit Committee monitors HemoSense's external audit process, including the scope, fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit services. The Audit Committee has responsibility for the appointment, compensation, retention and oversight of HemoSense's independent registered public accounting firm. The Audit Committee also reviews the results of the external audit work with regard to the adequacy and appropriateness of HemoSense's financial, accounting and internal controls. In addition, the Audit Committee generally oversees HemoSense's internal compliance programs. The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm, nor can the Audit Committee certify that the independent registered public accounting firm is independent under applicable rules.

The Audit Committee provides advice, counsel and direction to management and the registered public accounting firm on matters for which it is responsible based on the information it receives from management and the registered public accounting firm and the experience of its members in business, financial and accounting matters.

Management is responsible for the preparation and integrity of HemoSense's financial statements, accounting and financial reporting principles, and internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations.

HemoSense's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for expressing an opinion on the conformity of HemoSense's audited financial statements with accounting principles generally accepted in the United States.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements for 2005 with HemoSense's management.
2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standard, AU 380), SAS 99 (Consideration of Fraud in a Financial Statement Audit) and Securities and Exchange Commission rules discussed in Final Releases Nos. 33-8183 and 33-8183a.

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3. The Audit Committee has received written disclosures and a letter from the independent registered public accounting firm, PricewaterhouseCoopers LLP, required by Independence Standards Board Standard

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<sup>1</sup> The material in this report, the Compensation Committee Report and under the caption Performance Graph are not soliciting material, and are not deemed filed with the Securities and Exchange Commission and is not incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in those filings.



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No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committee ) and has discussed with PricewaterhouseCoopers LLP their independence.

4. Based on the review and discussion referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in HemoSense s Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

The foregoing report is provided by the undersigned members of the Audit Committee.

Members of the Audit Committee

Richard P. Powers, Chairman

Edward F. Brennan, Ph.D.

Robert D. Ulrich, Ph.D.

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**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee of the Board of Directors is comprised solely of non-employee directors, as such term is defined in Rule 16b-3 under the Securities and Exchange Act of 1934, as amended, each of whom must at all times meet all other applicable federal securities and American Stock Exchange listing requirements to qualify as an independent director, and who were all appointed by the Board of Directors. The Compensation Committee operates pursuant to a written charter adopted by the Board of Directors, a copy of which is attached to this Proxy Statement, and has overall responsibility for executive compensation programs, policies and practices.

**Compensation Philosophy**

The Compensation Committee is responsible for ensuring that HemoSense adopts and maintains responsible and responsive compensation programs for its officers and directors. HemoSense operates in the competitive and rapidly changing environment of high technology- and medical device businesses. The Compensation Committee seeks to establish compensation policies that allow HemoSense flexibility to respond to changes in its business environment. Our overall executive compensation philosophy is designed to enhance stockholder value. To meet this philosophy, we follow a set of guiding principals that requires us to provide competitive compensation to attract and retain highly qualified directors, officers and employees and to align the financial interest of the executive team with those of our stockholders through an effective implementation of the compensation programs discussed below.

The Compensation Committee determines, together with the Board, the compensation levels for the Chief Executive Officer and the other executive officers based on competitive compensation opportunities, their relative contribution to the financial success of HemoSense, and their personal performance. The Compensation Committee has also commissioned an independent consultant to provide a survey of executive officer compensation for similarly situated companies. It is the Compensation Committee's objective to have a substantial portion of each officer's compensation contingent upon HemoSense's performance as well as upon his or her own level of performance. Accordingly, the compensation package for the chief executive officer and other executive officers is comprised of three elements: (i) base salary which reflects individual performance and is designed primarily to be competitive with salary levels in the industry, (ii) variable performance awards payable in cash and tied to HemoSense's achievement of financial performance targets and personal performance, and (iii) long-term stock-based incentive awards which strengthen the mutuality of interests between the executive officers and HemoSense's stockholders.

**Compensation Program**

In addition to determining general compensation policy and setting salaries, the Compensation Committee and the whole Board is also responsible for the administration of the 2005 Equity Incentive Plan and the 1997 Stock Plan. The Compensation Committee considers the total current and potential long-term compensation of each executive officer in establishing each element of compensation.

*Base Salary.* In setting compensation packages for executive officers, the Compensation Committee reviews compensation levels for comparable positions within our industry and other high technology and medical device companies. Individual executive officer base salary may vary depending on time in position, assessment of individual performance, salary relative to equity and critical nature of the position relative to our success.

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*Discretionary Bonus Program.* In addition to base compensation, HemoSense has established a bonus program approved by the Board for executive officers and other personnel. Bonus opportunities under this program are based on individual and Company financial performance factors.

Payments under this bonus program are made quarterly for all executives. The bonus payment to any employee is based on a number of specific criteria based (i) on the Company's financial performance with respect to revenue and total Company expenses on a quarterly basis, and (ii) each individual's achievement of

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certain personal goals as assessed by the Committee or its designated administrator from time to time. Underachievement or overachievement of the corporate goals may result in bonus payments lower or higher than the targeted bonus amounts described above. The Committee retains the discretion to modify the bonuses that are paid based on actual performance.

*Long-Term Incentives.* Our 2005 Equity Incentive Plan provides for the issuance of options to our officers and employees to purchase shares of our common stock at an exercise price equal to the fair market value of such stock on the date of grant. Stock options are granted as a reward for past individual and corporate performance and as an incentive for future performance and are an essential component in aligning the interests of management and the stockholders.

### **2005 Compensation for the Chief Executive Officer and other executive officers**

James D. Merselis, Paul Balsara, Maria Navarro and Timothy Still's salaries for 2005 were determined by the Compensation Committee and the Board based on an assessment of the current market and compensation for an executive of his level of experience and expertise in similar companies within the medical device and biotechnology industry, with consideration for past performance and anticipated future contribution.

### **Internal Revenue Code Section 162(m) and Limitations on Executive Compensation**

Section 162(m) of the United States Internal Revenue Code of 1986, as amended, may limit our ability to deduct for United States federal income tax purposes compensation paid to either our Chief Executive Officer or to any four other highest paid executive officers in any one fiscal year that is, for each such person, in excess of \$1,000,000. None of our executive officers received any such compensation in excess of this limit during fiscal year 2005.

Grants under the 2005 Equity Incentive Plan are not subject to the deduction limitation; however, in order to preserve our ability to deduct the compensation income associated with options granted to such executive officers pursuant to Section 162(m) of the Code, our 2005 Equity Incentive Plan provides that no optionee may be granted option(s) to purchase more than 500,000 shares of our common stock in any one fiscal year; provided in connection with any optionee's initial service, an optionee may be granted an option to purchase up to 1,000,000 shares of our common stock in the fiscal year in which such optionee is hired.

The foregoing report is provided by the undersigned members of the Compensation Committee.

Members of the Compensation Committee

Kurt C. Wheeler, Chairman

Edward F. Brennan, Ph.D.

Robert D. Ulrich, Ph.D.



**Table of Contents****PROPOSAL ONE ELECTION OF DIRECTORS****Classes of the Board of Directors**

Our Amended and Restated Certificate of Incorporation and Bylaws provide that our Board shall be divided into three classes designated as Class I, Class II and Class III, respectively, with the classes of directors serving for staggered three-year terms. Our Board currently consists of six directors, divided among the three classes as follows: two Class I directors, Robert D. Ulrich, Ph.D. and Kurt C. Wheeler, whose terms expire at this meeting; two Class II directors, Gregory M. Ayers and Edward F. Brennan, whose terms expire at our Annual Meeting of Stockholders to be held in 2007; and two Class III directors, James D. Merselis and Richard P. Powers, whose terms expire at our Annual Meeting of Stockholders to be held in 2008.

The names of each member of the Board, the class in which they serve, their ages as of the Record Date, principal occupation and length of service on the Board is as follows:

| <b>Name</b>                       | <b>Term Expires</b> | <b>Age</b> | <b>Principal Occupation</b>                          | <b>Director Since</b> |
|-----------------------------------|---------------------|------------|--|-----------------------|
| <b>Class I Directors</b>          |                     |            |  |                       |
| Robert D. Ulrich, Ph.D. (1)(2)(3) | 2006                | 61         | General Partner, Vanguard Ventures V                 | 1997                  |
| Kurt C. Wheeler (1)               | 2006                | 53         | General Partner, MPM Capital                         | 2002                  |
| <b>Class II Directors</b>         |                     |            |  |                       |
| Gregory M. Ayers                  | 2007                | 43         | Founder and CEO, CryoCor, Inc.                       | 2000                  |
| Edward F. Brennan (1)(2)(3)       | 2007                | 54         | President and Chief Operating Officer, CryoCor, Inc. | 2000                  |
| <b>Class III Directors</b>        |                     |            |  |                       |
| James D. Merselis                 | 2008                | 51         | President and Chief Executive Officer                | 2002                  |
| Richard P. Powers (2)             | 2008                | 61         | Vice President and CFO, Corgentech Corp.             | 2005                  |

- (1) Member of the Compensation Committee
- (2) Member of the Audit Committee
- (3) Member of the Nominating and Governance Committee

**Director Nominees**

The Board has nominated Robert D. Ulrich and Kurt C. Wheeler for re-election as Class I directors.

*Robert D. Ulrich, Ph.D.* has served as a member of our board of directors since November 1997. Since October 1995, Dr. Ulrich has been a general partner at Vanguard Ventures, a venture capital firm. Dr. Ulrich currently serves on the boards of several privately-held companies. Dr. Ulrich holds a B.A. in Physics from Claremont Men's College, now Claremont McKenna College, and an M.S. and a Ph.D. in Polymer Science and Engineering from the University of Massachusetts.

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*Kurt C. Wheeler* has served as a member of our board of directors since January 2002. Since February 2005, Mr. Wheeler has been a Managing Director of Clarus Ventures. Since February 2000, Mr. Wheeler has also served as a general partner at MPM Capital. Mr. Wheeler currently serves on the board of CryoCor, Inc. and Somaxon Pharmaceuticals, Inc., both publicly-held companies, as well as on the boards of several privately-held medical device and biotechnology companies. Mr. Wheeler holds a B.A. in Economics from Brigham Young University and an M.B.A. from Northwestern University, where he currently serves on the Kellogg Alumni Advisory Board.

If elected, Messrs. Ulrich and Wheeler will hold office as Class I directors until our Annual Meeting of Stockholders to be held in 2009 or until their earlier death, resignation or removal.

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**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* EACH OF THE TWO NOMINEES FOR CLASS I DIRECTOR LISTED ABOVE.**

**Directors Whose Terms Extend Beyond the 2006 Annual Meeting**

*Gregory M. Ayers, M.D., Ph.D.* has served as a member of our board of directors since October 2000 and served as our interim Chief Executive Officer from April 2001 to July 2002 while a venture partner at MPM Capital. Since April 2001, Dr. Ayers has served as a general manager of Innovative Medical Products GmbH, a consulting firm. In August 2000, Dr. Ayers founded CryoCor, a manufacturer of medical products for the treatment of cardiac rhythm disorders and currently serves as a member of its board and as its Chief Executive Officer. From June 2000 to July 2002, Dr. Ayers was a venture partner at MPM Capital, a venture capital firm specializing in investing in healthcare related companies. Dr. Ayers is a member-manager of Ayers Medical Consulting, a medical device consulting firm, which he founded in January 2000. Dr. Ayers holds a B.S. and Ph.D. in Biomedical Engineering from Purdue University and an M.D. from Indiana University and currently serves on several university advisory committees.

*Edward F. Brennan, Ph.D.* has served as a member of our board of directors since October 2000 and has been Chairman of our board of directors since October 2003. From January 2001 to June 2002, Dr. Brennan served as our interim Executive Vice President, Regulatory and Quality Affairs. Since January 2005, Dr. Brennan has been employed by CryoCor and currently serves as its President and Chief Operating Officer. From January 2001 to December 2003, Dr. Brennan was a managing director at Perennial Ventures, a venture capital firm. From January 2000 to December 2001, Dr. Brennan was a managing director at Tredegar Investments, an investment subsidiary of Tredegar Corporation, a manufacturer of plastic films and aluminum extrusions. Dr. Brennan currently serves on the board of a publicly-held company, Kilroy Realty Corporation, a real estate investment trust, as well as on the boards of several privately-held companies. Dr. Brennan holds a B.A. in Biology and Chemistry and a Ph.D. in Biology from the University of California, Santa Cruz.

*Richard P. Powers* has served as a member of our board of directors since September 2005. Mr. Powers is currently vice president and CFO at Corgentech Corp., a biotechnology company, and serves as a member of the board of directors of Avidia Corp., a privately-held emerging biopharmaceutical company, and Mongonet Inc., a privately-held technology company. Previously, Powers held the positions of executive vice president and CFO at CardioGenesis Corp., where he was also responsible for all international operations, and prior to that he was at Roche. Powers experience also includes 15 years at Syntex Corporation where his last position was senior vice president and CFO. Powers holds a master's degree in business administration from the University of Rochester.

*James D. Merselis* has served as our President, Chief Executive Officer and a member of our board of directors since June 2002. From June 1998 to March 2002, Mr. Merselis served as President and Chief Executive Officer at Micronics, a provider of custom lab card design, development and production services on behalf of clients worldwide. Mr. Merselis began his career in marketing and sales at Boehringer Mannheim, now Roche Diagnostics, where over the course of 22 years he held several senior management positions, including Senior Vice President, General Manager, and member of the board of directors. Mr. Merselis holds a B.S. in Biology from Nebraska Wesleyan University and completed the Advanced Management Program at Harvard Business School.



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**PROPOSAL TWO RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP as the independent registered public accounting firm to perform the audit of the Company's financial statements for the fiscal year ending September 30, 2006. PricewaterhouseCoopers LLP audited the Company's financial statements for the fiscal years 1997 through 2005. PricewaterhouseCoopers LLP is a registered public accounting firm.

The Board is asking the stockholders to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2006. Although not required by law, by rules of AMEX, or the Company's bylaws, the Board is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from the Company's stockholders.

**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR FISCAL YEAR 2006.**

**Audit and Non-Audit Services**

The Audit Committee is directly responsible for the appointment, compensation, and oversight of the Company's independent registered public accounting firm. In addition to retaining PricewaterhouseCoopers LLP to audit the Company's financial statements for fiscal year 2005, the Audit Committee retained PricewaterhouseCoopers LLP to provide other auditing and advisory services in fiscal year 2005. The Audit Committee understands the need for PricewaterhouseCoopers LLP to maintain objectivity and independence in its audits of the Company's financial statements. The Audit Committee has reviewed all non-audit services provided by PricewaterhouseCoopers LLP in fiscal year 2005 and has concluded that the provision of such services was compatible with maintaining PricewaterhouseCoopers LLP's independence in the conduct of its auditing functions.

To help ensure the independence of the independent registered public accounting firm, the Audit Committee has adopted a policy for the pre-approval of all audit and non-audit services to be performed for the Company by its independent registered public accounting firm. Pursuant to this policy, all audit and non-audit services to be performed by the independent registered public accounting firm must be approved in advance by the Audit Committee. The Audit Committee may delegate to one or more of its members the authority to grant the required approvals, provided that any exercise of such authority is presented to the full Audit Committee at its next regularly scheduled meeting.

The aggregate fees incurred by the Company for audit and non-audit services in fiscal years 2005 and 2004 were as follows:

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| <u>Service Category</u> | <u>2005</u>       | <u>2004</u>      |
|-------------------------|-------------------|------------------|
| Audit Fees              | \$ 644,000        | \$ 28,000        |
| Audit-Related Fees      |                   |                  |
| Fees for Tax Services   | 9,000             | 7,950            |
| All Other Fees          |                   |                  |
| <b>Total</b>            | <b>\$ 653,000</b> | <b>\$ 35,950</b> |

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In the above table, in accordance with the SEC's definitions and rules, audit fees are fees for professional services for the audit of a company's financial statements included in the annual report on Form 10-K, for the review of a company's financial statements included in the quarterly reports on Form 10-Q, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; audit-related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of a company's financial statements; and fees for tax services are fees for tax compliance, tax advice and tax planning. Included in Audit Fees are fees that were billed and unbilled for the fiscal year 2005 audit. For fiscal year 2005, audit fees include \$464,000 for fees associated with our initial public offering.

**Table of Contents****EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION****Executive Officers and Senior Management**

Set forth below is certain information concerning our named executive officers and other senior management of the Company as at the time of the Record Date.

| <u>Name</u>       | <u>Age</u> | <u>Position(s)</u>  |
|-------------------|------------|---|
| James D. Merselis | 51         | President, Chief Executive Officer and Director                   |
| Paul Balsara      | 62         | Vice President, Finance and Chief Financial Officer               |
| Maria C. Navarro  | 46         | Executive Vice President, Operations and Research and Development |
| Timothy I. Still  | 40         | Executive Vice President, Sales and Marketing                     |

*James D. Merselis* has served as our President, Chief Executive Officer and a member of our board of directors since June 2002. From June 1998 to March 2002, Mr. Merselis served as President and Chief Executive Officer at Micronics, a provider of custom lab card design, development and production services on behalf of clients worldwide. Mr. Merselis began his career in marketing and sales at Boehringer Mannheim, now Roche Diagnostics, where over the course of 22 years he held several senior management positions, including Senior Vice President, General Manager, and member of the board of directors. Mr. Merselis holds a B.S. in Biology from Nebraska Wesleyan University and completed the Advanced Management Program at Harvard Business School.

*Paul Balsara* has served as our Vice President, Finance and Chief Financial Officer since April 2004. From November 1999 to March 2004, Mr. Balsara served as a part-time Chief Financial Officer and financial consultant for several privately-held companies, including serving as our part-time Vice President of Finance and Chief Financial Officer from April 2000 to April 2001 and financial consultant from May 2001 to March 2004. Mr. Balsara has more than 25 years of experience in various accounting and financial management positions for healthcare companies. Mr. Balsara holds a Bachelor of Commerce degree in Accounting from the University of Calcutta, India and is a Certified Public Accountant licensed in California.

*Maria C. Navarro* has served as our Executive Vice President, Operations since June 2004 and was appointed our Executive Vice President, Operations and Research and Development in April 2005. From January 2004 to June 2004, Ms. Navarro served as a principal consultant at SayAgain Corp., a healthcare and technology consulting firm, and currently serves as a member of its board of directors. From January 1999 to January 2004, Ms. Navarro served as a principal consultant at MCNavarro Consulting, a healthcare consulting firm. From 1988 to 1999, Ms. Navarro held the position of Site Manager and Head of Operations for the California-based coagulation business unit of Roche Diagnostics. Ms. Navarro holds a B.S. in Chemistry from the University of Southern California and a M.S. in Chemical Engineering from the Massachusetts Institute of Technology.

*Timothy I. Still* has served as our Executive Vice President, Sales and Marketing since June 2004. From October 1999 to May 2004, Mr. Still served as Vice President of Sales and Marketing at Cholestech, a manufacturer of point-of-care in vitro diagnostic equipment. Mr. Still joined Cholestech as Senior Director of Marketing in December 1997. Mr. Still was a Director of Global Marketing and Business Development for Boehringer Mannheim, now Roche Diagnostics, from 1992 to 1997. Mr. Still holds a B.S. in Biological Sciences from the University of California, Davis and an M.B.A. from the University of Southern California.



**Table of Contents****Summary Compensation Table**

The following table sets forth summary compensation information for fiscal years 2005, 2004, and 2003 for the Company's Chief Executive Officer and each of the four other most highly compensated executive officers of the Company who were serving in such capacities as of September 30, 2005. Except as provided below, none of our named executive officers received any other compensation required to be disclosed by law or in excess of 10% of their total annual compensation.

| Name and Principal Position   | Fiscal Year | Annual Compensation |            |                                | Long-Term Compensation Awards |   |                   |                             |
|---|-------------|---------------------|------------|--------------------------------|-------------------------------|---|-------------------|-----------------------------|
|   |             | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) | Restricted Stock Awards (\$)  | Number of Shares Underlying Options (#) | LTIP Payouts (\$) | All Other Compensation (\$) |
| James D. Merselis<br>President and Chief<br>Executive Officer                           | 2005        | 252,000             | 92,921     | 31,160                         |                               | 113,750                                 |                   |                             |
|   | 2004        | 233,909             | 55,000     | 38,869                         |                               |   |                   |                             |
|   | 2003        | 244,374             | 33,750     | 39,830                         |                               | 24,125                                  |                   |                             |
| Paul Balsara<br>Vice President, Finance<br>and Chief Financial Officer                  | 2005        | 185,062             | 60,141     | 10,068                         |                               | 25,000                                  |                   |                             |
|   | 2004        | 90,000              | 13,449     | 4,748                          |                               | 65,000                                  |                   |                             |
|   | 2003        |                     |            |                                |                               |   |                   |                             |
| Maria C. Navarro<br>Executive Vice President<br>Operations and Research and Development | 2005        | 204,365             | 49,641     | 10,061                         |                               | 12,500                                  |                   |                             |
|   | 2004        | 66,667              | 4,483      | 3,227                          |                               | 65,000                                  |                   |                             |
|   | 2003        |                     |            |                                |                               |   |                   |                             |
| Timothy I. Still<br>Executive Vice President<br>Sales and Marketing                     | 2005        | 214,457             | 55,241     | 10,042                         |                               | 12,500                                  |                   |                             |
|   | 2004        | 66,818              |            | 2,884                          |                               | 65,000                                  |                   |                             |
|   | 2003        |                     |            |                                |                               |   |                   |                             |

**Option Grants in fiscal year 2005**

The table below sets forth information concerning the stock options grants in fiscal year 2005 to the executive officers named in the Summary Compensation Table and the potential realizable value of such stock options at assumed annual rates of stock price appreciation for the ten-year terms thereof.

**Individual Grants**

| Name              | Number of Securities Underlying Options Granted (#) | % of Total Options Granted to Employees in Fiscal Year (1) | Exercise Price (\$/Sh) | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (\$) |           |
|-------------------|---|--|------------------------|-----------------|---|-----------|
|                   |   |  |                        |                 | 5%  | 10%       |
| James D. Merselis | 113,750   | 30.2%  | 0.80                   | 2/17/2015       | 1,392,546   | 2,206,057 |
| Paul Balsara      | 25,000  | 6.6%   | 0.80                   | 2/17/2015       | 306,054   | 484,848   |
| Maria C. Navarro  | 12,500  | 3.3%   | 0.80                   | 2/17/2015       | 153,027   | 242,424   |
| Timothy I. Still  | 12,500  | 3.3%   | 0.80                   | 2/17/2015       | 153,027   | 242,424   |

**Table of Contents****Stock Option Exercises and Values for fiscal year 2005**

The table below sets forth information concerning the number of stock options exercised in fiscal year 2005 and the value realized upon their exercise by the executive officers named in the Summary Compensation Table and the number and value of their unexercised stock options at September 30, 2005.

| Name              | Shares<br>Acquired<br>Upon<br>Exercise (#) | Value<br>Realized (\$) | Number of<br>Securities Underlying<br>Unexercised Options At<br>September 30, 2005 (#) |               | Value of Unexercised<br>In-the-Money Options at<br>September 30, 2005 (\$)(1) |               |
|-------------------|--|------------------------|--|---------------|---|---------------|
|                   |  |                        | Exercisable  | Unexercisable | Exercisable   | Unexercisable |
| James D. Merselis |  |                        | 191,875  | 91,000        | 1,429,469   | 677,950       |
| Paul Balsara      |  |                        | 73,000   | 20,000        | 543,850   | 149,000       |
| Maria C. Navarro  |  |                        | 35,812   | 41,688        | 266,799   | 310,576       |
| Timothy I. Still  |  |                        | 35,812   | 41,688        | 266,799   | 310,576       |

(1) The fair market value of a share of our common stock at the close of business on September 30, 2005, was \$8.25.

**Employment Agreements**

We have entered into an employment agreement with James D. Merselis, our President and Chief Executive Officer. That agreement provides that in the event that Mr. Merselis is terminated without cause or constructively terminated he will receive salary continuation and payment of group healthcare premiums for a period of nine months. In the event that he is terminated without cause or constructively terminated prior to a change of control, he will also receive accelerated vesting of all then unvested shares subject to outstanding stock options. In the event that he is terminated without cause or constructively terminated following a change of control, he will receive accelerated vesting as to 50% of any then unvested shares subject to outstanding options.

All of our other employees are employed with us at-will. However, we have entered into agreements with Mr. Balsara, Ms. Navarro and Mr. Still pursuant to which each of them will receive a lump-sum cash severance payment equal to 50% of their annual base salary in the event they are terminated without cause or resign for good reason within 12 months of a change of control transaction. In the event of a change of control, these executive officers will receive accelerated vesting of all then unvested shares subject to their outstanding options.

In addition, these executive officers will receive 12 months of accelerated vesting of shares subject to their outstanding stock options and salary continuation and payment of group term healthcare premiums for a period of six months in the event they are terminated without cause or resign for good reason.

For purposes of our agreements with these executive officers:



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change of control includes our merger or combination with or into a third party or the sale or disposition of all or substantially all of our assets;

termination without cause means a termination for reasons other than an act of material dishonesty in performing the officer's duties, a felony conviction, gross misconduct or a willful failure to substantially perform the officer's duties; and

resignation for good reason means a reduction in the officer's base compensation, a material reduction in responsibilities, perquisites or benefits or relocation to more than 50 miles from our current facility.

**Table of Contents****Equity Compensation Plan Information**

The following table provides certain information with respect to the Company's equity compensation plans in effect as of September 30, 2005.

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|---|
| Equity compensation plans approved by stockholders         | 1,209,675  | \$ 2.07  | 41,659  |
| Equity compensation plans not approved by security holders |  |  |   |
| <b>Total</b>   | 1,209,675  | \$ 2.07  | 41,659  |

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**STOCK PERFORMANCE GRAPH**

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return of the American Stock Exchange and the AMEX Health Products and Services Index for the period beginning on June 28, 2005, our first day of trading after our initial public offering, and ending on September 30, 2005.

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\* The graph assumes that \$100 was invested on June 28, 2005 in our common stock, the American Stock Exchange and the Amex Health Products and Services Index and that all dividends were reinvested. No dividends have been declared or paid on our common stock. Stock performance shown in the above chart for the common stock is historical and should not be considered indicative of future price performance. This graph was prepared by Research Data Group, Inc.

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**OTHER MATTERS**

We are not aware of any other business to be presented at the meeting. As of the date of this proxy statement, no stockholder had advised us of the intent to present any business at the meeting. Accordingly, the only business that our Board of Directors intends to present at the meeting is as set forth in this proxy statement.

If any other matter or matters are properly brought before the meeting, the proxies will use their discretion to vote on such matters in accordance with their best judgment.

By order of the Board of Directors,

/s/ JAMES D. MERSELIS  
James D. Merselis

*President and Chief Executive Officer*

San Jose, California

January 27, 2006

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**APPENDIX A**

**CHARTER FOR THE AUDIT COMMITTEE**

**OF THE BOARD OF DIRECTORS**

**OF**

**HEMOSENSE, INC.**

(an AMEX-Listed Company)

**I. PURPOSE**

This Charter ( **Charter** ) governs the operations of the Audit Committee of the Board of Directors (the **Audit Committee** or the **Committee** ) of HemoSense, Inc. (the **Company** ). The purpose of the Audit Committee shall be to:

Oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company;

Assist the Board of Directors of the Company (the **Board** ) in oversight and monitoring of (i) the integrity of the Company's financial statements, (ii) the Company's financial reporting process, (iii) the Company's compliance with legal and regulatory requirements under applicable securities law, (iv) the independent auditors' qualifications, independence and performance, and (v) the Company's systems of internal accounting and financial controls;

Prepare a report in the Company's annual proxy statement in accordance with the rules of the Securities and Exchange Commission (the **SEC** );

Provide the Board with the results of its monitoring and recommendations derived therefrom; and

Provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that come to its attention and that require the attention of the Board.

The Committee will cooperate with the independent auditors to, and management of the Company and the Committee will mutually cooperate to, maintain free and open communication between the Committee, independent auditors, and management of the Company. In addition, the Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time

prescribe.

## II. MEMBERSHIP

The Audit Committee members will be appointed by, and will serve at the discretion of, the Board of Directors. The Committee will consist of at least three members of the Board of Directors. Members of the Committee must meet the following criteria (as well as any criteria required by the SEC):

Each member will be an independent director, as defined in (i) Section 121A of the American Stock Exchange Company Guide and (ii) the rules of the SEC, and (iii) must not have participated in the preparation of the financial statements of the Company at any time during the last three years and (iv) must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee;

Each member will be able to read and understand fundamental financial statements in accordance with the American Stock Exchange Audit Committee requirements; and

At least one member will be an audit committee financial expert as defined by the SEC and the Company shall disclose the name of such audit committee financial expert and whether such person is

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independent of management in the Company's Annual Report on Form 10-K; provided, however, in the event there is not at least one member who is an audit committee financial expert as defined by the SEC, then the Committee shall direct the Company to disclose this fact in the Company's Annual Report on Form 10-K and explain why there is no such expert.

The members of the Audit Committee shall be elected by the Board, or a committee of the Board delegated such authority, to serve until their successors shall be duly elected and qualified or until their earlier resignation. Unless a Chairperson of the Audit Committee is elected by the Board or committee thereof, as applicable, the members of the Audit Committee may designate a Chairperson by majority vote of the Audit Committee.

### **III. RESPONSIBILITIES**

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The Company's independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The responsibilities of the Audit Committee shall include:

The sole and exclusive authority for the appointment, retention, termination, compensation and oversight of the work of the independent auditors (including the determination of appropriate qualifications of the independent auditors and the resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;

Pre-approving audit and non-audit services provided to the Company by the independent auditors (or subsequently approving non-audit services in those circumstances where a subsequent approval is necessary and permissible);

Reviewing on a continuing basis the adequacy of the Company's system of internal controls, including meeting periodically with the Company's management and the independent auditors to review the adequacy of such controls and to review before release the disclosure regarding such system of internal controls required under SEC rules to be contained in the Company's periodic filings and the attestations or reports by the independent auditors relating to such disclosure;

Reviewing and providing guidance with respect to the external audit and the Company's relationship with its independent auditors by:

- (i) reviewing the independent auditors' proposed scope and approach for their audit and quarterly reviews for the current year;
- (ii) obtaining quarterly representations from the independent auditors regarding relationships and services with the Company that may impact independence, and to the extent there are such relationships, monitoring and investigating them;
- (iii) reviewing the auditors' independence, including obtaining an annual written communication delineating all the independent auditors' relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, actively engaging in a dialogue with the auditors with respect to any disclosed

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relationships or services that may impact the objectivity and independence of the auditor and presenting this statement to the Board of Directors and taking or recommending to the Board appropriate action to oversee the independence of the independent auditors;

- (iv) discussing with the Company's independent auditors the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates,

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significant new accounting policies and disagreements with management and any other matters described in SAS No. 61, as may be modified or supplemented; and

- (v) reviewing with the independent auditors the communications required by the Sarbanes-Oxley Act of 2002, including any material alternative accounting treatments discussed with management, the methods for accounting for significant or unusual transactions and communications with management;

Directing the Company's independent auditors to review (before filing with the SEC) the Company's unaudited interim financial statements included in Quarterly Reports on Form 10-Q, using professional standards and procedures for conducting such reviews;

Reviewing (before release) the unaudited quarterly operating results in the Company's quarterly earnings release;

Reviewing the unaudited interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards;

Reviewing with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K). Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards;

Discussing quarterly with the independent auditors the critical policies and practices of the Company, and any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, together with the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;

Overseeing compliance with the requirements of the SEC for disclosure of auditor's services and Audit Committee members, member qualifications and activities;

Reviewing management's monitoring of compliance with the Company's standards of business conduct and with the Foreign Corrupt Practices Act;

Reviewing, approving and monitoring the Company's code of ethics for its senior financial officers;

Reviewing, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;

Providing oversight and review (at least annually) of the Company's risk management policies, including its investment policies;

Reviewing and approving in advance any proposed related party transactions;

If necessary, instituting special investigations with full access to all books, records, facilities and personnel of the Company;

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As appropriate, obtaining advice and assistance from outside legal, accounting or other advisors and to determine appropriate funding for such advisors;

Determine appropriate funding for the independent auditors and ordinary administrative expenses for the Committee;

Reviewing its own Charter, structure, processes, performance and membership requirements;

Providing a report in the Company's proxy statement in accordance with the rules and regulations of the SEC; and

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Establishing procedures for receiving, retaining and treating complaints received by the Committee regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

### **IV. MEETINGS**

The Audit Committee shall meet at least four times annually, or more frequently as circumstances may require.

In order to foster open communication, the Audit Committee will meet separately or together with the Chief Executive Officer, the Chief Financial Officer of the Company and the Controller (or Assistant Controller) of the Company, if any, at such times as are appropriate to review the financial affairs of the Company. The Committee will meet separately with the independent auditors of the Company, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Committee under this Charter.

### **V. MINUTES**

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

### **VI. REPORTS**

In addition to presenting the report in the Company's proxy statement in accordance with the rules and regulations of the SEC, the Audit Committee will summarize its examinations and recommendations to the Board of Directors as may be appropriate, consistent with the Committee's charter.

### **VII. COMPENSATION**

Members of the Audit Committee shall receive such fees, if any, for their service as Audit Committee members as may be determined by the Board in its sole discretion. Such fees may include retainers, per meeting fees and fees for service as Chair of the Audit Committee. Fees may be paid in such form of consideration as is determined by the Board.

Members of the Audit Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board or any committee thereof or as Chairman of the Board or Chair of any committee of the Board.

### **VIII. DELEGATION OF AUTHORITY:**

The Audit Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Committee at its scheduled meetings.



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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF  
HEMOSENSE, INC.**

**2006 ANNUAL MEETING OF STOCKHOLDERS**

The undersigned stockholder of HemoSense, Inc., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement each dated January 27, 2006 and hereby appoints James D. Merselis (our President and Chief Executive Officer) and Paul Balsara (our Vice President, Finance and Chief Financial Officer), each as proxy and attorney-in-fact, with full power of substitution, on behalf and in the name of the undersigned to represent the undersigned at the 2006 Annual Meeting of Stockholders of HemoSense, Inc. to be held on March 16, 2006 at 12:00 p.m., local time, at the offices of Wilson Sonsini Goodrich & Rosati, PC located on 650 Page Mill Road, Palo Alto, California 94301, and at any postponement or adjournment thereof, and to vote all shares of common stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth below:

SEE REVERSE SIDE

**FOLD AND DETACH HERE**

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|                          |     |          |  |   |         |         |
|--------------------------|-----|----------|--|---|---------|---------|
|                          |     |          |  | Please mark<br>your votes<br>as indicated |         | x       |
| 1. Election of Directors | FOR | WITHHOLD | 2. Proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm of the Company for the fiscal year ending September 30, 2006. | FOR                                       | AGAINST | ABSTAIN |
|                          | ..  | ..       |  | ..  | ..      | ..      |

CLASS I NOMINEES:

ROBERT D. ULRICH, PH.D.

KURT C. WHEELER

THE STOCKHOLDER MAY WITHHOLD AUTHORITY TO VOTE FOR ANY NOMINEE BY STRIKING OUT THE INDIVIDUAL S NAME ABOVE

**THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED AS FOLLOWS: (1) FOR THE ELECTION OF THE NOMINATED CLASS I DIRECTORS; (2) FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND AS THE PROXY HOLDERS DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY COME BEFORE THE MEETING.**

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS HEREON. IF THE STOCK IS REGISTERED IN THE NAME OF TWO OR MORE PERSONS, EACH SHOULD SIGN. EXECUTORS, ADMINISTRATORS, TRUSTEES, GUARDIANS AND ATTORNEYS-IN-FACT SHOULD ADD THEIR TITLES. IF SIGNER IS A CORPORATION, PLEASE GIVE FULL CORPORATE NAME AND HAVE A DULY AUTHORIZED OFFICER SIGN, STATING TITLE. IF SIGNER IS A PARTNERSHIP, PLEASE SIGN IN PARTNERSHIP NAME BY AUTHORIZED PERSON.

PLEASE SIGN, DATE AND PROMPTLY RETURN THIS PROXY IN THE ENCLOSED RETURN ENVELOPE, WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES.

SIGNATURE(S)

SIGNATURE(S)

DATE: \_\_\_\_\_, 2006

NOTE: This Proxy should be marked, signed by the stockholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.

FOLD AND DETACH HERE