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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 8-K**

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported)

December 19, 2008

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**STEREOTAXIS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation)

**000-50884**

(Commission File Number)

**94-3120386**

(IRS Employer Identification No.)

**4320 Forest Park Avenue, Suite 100, St. Louis, Missouri**

(Address of Principal Executive Offices)

**63108**

(Zip Code)

**(314) 678-6100**

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) On December 15, 2008, the Compensation Committee of the Board of Directors (the "Committee") of Stereotaxis, Inc. (the "Company") took certain actions in respect of compensation arrangements of their named executive officers, as described herein.

**Amendments to Equity Award Agreements**

The Committee approved amendments to (i) all outstanding Nonqualified Stock Option Award Agreements which have been issued to employees under the Company's 1994 Stock Option Plan and its 2002 Stock Incentive Plan (the "2002 Plan"), (ii) all Incentive Stock Option Award Agreements which have been issued under the 2002 Plan that, as of December 15, 2008, have an exercise price greater than the fair market value of the Company's common stock on such date and that would otherwise continue to qualify as an Incentive Stock Option if December 15, 2008 were deemed to be the date of grant, and (iii) all outstanding Stock Appreciation Right Award Agreements which have been issued under the 2002 Plan to provide for up to three years from termination date for exercise of vested grants for awardees who terminate employment (a) on or after attainment of age 55 with at least 10 years of service with the Company, or (b) on or after attainment of age 65 with at least five years of service with the Company ((a) and (b) collectively, "Retirement"). The amendments apply to all awardees, including the Company's named executive officers.

In addition, the Committee approved amendments to the forms of Nonqualified Stock Option Award Agreement, Stock Appreciation Right Award Agreement and Incentive Stock Option Award Agreement, in each case under the 2002 Plan, to provide for the extended exercise period as described above upon an awardee's Retirement.

The above description of the forms of award agreements are qualified in their entirety by reference to the full text of the agreements, which are attached hereto as Exhibits 10.1, 10.2 and 10.3, and are incorporated herein by reference.

**2009 Annual Bonus Plan**

On December 15, 2008, the Committee established the annual bonus opportunity for 2009 under the Company's 2009 Annual Bonus Plan (the "2009 Plan"), including bonus opportunity for the named executive officers as described below. The bonuses will be for efforts and services of these officers on behalf of the Company in 2009 pursuant to and consistent with the objective of the 2009 Plan, as determined by the Committee. The performance measures under the 2009 Plan include revenue, new orders and operating results, and the Committee established threshold, target and maximum (or "over-achievement") levels for each such performance measure. Under the 2009 Plan, targeted bonus percentages for the named executive officers range from 40% to 50% of base salary. These individuals can be awarded up to 200% of their target bonus depending on performance against these objectives. The payout result of each objective will be independently calculated and then totaled, incorporating the actual performance against objective, weighting of each objective and the over-achievement levels for each objective. Any amount above 100% of the target award may be paid in the equivalent amount in Company equity awards.

The quarterly bonus opportunity for 2008, adopted by the Committee in February 2008, will be eliminated in 2009.

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**Item 9.01. Financial Statements and Exhibits.**

(d)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Form of Nonqualified Stock Option Award Agreement
10.2	Form of Stock Appreciation Right Award Agreement
10.3	Form of Incentive Stock Option Award Agreement

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**STEREOTAXIS, INC.**

Date: December 19, 2008

By: /s/ James M. Stolze  
Name: James M. Stolze  
Title: Vice President and Chief Financial Officer

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## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Form of Nonqualified Stock Option Award Agreement
10.2	Form of Stock Appreciation Right Award Agreement
10.3	Form of Incentive Stock Option Award Agreement

**NONQUALIFIED STOCK OPTION AGREEMENT  
UNDER  
STEREOTAXIS, INC.  
2002 STOCK INCENTIVE PLAN**

**THIS AGREEMENT**, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Stereotaxis, Inc. (the "Company"), and \_\_\_\_\_ ("Optionee");

**WITNESSETH THAT:**

**WHEREAS**, the Board of Directors of the Company (the "Board of Directors") has adopted the Stereotaxis, Inc. 2002 Stock Incentive Plan (the "Plan") pursuant to which options covering an aggregate of \_\_\_\_\_ shares of the common stock of the Company may be granted to employees of the Company and its subsidiaries and certain other individuals; and

**WHEREAS**, the Company desires to grant to Optionee the option to purchase certain shares of its stock under the terms of the Plan;

**NOW, THEREFORE**, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. **Grant Subject to Plan.** This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of options.

2. **Grant and Terms of Option.** Pursuant to action of the Committee, which action was taken on \_\_\_\_\_, 200\_\_ ("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of \_\_\_\_\_ (\_\_\_\_\_) shares of the common stock of the Company, for a period of ten (10) years from the Date of Grant, at the purchase price of \$\_\_\_\_\_ per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased prior to the first anniversary of the Date of Grant; that at any time during the term of this option on or after the first anniversary of the Date of Grant, Optionee may purchase up to 25% of the total number of shares to which this option relates; that as of the first day of each calendar month after the first anniversary of the Date of Grant during the term of this option, Optionee may purchase up to an additional 2.0833% of the total number of shares to which this option relates; so on the fourth anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee's employment is terminated in contemplation of, or within one (1) year after, the Change of Control, Optionee may purchase 100% of the total number of shares to which this option relates. However, in no event may this option or any part thereof be exercised after the expiration of ten (10) years from the Date of Grant. The purchase price of the shares subject to the option may be paid for (i) in

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cash, (ii) in the discretion of the Committee, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the Committee, by a combination of methods of payment specified in clauses (i) and (ii). In addition, Optionee may effect a "cashless exercise" of this option in which the option shares are sold through a broker and a portion of the proceeds to cover the exercise price is paid to the Company, or otherwise, all in accordance with the rules and procedures adopted by the Committee. Provided, however, that no shares of Common Stock may be tendered in exercise of this option if such shares were acquired by Optionee through the exercise of an Incentive Stock Option, unless (i) such shares have been held by Optionee for at least one year, and (ii) at least two years have elapsed since such Incentive Stock Option was granted. For the purposes of this Agreement, a Change of Control means:

a. The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

b. Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

c. The consummation of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

3. **Anti-Dilution Provisions.** In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of shares covered by this option

agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

4. **Investment Purpose.** Optionee represents that, in the event of the exercise by him of the option hereby granted, or any part thereof, he intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Company, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Company shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a 'no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

5. **Non-Transferability.** Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee's lifetime only by him. Notwithstanding the foregoing, the option may be transferred by gift or otherwise to a member of Optionee's immediate family and/or trusts whose beneficiaries are members of Optionee's immediate family, or to such other persons or entities as may be approved by the Committee.

6. **Termination of Service.** Optionee must exercise the option prior to his termination of service, except that if the service of Optionee terminates without Cause (as hereinafter defined) Optionee may exercise this option, to the extent that he was entitled to exercise it at the date of such termination of service, at any time within three (3) months after such termination, but not after five (5) years from the Date of Grant. For this purpose, "Cause" shall mean Optionee's fraud or willful misconduct as determined by the Committee. Optionee terminates service on account of disability he may exercise such option to the extent he was entitled to exercise it at the date of such termination at any time within one (1) year of the termination of his service but not after ten (10) years from the Date of Grant. For this purpose

Optionee shall be deemed to be disabled if he is permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended ("Code"), which, as of the date hereof, shall mean that he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered disabled only if he furnishes such proof of disability as the Committee may require. Notwithstanding anything herein to the contrary, in the event Optionee's termination of service (i) on or after attainment of age fifty-five (55) with at least ten (10) years of service with the Company, or (ii) on or after attainment of age sixty-five (65) with at least five (5) years of service with the Company, the shares to which this option relates shall remain exercisable until the earlier of (i) three (3) years from the Optionee's termination date, or (ii) ten (10) years from the Date of Grant. The option hereby granted shall not be affected by any change of service so long as Optionee continues to be a service provider to the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the service of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate his service at any time.

7. **Death of Optionee.** In the event of the death of Optionee during the term of this Agreement and while he is providing services to the Company (or a subsidiary), or within thirty (30) days after the termination of his service (or one (1) year in the case of the termination of service if Optionee is disabled as determined under paragraph 6, above), this option may be exercised, to the extent that he was entitled to exercise it at the date of his death, by a legatee or legatees of Optionee under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the date hereof, and only if and to the extent that he was entitled to exercise the option at the date of his death.

8. **Shares Issued on Exercise of Option.** It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

9. **Committee Administration.** This option has been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

10. **Option Not an Incentive Stock Option.** This option is not intended as, nor shall it be treated as, an incentive stock option under Section 422 of the Code.



11. **Choice of Law.** This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Optionee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to this Agreement.

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed on its behalf by its Vice President and to be attested by its Secretary under the seal of the Company, pursuant to due authorization, and Optionee has signed this Agreement to evidence his acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

STEREOTAXIS, INC.

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Optionee

**STOCK APPRECIATION RIGHT AGREEMENT  
UNDER  
STEREOTAXIS, INC.  
2002 STOCK INCENTIVE PLAN**

**THIS AGREEMENT**, made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between Stereotaxis, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Optionee").

**WITNESSETH THAT:**

**WHEREAS**, the Board of Directors of the Company (the "Board of Directors") has adopted the Stereotaxis, Inc. 2002 Stock Incentive Plan (as amended and/or restated from time to time, the "Plan") pursuant to which options, performance share awards, restricted stock and stock appreciation rights with respect to shares of the common stock of the Company may be granted to employees of the Company and its subsidiaries and certain other individuals; and

**WHEREAS**, the Company desires to grant to Optionee an award of \_\_\_\_\_ (\_\_\_\_) stock appreciation rights for the right to receive shares of the Company's common stock ("Shares") in payment of the increase in value of an equivalent number of Shares under the terms hereinafter set forth ("Stock Appreciation Right" or "SAR");

**NOW, THEREFORE**, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. **Award Subject to Plan.** This SAR is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. Terms not defined herein shall have the meaning ascribed thereto in the Plan. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of SARs.
  2. **Grant and Terms of SARs.** Pursuant to action of the Committee, which action was taken on \_\_\_\_\_, 20\_\_\_ ("Date of Grant"), the Company grants to Optionee \_\_\_\_\_ Stock Appreciation Rights related to the increase in value of the equivalent number of Shares underlying this grant. The exercise price of these SARs is equal to \$\_\_\_\_\_ per SAR, which amount shall in no event be less than the fair market value of the underlying Shares on the Date of Grant ("Exercise Price"). Upon exercise of a SAR, the Optionee will receive, in Shares, the equivalent value equal to a) the closing price on the date of such exercise ("Exercise Date") of a Share minus the Exercise Price, the net difference being multiplied by b) the number of SARs being exercised on such Exercise Date. The number of Shares to be received shall be equal to the value so calculated divided by the closing price of the Shares on the Exercise Date. The term of this Agreement shall begin on the Date of Grant and end on the date that is five (5) years after the Date of Grant, and these SARs shall be exercisable for a period of five (5) years from the
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Date of Grant; provided, however, that the right to exercise such SARs shall be, and is hereby, restricted so that (i) no SARs may be exercised prior to the first annual anniversary of the Date of Grant; (ii) at any time during the term of this Agreement on or after the first annual anniversary of the Date of Grant, Optionee may exercise up to 25% of the total number of SARs to which this grant relates; and (iii) as of the first day of each calendar month after the first annual anniversary of the Date of Grant during the term of this Agreement, Optionee may exercise up to an additional 2.0833% of the total number of SARs to which this grant relates; so that on the fourth annual anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to exercise the entire number of SARs to which this grant relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee is involuntarily terminated for reasons other than Cause or terminates for Good Reason on or within one (1) year after the date of the Change of Control, Optionee may exercise 100% of the total number of SARs to which this grant relates. However, in no event may this grant or any part thereof be exercised after the expiration of five (5) years from the Date of Grant.

3. **Definitions.** For purposes of the Award, the following terms shall have the following meanings, except where otherwise noted:

(a) "Cause" shall mean Optionee's fraud or willful misconduct as determined by the Committee

(b) "Change of Control" shall mean:

(i) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent

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Board; or

(iii) The consummation of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

(c) "Company" shall mean Stereotaxis, Inc., a Delaware corporation.

(d) "Disability" or "Disabled" shall mean Optionee is permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended, which, as of the date hereof, shall mean that Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered Disabled only if Optionee furnishes such proof of Disability as the Committee may require.

(e) "Good Reason" shall mean":

(i) Requiring Optionee to be based at any office or location more than 50 miles from Optionee's office or location as of the date of the Change of Control;

(ii) The assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change of Control or any action by the Company or any of its subsidiaries which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an action taken by the Company or one of its subsidiaries, to which Optionee objects in writing by notice to the Company within 10 business days after Optionee receives actual notice of such action, which is remedied by the Company or one of its subsidiaries promptly but in any event no later than 5 business days after Optionee provided such notice; or

(iii) The reduction in Optionee's total compensation and benefits below the level in effect as of the date of the Change of Control.

4. **Anti-Dilution Provisions.** In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of SARs and underlying Shares

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covered by this Agreement and the price thereof shall be adjusted, to the same proportionate number of SARs and underlying Shares and price as in this original Agreement.

5. **Non-Transferability.** Neither the SARs hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The SARs may be exercised during Optionee's lifetime only by Optionee. Notwithstanding the foregoing, the SARs may be transferred by gift or otherwise to a member of Optionee's immediate family and/or trusts whose beneficiaries are members of Optionee's immediate family, or to such other persons or entities as may be approved by the Committee.

6. **Termination of Service.** Optionee must exercise the SARs prior to Optionee's termination of service, except that if the service of Optionee terminates without Cause (as hereinafter defined) Optionee may exercise the SARs, to the extent that Optionee was entitled to exercise them at the date of such termination of service, at any time within six (6) months after such termination, but not after five (5) years from the Date of Grant. For purposes of this paragraph only, "Cause" shall mean Optionee's fraud or willful misconduct as determined by the Committee. If Optionee terminates service on account of Disability, Optionee may exercise such SARs to the extent Optionee was entitled to exercise them at the date of such termination, at any time within one (1) year of the termination of service, but not after five (5) years from the Date of Grant. Notwithstanding anything herein to the contrary, in the event Optionee's termination of service (i) on or after attainment of age fifty-five (55) with at least ten (10) years of service with the Company, or (ii) on or after attainment of age sixty-five (65) with at least five (5) years of service with the Company, the SARs to which this grant relates shall remain exercisable until the earlier of (i) three (3) years from the Optionee's termination date, or (ii) five (5) years from the Date of Grant. The SARs hereby granted shall not be affected by any change of service so long as Optionee continues to be a service provider to the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the service of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate Optionee's service at any time.

7. **Death of Optionee.** In the event of the death of Optionee during the term of this Agreement and while Optionee is providing services to the Company (or a subsidiary), or within ninety (90) days after the termination of Optionee's service (or one (1) year in the case of the termination of service if Optionee is disabled as determined above), this SAR may be exercised, to the extent that Optionee was entitled to exercise it at the date of death, by a legatee or legatees of Optionee under Optionee's last will, or by Optionee's personal representatives or distributees, at any time within a period of one (1) year after Optionee's death, but not after five (5) years from the date hereof, and only if and to the extent that Optionee was entitled to exercise the SAR at the date of Optionee's death.

8. **Shares Issued on Exercise of SARs.** It is the intention of the Company that on any exercise of these SARs it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof;

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provided that, the Company shall withhold sufficient shares to satisfy the Company's obligation to withhold for tax requirements in respect of such payment if Optionee is at the time of vesting subject to the Company's policies regarding restrictions on trading within specified trading "windows", and the Company may, in its sole discretion, so withhold if Optionee is not subject to such restrictions upon Optionee's request. In the event that the Company withholds shares as contemplated in this Section, the Optionee shall receive a net number of shares equal to the shares to which the Optionee is otherwise entitled hereunder upon exercise, less the number of shares withheld by the Company hereunder. In the event that the Company determines not to withhold shares for an Optionee who is not subject to the trading restrictions prior to the payment on exercise, the Optionee must pay, or make arrangements acceptable to the Company for the payment of, any and all tax withholding that in the opinion of the Company is required by law. Such arrangements for payment of withholding may include, for example, directing an appropriate broker to sell such number of shares as necessary to result in a cash amount equal to the withholding requirements.

**9. Committee Administration.** These SARs have been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of these SARs, shall have plenary authority to interpret any provision of this grant and to make any determinations necessary or advisable for the administration of this grant and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

**10. Choice of Law.** This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Optionee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to this Agreement.

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Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

STEREOTAXIS, INC.

By \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Optionee

**INCENTIVE STOCK OPTION AGREEMENT  
UNDER  
STEREOTAXIS, INC.  
2002 STOCK INCENTIVE PLAN**

**THIS AGREEMENT**, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Stereotaxis, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Optionee").

**WITNESSETH THAT:**

**WHEREAS**, the Board of Directors of the Company (the "Board of Directors") has adopted the Stereotaxis, Inc. 2002 Stock Incentive Plan (as amended and/or restated from time to time, the "Plan") pursuant to which options, performance share awards, restricted stock and stock appreciation rights with respect to shares of the common stock of the Company may be granted to employees of the Company and its subsidiaries and certain other individuals; and

**WHEREAS**, the Company desires to grant to Optionee the option to purchase certain shares of its stock under the terms of the Plan;

**NOW, THEREFORE**, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

**1. Grant Subject to Plan.** This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of options.

**2. Grant and Terms of Option.** (a) Pursuant to action of the Committee, which action was taken on \_\_\_\_\_, 200\_ ("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of \_\_\_\_\_ (\_\_\_\_\_) shares of the common stock of the Company, for a period of five (5) years from the Date of Grant, at the purchase price of \$\_\_\_\_\_ per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased prior to the first anniversary of the Date of Grant; that at any time during the term of this option on or after the first anniversary of the Date of Grant, Optionee may purchase up to 25% of the total number of shares to which this option relates; that as of the first day of each calendar month after the first anniversary of the Date of Grant during the term of this option, Optionee may purchase up to an additional 2.0833% of the total number of shares to which this option relates; so on the fourth anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee is involuntarily terminated for reasons other than Cause or terminates for Good Reason in contemplation of, on

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or within one (1) year after the date of, the Change of Control, Optionee may purchase 100% of the total number of shares to which this option relates. However, in no event may this option or any part thereof be exercised after the expiration of five (5) years from the Date of Grant. The purchase price of the shares subject to the option may be paid for (i) in cash, (ii) in the discretion of the Committee, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the Committee, by a combination of methods of payment specified in clauses (i) and (ii). In addition, Optionee may effect a “cashless exercise” of this option in which the option shares are sold through a broker and a portion of the proceeds to cover the exercise price is paid to the Company, or otherwise, all in accordance with the rules and procedures adopted by the Committee. Provided, however, that no shares of Common Stock may be tendered in exercise of this option if such shares were acquired by Optionee through the exercise of an Incentive Stock Option, unless (i) such shares have been held by Optionee for at least one year, and (ii) at least two years have elapsed since such Incentive Stock Option was granted.

3. **Definitions.** For purposes of the Award, the following terms shall have the following meanings, except where otherwise noted:

- (a) “Cause” shall mean Optionee’s fraud or willful misconduct as determined by the Committee
- (b) “Change of Control” shall mean:

- (i) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding voting securities entitled to vote generally in the election of directors; or

- (ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Board” and, as of the date hereof, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(iii) The consummation of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

(c) "Company" shall mean Stereotaxis, Inc., a Delaware corporation.

(d) "Disability" or "Disabled" shall mean Optionee is permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended, which, as of the date hereof, shall mean that Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered Disabled only if Optionee furnishes such proof of Disability as the Committee may require.

(e) "Good Reason" shall mean":

(i) Requiring Optionee to be based at any office or location more than 50 miles from Optionee's office or location as of the date of the Change of Control;

(ii) The assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change of Control or any action by the Company or any of its subsidiaries which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an action taken by the Company or one of its subsidiaries, to which Optionee objects in writing by notice to the Company within 10 business days after Optionee receives actual notice of such action, which is remedied by the Company or one of its subsidiaries promptly but in any event no later than 5 business days after Optionee provided such notice; or

(iii) The reduction in Optionee's total compensation and benefits below the level in effect as of the date of the Change of Control.

**4. Anti-Dilution Provisions.** In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups,

combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

5. **Investment Purpose.** Optionee represents that, in the event of the exercise by him of the option hereby granted, or any part thereof, he intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Company, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Company shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

“The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a ‘no-action’ letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act.”

6. **Non-Transferability.** Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee’s lifetime only by him.

7. **Termination of Employment.** Optionee must exercise the option prior to his termination of employment, except that if the employment of Optionee terminates without Cause Optionee may exercise this option, to the extent that he was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after five (5) years from the Date of Grant. If Optionee terminates employment on account of disability he may exercise such option to the extent he was entitled to exercise it at the date of such termination at any time within one (1) year of the termination of his employment but not after five (5) years from the Date of Grant. For this purpose Optionee shall be deemed to be disabled if he is permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended (“Code”), which, as of the date

hereof, shall mean that he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered disabled only if he furnishes such proof of disability as the Committee may require. Notwithstanding anything herein to the contrary, in the event Optionee terminates employment with the Company (i) on or after attainment of age fifty-five (55) with at least ten (10) years of service with the Company, or (ii) on or after attainment of age sixty-five (65) with at least five (5) years of service with the Company, such shares shall remain exercisable until the earlier of (i) three (3) years from the Optionee's termination date, or (ii) five (5) years from the Date of Grant. The option hereby granted shall not be affected by any change of employment so long as Optionee continues to be an employee of the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the employ of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate his employment at any time.

**8. Death of Optionee.** In the event of the death of Optionee during the term of this Agreement and while he is employed by the Company (or a subsidiary), or within three (3) months after the termination of his employment (or one (1) year in the case of the termination of employment if Optionee is disabled as determined under paragraph 6, above), this option may be exercised, to the extent that he was entitled to exercise it at the date of his death, by a legatee or legatees of Optionee under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after five (5) years from the date hereof, and only if and to the extent that he was entitled to exercise the option at the date of his death.

**9. Shares Issued on Exercise of Option.** It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

**10. Committee Administration.** This option has been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

**11. Option an Incentive Stock Option.** It is intended that this option shall be treated as an incentive stock option under Section 422 of the Code.

**12. Choice of Law.** This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another

jurisdiction. Optionee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to this Agreement.

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed on its behalf by its Vice President and to be attested by its Secretary under the seal of the Company, pursuant to due authorization, and Optionee has signed this Agreement to evidence his acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

STEREOTAXIS, INC.

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Optionee