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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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

**Date of report (Date of earliest event reported): August 7, 2013**

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**STEREOTAXIS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**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)

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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 1.01. Entry into a Material Definitive Agreement.**

The information included in paragraphs 1, 2, 3, 5 and 6 under “Certain Transactions with Convertible Debt Holders” in Item 8.01 is incorporated herein by reference.

**Item 2.02. Results of Operations and Financial Condition.**

On August 8, 2013, Stereotaxis, Inc. issued a press release (the “Press Release”) setting forth its financial results for the second quarter of fiscal year 2013. A copy of the Press Release is being filed as Exhibit 99.1 hereto, and the statements contained therein are incorporated by reference herein.

In accordance with General Instruction B.2. of Form 8-K, the information contained in Item 2.02 and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 3.02 Unregistered Sales of Equity Securities.**

The information included in paragraphs 1, 2, 3, 5 and 6 under “Certain Transactions with Convertible Debt Holders” in Item 8.01 is incorporated herein by reference.

**Item 8.01. Other Events.**

The Company announces the following recent developments:

**Certain Transactions with Convertible Debt Holders**

On August 7, 2013, holders of all of the Company’s existing convertible subordinated notes exercised an aggregate of warrants to purchase an 2.5 million shares of its common stock at an exercise price of \$3.361 per share, for an aggregate of \$8.475 million of cash proceeds to the Company. The warrants were originally issued in connection with their notes. The noteholders also converted \$8.0 aggregate principal amount of such notes into 2.4 million shares of its common stock at a conversion price of \$3.361 per share. The existing convertible subordinated notes and related warrants were sold in a private placement to certain institutional investors in May 2012 in reliance upon the exemptions from registration provided by Rule 506 and Section 4(2) of the Securities Act of 1933. The shares issued upon the conversion of the notes and exercise of the warrants are eligible for resale under a registration statement previously filed by the Company.

Additionally, on August 7, 2013, the Company entered into Exchange and Amendment Agreements with of each those holders of its existing convertible subordinated notes and related warrants pursuant to which those holders exchanged their remaining \$100,000 aggregate principal amount of such notes, for an aggregate of approximately 333,000 shares of its common stock and new warrants to purchase an aggregate of 2.5 million shares of its common stock, having an exercise price of \$3.361 per share. In connection with the exchange, the holders and Company amended the terms of the original Securities Purchase Agreement dated May 7, 2012 under which the notes and warrants were issued to remove certain covenants, including covenants restricting the Company’s use of proceeds received on sales of the securities, on the additional issuances of securities, and on the limitations relating to issuing variable securities. The holders also released the Company with respect to prior defaults, if any, previously disclosed to the holder and outstanding as of the date of the Exchange and Amendment Agreements under the notes, the warrants and/or any other transaction documents related to the convertible notes, other than the amendment and the new warrants. The new warrants are substantially identical in all material respects to the existing warrants that were issued in the May 2012 private placement. This exchange transaction was conducted under Section 3(a)(9) of the Securities Act of 1933.

As a result, all of the Company's convertible subordinated notes were converted or exercised at a combined effective rate of \$3.00 per share. The Company received an aggregate of \$8.475 million gross proceeds from the exercise of the warrants originally issued in connection with the convertible subordinated notes. The Company did not receive any proceeds from such conversions or exchanges of the convertible subordinated notes described above.

*Potential Rights Offering.* The Company also intends to conduct a rights offering to all stockholders, pursuant to which its stockholders may elect to purchase up to a specified fraction of a shares for each share that of stock held as of the record date for the offering, at a price of \$3.00 per share. The number of rights has not been fixed, but the Company currently anticipates that fraction would not be less than 0.25 per share for each share of common stock held. The Company will register the rights offering with the Securities and Exchange Commission, and as a result, the record date has not been set for the rights offering at this time.

Cash proceeds from any of the transactions described above would be used for working capital and general corporate purposes.

The foregoing descriptions of the Exchange and Amendment Agreements and the Warrants are qualified in their entirety by reference to the full text of the forms of such agreements, which are filed as Exhibits 10.1 and 10.2, respectively, to this Current Report on Form 8-K and incorporated herein by reference.

#### Capitalization

The following table sets forth its capitalization as of June 30, 2013:

- on an actual basis; and
- on an as-adjusted basis, to give effect to the (i) conversion of \$8.0 million aggregate principal amount of its convertible subordinated notes in to approximately 2.4 million shares, (ii) the cash exercise related existing warrants to purchase an aggregate of 2.5 million shares of its common stock at \$3.361 per share, and (iii) the exchange of \$100,000 remaining aggregate principal amount of such convertible subordinated notes for an aggregate of 0.3 million shares of its common stock and newly issued warrants to purchase 2.5 million shares of its common stock at an exercise price of \$3.361 per share.

	As of June 30, 2013	
	Actual	As Adjusted
	(In thousands)	
Cash and Cash Equivalents	\$ 4,114	\$ 12,589
Short-Term Debt, including current maturities of long-term debt	12,061	9,322
Warrants and Debt Conversion Features	1,469	18,668
Long-Term Debt, including current maturities	17,809	17,809
Stockholders Equity		
Common Stock	8	13
Additional paid-in-capital	367,133	412,596
Treasury stock, 40,151 shares	(206)	(206)
Accumulated deficit	(392,573)	(444,228)
Total stockholders equity (deficit)	(25,638)	(31,824)
Total Capitalization	\$ (7,829)	\$ (14,015)

## Earnings Release

On August 8, 2013, the Company issued an earnings release reporting its financial results for the quarter ended June 30, 2013. All financial data set forth below is preliminary and unaudited and subject to revision based upon its review and a review by its independent registered accounting firm of its financial condition and results of operations as of such dates and for such periods.

### *Three-Month Financial Results*

Revenue for the second quarter 2013 totaled \$9.7 million compared to \$8.4 million in the first quarter of 2013, a 15.8% sequential increase, and \$10.5 million in the prior year second quarter. System revenue improved 49% sequentially to \$3.3 million, as the Company recognized revenue of \$2.2 million on two Niobe<sup>®</sup> ES systems and two Niobe ES upgrades, along with \$1.1 million in Odyssey<sup>®</sup> system sales in the second quarter 2013. Recurring revenue of \$6.4 million in the quarter was relatively unchanged from \$6.6 million in the prior year second quarter and \$6.2 million in the 2013 first quarter. Utilization declined 11% compared to the same quarter last year and was down slightly on a sequential basis.

The Company generated new capital orders of \$4.0 million, which included two Niobe ES orders, compared to \$3.1 million in the second quarter of 2012 and \$2.4 million in the first quarter of 2013. Ending capital backlog for the second quarter was \$8.4 million. During the quarter, one Niobe ES order was removed from backlog. The order was expected to go to revenue in 2014 but was cancelled due to changes in ownership at the hospital.

Gross margin in the quarter was \$7.3 million, or 74.6% of revenue, versus \$7.3 million, or 69.0% of revenue, in the second quarter 2012 and \$6.2 million, or 73.9% of revenue, in the first quarter 2013. Operating expenses in the second quarter were \$9.0 million, a 24% improvement from the year ago period and an 8% sequential improvement.

Operating loss in the second quarter was \$(1.8) million, a 62% reduction compared to \$(4.6) million in the prior year quarter and a 51% reduction compared to \$(3.6) million in the first quarter. Interest expense increased \$0.3 million year over year and \$0.2 million sequentially, primarily due to the non-cash amortization of the convertible debt discount.

The net loss for the second quarter was \$(3.0) million, or \$(0.37) per share, compared to a net income of \$2.8 million, or \$0.32 per diluted share, reported in the second quarter 2012 and a net loss of \$(4.9) million, or \$(0.61) per share, reported for the first quarter 2013. The weighted average diluted shares outstanding for the second quarters of 2013 and 2012 totaled 8.2 million and 9.3 million, respectively, and 8.0 million for the first quarter of 2013. The 2012 second quarter results included a \$9.0 million gain related to mark-to-market conversion features of the warrants and subordinated convertible debt associated with the \$18.5 million financing in May 2012. Excluding this, the adjusted net loss for the 2012 second quarter would have been \$(6.2) million, or \$(0.91) per adjusted diluted share with 6.7 million adjusted average diluted shares outstanding. Excluding mark-to-market warrant revaluation and amortization of convertible debt discount related to the financing, the net loss for the 2013 second quarter would have been \$(3.2) million, or \$(0.39) per share, and \$(5.0) million, or \$(0.63) per share, for the first quarter.

Cash burn for the second quarter of 2013 was \$2.2 million, compared to \$4.2 million for the second quarter of 2012 and \$1.1 million for the first quarter of 2013. The sequential increase in cash burn was primarily due to lower revenues and receivables in the first quarter resulting in lower collections in the second quarter.

#### *Six-Month Financial Results*

Revenue for the first six months of 2013 was \$18.1 million, down 20.4% compared to \$22.8 million in the first six months of 2012. System and recurring revenues were \$5.5 million and \$12.6 million, respectively, during the first half of 2013, compared to \$9.0 million and \$13.8 million for system and recurring revenues during the same period of 2012. Overall utilization declined 11% from the same period last year.

Gross margin was \$13.5 million, or 74.3% of revenue, compared with \$15.8 million, or 69.2% of revenue, in the first six months of the prior year. Operating expenses were \$18.8 million year to date on June 30, 2013, compared with \$24.6 million in the same period of 2012, a 23.4% reduction. Operating loss was \$(5.3) million versus \$(8.8) million in the first six months of 2012, a 39.3% decrease.

Interest expense increased to \$4.1 million for the first six months of 2013, compared to \$3.3 million in the first six months of 2012. The increase was primarily related to non-cash amortization of the convertible debt discount related to the \$18.5 million financing in May 2012.

The net loss was \$(7.9) million for the first six months of 2013 versus \$(3.0) million for the comparable period in 2012. The results for the first six months of 2012 included a \$9.0 million gain related to mark-to-market conversion features of subordinated convertible debt and the warrants associated with the May 2012 financing. Cash burn was \$3.3 million, compared to \$8.5 million in the first six months of 2012.

#### *Cash Position and Capitalization*

At June 30, 2013, Stereotaxis had cash and cash equivalents of \$4.1 million, compared to \$9.6 million at March 31, 2013. At quarter end, total debt was \$29.9 million, including \$18.5 million related to HealthCare Royalty Partners debt. On July 31, 2013, the Company secured an extension of its revolving line of credit with Silicon Valley Bank through August 31, 2013, and received a waiver of covenant testing as of July 31, 2013.

As previously disclosed, the Company has experienced significant liquidity issues in the recent past. While we have increased our cash position as a result of the transactions with convertible debt holders, we expect to have negative cash flow from operations throughout 2013. Further, we have been close to breaching certain financial covenants in our senior secured credit facility on several occasions, and our lender has recently granted us several short term extensions and covenant waivers or modifications, including monthly extensions and waivers since June. Without a long-term resolution of these liquidity issues, the Company is at material risk both operationally and financially. Therefore, the Company will continue to evaluate operating expense levels and cash burn, while exploring various strategic and financing alternatives with multiple entities to strengthen its balance sheet.

Until the Company can generate significant cash flow from its operations, the Company expects to continue to fund its operations with cash resources primarily generated from the proceeds of the transactions described in “Transactions” above and its existing resources. In order to continue its operations following such time, the Company will be required to raise additional capital or pursue other financing strategies, and has engaged a financial advisor to assist with that process (as described below). The Company may finance such future cash needs through the sale of other equity securities or non-core assets, strategic collaboration agreements, debt financings or through distribution rights. The Company cannot accurately predict the timing and amount of its utilization of capital, which will depend on a number of factors outside of its control.

The Company’s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q disclose in detail the risks of the Company’s current liquidity situation, and will be further updated in the Company’s upcoming Form 10-Q with respect to the second quarter.

The Company cannot assure you that such additional financing will be available on a timely basis on terms acceptable to us or at all, or that such financing will not be highly dilutive to its stockholders. If adequate funds are not available to us, the Company could be required to delay development or commercialization of new products, to license to third parties the rights to commercialize products or technologies that the Company would otherwise seek to commercialize ourselves or to reduce the sales, marketing, customer support or other resources devoted to its products, any of which could have a material adverse effect on its business, financial condition and results of operations. In addition, the Company could be required to cease operations.

#### **Financial Advisor**

The Company engaged Gordian Group, LLC to assist it with evaluation of various strategic and financing alternatives. Gordian Group is a financial advisory firm with special expertise in banking and advisory services for businesses in challenging liquidity situations. Gordian Group advised with respect to the transactions announced above relating to its convertible debt holders.

#### **Nasdaq**

As previously disclosed, the Company has received notices from Nasdaq advising it that the Company does not meet the continued listing standards of the Nasdaq Global Market. On March 20, 2013, the Company received a notification from the Nasdaq Listing Qualifications Department that the Company is not in compliance with the \$50.0 million in total assets and total revenues requirement for its most recently completed fiscal year or for two of the last three most recently completed fiscal years as required by Nasdaq Listing Rule 5450(b)(3)(A). In addition, the Nasdaq letter stated that the Company does not comply with an alternative requirement of Listing Rule 5450(b) for continued listing on the Nasdaq Global Market because its stockholders’ equity is less than \$10.0 million and the market value of its listed securities is less than \$50.0 million. In addition, on April 17, 2013, Nasdaq notified us that the Company no longer complies with the market value of publicly held shares requirement for continued listing on the Nasdaq Global Market, as the Company did not maintain a publicly held market value of \$15 million for the 30 consecutive business days prior to the date of the letter. In accordance with applicable Nasdaq rules, the Company has various periods to regain compliance and to present compliance plans to the Nasdaq.

On July 25, Company representatives appeared before the Nasdaq Listing Qualifications Panel to request a transfer from the Nasdaq Global Market to the Capital Market and to present a plan to regain compliance with the continued listing requirements of the Nasdaq Global Market. The hearing was granted following a determination letter by the Nasdaq staff which denied the Company's request for an extension to achieve compliance with Global Market requirements. If the Panel decides to continue Stereotaxis' listing on the Capital Market, the Company could have until December 16, 2013, to achieve compliance with applicable listing requirements. The Company does not have the results of the hearing at this time, but intends to continue to pursue its plans to achieve compliance with Capital Market criteria and to report to the Panel on its progress no later than August 15, 2013, as requested by the Panel.

If its common stock is delisted from the Nasdaq Stock Market, the Company anticipates that its common stock will be immediately eligible for quotation on the OTCQB Market. Any delisting could adversely affect the market liquidity of its common stock, adversely affect its ability to obtain financing for the continuation of its operations and harm its business. Moreover, if the Company are not listed on an "eligible market," under the terms of its convertible debt, the Company would be in default under the terms of its note, and because of cross-default provisions, the Company would be in default under its other principal debt obligations. In addition, receipt of a deficiency notice from Nasdaq with respect to its ongoing compliance with the Nasdaq Global Market continued listing standards could also result in other negative implications, including the potential loss of confidence by suppliers, customers and employees, the loss of institutional investor interest and fewer business development opportunities. Any of such developments as a result of the foregoing could impair the value of its investment.

### **Clinical Update**

As previously announced, the Company has received 510(k) clearance by the Food and Drug Administration to market the Vdrive™ with V-Sono™ ICE catheter manipulator in the U.S. Additionally, the clinical study for the V-Loop™ circular catheter manipulator has completed 60% enrollment. This five-center, 120-patient clinical study will be part of a future V-Loop 510(k) submission that the Company intends to file upon completion of the study.

*This report includes statements that may constitute "forward-looking" statements, usually containing the words "believe," "estimate," "project," "expect" or similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, the Company's ability to raise additional capital or otherwise address ongoing liquidity challenges on a timely basis and on terms that are acceptable, its ability to continue to manage expenses and cash burn rate at sustainable levels, its ability to continue to work with lenders to extend, repay or refinance indebtedness on acceptable terms or at all, the Company's continued listing on the NASDAQ Global Market or ability to satisfy the criteria for listing on the NASDAQ Capital Market, continued acceptance of the Company's products in the marketplace, the effect of global economic conditions on the ability and willingness of customers to purchase its systems and the timing of such purchases, the outcome of various shareholder litigation filed against Stereotaxis, competitive factors, changes resulting from the recently enacted healthcare reform in the U.S., including changes in government reimbursement procedures, dependence upon third-party vendors, timing of regulatory approvals, and other risks discussed in the Company's periodic and other filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release. There can be no assurance that the Company will recognize revenue related to its purchase orders and other commitments in any particular period or at all because some of these purchase orders and other commitments are subject to contingencies that are outside of the Company's control. In addition, these orders and commitments may be revised, modified, delayed or canceled, either by their express terms, as a result of negotiations, or by overall project changes or delays.*

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**Item 9.01. Financial Statements and Exhibits**

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Exhibits:

- 10.1 Form of Amendment and Exchange Agreement between the Company and each of the holders of its convertible debentures participating in the exchange
- 10.2 Form of Warrant issued pursuant to that certain Exchange and Amendment Agreement, dated August, 2013
- 99.1 Press release dated August 8, 2013.





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**EXHIBIT INDEX**

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- 10.2 Form of Warrant issued pursuant to that certain Exchange and Amendment Agreement, dated August, 2013
- 99.1 Press release dated August 8, 2013.

## FORM OF AMENDMENT AND EXCHANGE AGREEMENT

This Amendment and Exchange Agreement (the “**Agreement**”), dated as of August 7, 2013, is by and between Stereotaxis, Inc., a Delaware corporation with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, MO 63108 (the “**Company**”), and the holder identified on the signature page hereto (“**Holder**”).

## R E C I T A L S

A. Prior to the date hereof, the Company has issued to the Holder (i) a subordinated convertible debenture (the “**Debenture**”), which Debenture is convertible into shares of the Company’s common stock, \$0.001 par value per share (the “**Common Stock**”) (as converted, collectively, the “**Conversion Shares**”), in accordance with the terms of the Debenture and (ii) a warrant (the “**Warrant**”) to purchase Common Stock (the “**Warrant Shares**”), in each case, pursuant to a Securities Purchase Agreement, dated as of May 7, 2013 (the “**Securities Purchase Agreement**”) to the Holder and certain other investors signatory thereto (the Holder and such other investors collectively, the “**Investors**”). Capitalized terms not defined herein shall have the meanings set forth in the Securities Purchase Agreement as amended hereby.

B. On or prior to the date hereof, (i) except for such aggregate portion of the principal amount of the Debenture as described below the Holder’s name on the signature page of the Holder (the “**Remaining Debenture**”), the Holder has converted (or delivered conversion notice(s) electing to convert) the Debenture in full pursuant to the terms of the Debenture and (ii) the Holder has exercised (or delivered irrevocable exercise notice(s) electing to exercise) the Warrant in full pursuant to the terms of the Warrant.

C. The Company and the Holder desire to enter into this Agreement, pursuant to which, among other things (i) the Company and the Holder shall exchange the Remaining Debenture for (x) such number of shares of Common Stock as described below the Holder’s name on the signature page of the Holder (the “**Exchange Shares**”) and (y) a new warrant to purchase such number of shares of Common Stock as described below the Holder’s name on the signature page of the Holder, in the form attached hereto as Exhibit A (the “**Exchange Warrant**”, and such shares of Common Stock issuable upon exercise thereof, the “**Exchange Warrant Shares**”), and (ii) certain covenants of the subordinated convertible debentures of the Company (including the Debenture, the “**Debentures**”) and the Securities Purchase Agreement shall be removed.

D. Concurrently with the transactions contemplated hereby, Investors (other than the Holder) (the “**Other Holders**”), which, together with the Holder, beneficially own at least 75% of the aggregate principal amount of subordinated convertible debentures of the Company (the “**Required Holders**”), are executing agreements identical to this Agreement (other than proportional changes in the numbers reflecting the different aggregate principal amount of subordinated convertible debentures and related warrants of the Company held by each Other Holder and corresponding proportional changes to the number of shares of Common Stock and new warrants to purchase Common Stock to be delivered to such Other Holder in exchange for such portion of the applicable subordinated convertible debenture being exchanged) (the “**Other Agreements**”, and together with this Agreement, the “**Agreements**”).

E. The Remaining Debenture will be exchanged for the Exchange Shares and the Exchange Warrant in an exchange made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act.

A G R E E M E N T

1. Amendment; Exchange. On the Closing Date (as defined below), the Holder shall, and the Company shall, pursuant to Section 3(a)(9) of the Securities Act, exchange (a) the Remaining Debenture for the Exchange Shares and the Exchange Warrant (collectively, the “**Exchange**”). On or prior to the Closing (as defined below), the following transactions shall occur:

1.1 Delivery. On the Closing Date, the Company shall deliver the Exchange Shares and the Exchange Warrant to the Holder and (b) the Remaining Debenture shall be extinguished. The Holder acknowledges that, as of the Effective Time, the Holder has no knowledge of any outstanding defaults under the Debenture. The Exchange Shares and the Exchange Warrant shall be issued without any restricted legend and shall be delivered to the Holder (or, with respect to the Exchange Shares, by Deposit/Withdrawal at Custodian to the broker of the Holder) in accordance with the instructions set forth on the signature page of the Holder.

1.2 Other Documents. The Company and the Holder shall execute and/or deliver such other documents and agreements as are customary and reasonably necessary to effectuate the Amendment and the Exchange.

1.3 No Additional Consideration. The parties acknowledge and agree that the Exchange Shares and the Exchange Warrant shall be issued to the Holder in exchange for the Remaining Debenture without the payment of any additional consideration.

1.4 Closing. Upon confirmation that the Required Holders shall have executed the Amendment and Exchange Agreements, the closing of the Exchange (the “**Closing**”) shall occur on August 7, 2013 or such other date as is mutually acceptable to the Holder and the Company (the “**Closing Date**”).

2. AMENDMENTS TO TRANSACTION DOCUMENTS.

2.1 Amendments to Transaction Documents; Waivers.

(a) Effective as of the Effective Time, each of the Transaction Documents are hereby amended as follows:

(i) The defined term “Conversion Shares” is hereby amended to include “each of the “Exchange Shares” (as defined in the Amendment and Exchange Agreements)”.

(ii) The defined term “Warrants” is hereby amended to include “each “Exchange Warrant” (as defined in the Amendment and Exchange Agreements)”.

(iii) The defined term “Transaction Documents” is hereby amended to include the Amendment and Exchange Agreements.

(iv) The defined term “Amendment and Exchange Agreements” shall mean “those certain Amendment and Exchange Agreements, dated as of August , 2013, each by and between the Company and each Buyer”.

(v) Each of Sections 4(d), 4(j), 4(k), 4(n), 4(r), 4(t), 4(u) and 4(v) of the Securities Purchase Agreement are hereby amended and restated as “[Intentionally Omitted]”. The second sentence of Section 4(f) is hereby amended and restated as follows:

So long as any Warrants remain outstanding, the Company shall maintain the Common Stock’s listing or designation for quotation (as the case may be) on the Principal Market, the New York Stock Exchange, the NYSE Amex, the Nasdaq Capital Market or the Nasdaq Global Select Market (each, an “**Eligible Market**”).

(vi) Section 14 of each of the Debentures are hereby amended and restated as “[Intentionally Omitted]”.

### 3. REPRESENTATIONS AND WARRANTIES.

3.1 Holder Bring Down. The Holder hereby makes the representations and warranties as to itself only as set forth in Section 2 of the Securities Purchase Agreement (as amended hereby) as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Agreement, *mutatis mutandis*.

3.2 Company Bring Down. Subject to such disclosures set forth in the Company’s filings with the Securities and Exchange Commission prior to the date hereof and in the 8-K Filing (as defined below), the Company hereby makes the representations and warranties to the Holder as set forth in Section 3 of the Securities Purchase Agreement (as amended hereby) as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Amendment, *mutatis mutandis*.

### 4. Covenants.

4.1 Disclosure of Transactions and Other Material Information. On or before 9:30 a.m., New York time, on the first (1st) Business Day following the date of this Agreement, the Company shall file a Current Report on Form 8-K describing all the material terms of the transactions contemplated by the Agreements in the form required by the 1934 Act and attaching all the material agreements (including, without limitation, this Agreement and the form of the Exchanged Warrants) (including all attachments, the “**8-K Filing**”). From and after the issuance of the 8-K Filing, the Company shall have disclosed all material, non-public information (if any) delivered to any of the Buyers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Agreements.

4.2 **Fees.** The Company shall reimburse Greenberg Traurig, LLP (counsel to the lead Investor), on demand, for all reasonable, documented costs and expenses incurred by it in connection with preparing and delivering this Agreement (including, without limitation, all reasonable, documented legal fees and disbursements in connection therewith, and due diligence in connection with the transactions contemplated thereby), which amount shall not exceed \$15,000 without the consent of the Company (the “**Lead Investor Counsel Expenses**”).

4.3 **Holding Period.** For the purposes of Rule 144, the Company acknowledges that the holding period of (i) the Remaining Debenture may be tacked onto the holding period of each of the Exchange Shares and the Exchange Warrant, and the Company agrees not to take a position contrary to this Section 4.3. The Company agrees to take all actions, including, without limitation, obtaining customary legal opinions necessary to comply with the foregoing.

4.4 **Release.** The Holder hereby releases the Company from any and all claims, demands, debts and causes of action, known or unknown, past, present or future, arising from any defaults, if any, previously disclosed to the Holder and outstanding as of the date hereof under the Debenture, the Warrant and/or any other Transaction Documents; provided, that notwithstanding anything contained herein to the contrary, this release shall not release the Company from any of its obligations under this Agreement or any other Exchange Document or related to any outstanding conversion notice pursuant to the Debenture or exercise notice pursuant to the Warrant.

## 5. MISCELLANEOUS.

5.1 **Effective Time.** This amendments set forth in Section 2 of this Agreement shall be effective upon the later of (x) the time the Company shall have paid Lead Investor Counsel Expenses to Greenberg Traurig LLP by wire transfer of U.S. dollars and immediately available funds in accordance with the written instructions of Greenberg Traurig LLP delivered to the Company and (y) the date each of the Required Holders shall have received such shares of Common Stock and warrants to Purchase Common Stock in exchange for the Debentures subject to exchange as contemplated by each of their respective Amendment and Exchange Agreements (the “**Effective Time**”).

5.2 **Miscellaneous Provisions.** Section 9 of the Securities Purchase Agreement (as amended hereby) is hereby incorporated by reference herein, *mutatis mutandis*.

5.3 **Most Favored Nation.** The Company hereby represents and warrants as of the date hereof and covenants and agrees from and after the date hereof that none of the terms offered to any Person with respect to any consent, release, amendment, settlement or waiver relating to the terms, conditions and transactions contemplated hereby (each a “**Settlement Document**”), is or will be more favorable to such Person than those of the Holder and this Agreement. If, and whenever on or after the date hereof, the Company enters into a Settlement Document, then (i) the Company shall provide notice thereof to the Holder immediately following the occurrence thereof and (ii) the terms and conditions of this Agreement, the other Exchange Documents and the Securities (other than any limitations on conversion or exercise set forth therein) shall be, without any further action by the Holder or the Company, automatically amended and modified in an economically and legally equivalent manner such that the Holder shall receive the benefit of the more favorable terms and/or conditions (as the case may be) set forth in such Settlement Document, provided that upon written notice to the Company at any time the Holder may elect not to accept the benefit of any such amended or modified term or condition, in which event the term or condition contained in this Agreement or the Securities (as the case may be) shall apply to the Holder as it was in effect immediately prior to such amendment or modification as if such amendment or modification never occurred with respect to the Holder. The provisions of this Section 5.3 shall apply similarly and equally to each Settlement Document.

[The remainder of the page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**COMPANY:**

**STEREOTAXIS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

[Amendment and Exchange Agreement]



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**HOLDER:**

\_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

Principal Amount of Remaining Debenture:

\_\_\_\_\_

Aggregate Number of Exchange Shares:

\_\_\_\_\_

Aggregate Number of Exchange Warrant Shares:

\_\_\_\_\_

Address for delivery of the Exchange Warrant:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

DTC Instructions for delivery of the Exchange Shares:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Amendment and Exchange Agreement]

## [FORM OF EXCHANGE WARRANT]

STEREOTAXIS, INC.

## WARRANT TO PURCHASE COMMON STOCK

Warrant No.: \_\_\_\_\_

Date of Issuance: May , 2012 (“**Issuance Date**”)Date of Exchange: August , 2013 (the “**Exchange Date**”)

Stereotaxis, Inc., a Delaware corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [EXCHANGE PARTICIPANT], the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon exercise of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the date hereof (the “**Initial Exercise Date**”), but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), [ ](subject to adjustment as provided herein) fully paid and non-assessable shares of Common Stock (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is one of an issue of Warrants (collectively, the “**Exchange Warrants**”) issued pursuant to an Amendment and Exchange Agreement, dated August 2013 (the “**Exchange Date**”), each by and between the holder of a Warrant to Purchase Common Stock as of the Exchange Date (each, an “**Exchange Participant**”) and the Company (the “**Exchange Agreements**”) in exchange for part of a Debenture issued pursuant to Section 1 of that certain Securities Purchase Agreement, dated as of May 7, 2012, by and among the Company and the investors (the “**Buyers**”) referred to therein (the “**Securities Purchase Agreement**”).

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the Initial Exercise Date (an “**Exercise Date**”), in whole or in part, by delivery (whether via facsimile or otherwise) of a written notice, in the form attached hereto as **Exhibit A** (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant. Within one (1) Trading Day following an exercise of this Warrant as aforesaid, the Holder shall deliver payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant was so exercised (the “**Aggregate Exercise Price**”) in cash or via wire transfer of immediately available funds if the Holder did not notify the Company in such Exercise Notice that such exercise was made pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original of this Warrant in order to effect an exercise hereunder. Execution and delivery of an Exercise Notice with respect to less than all of the Warrant Shares shall have the

same effect as cancellation of the original of this Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. Execution and delivery of an Exercise Notice for all of the then-remaining Warrant Shares shall have the same effect as cancellation of the original of this Warrant after delivery of the Warrant Shares in accordance with the terms hereof. On or before the first (1<sup>st</sup>) Trading Day following the date on which the Company has received an Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of such Exercise Notice, in the form attached hereto as **Exhibit B**, to the Holder and the Company's transfer agent (the "**Transfer Agent**"). On or before the third (3<sup>rd</sup>) Trading Day following the date on which the Company has received such Exercise Notice, the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit/ Withdrawal at Custodian system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver to the Holder or, at the Holder's instruction pursuant to the Exercise Notice, the Holder's agent or designee, in each case, sent by reputable overnight courier to the address as specified in the applicable Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee (as indicated in the applicable Exercise Notice), for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of an Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares (as the case may be). If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then, at the request of the Holder, the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all taxes and fees which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Notwithstanding the foregoing, except in the case where an exercise of this Warrant is validly made pursuant to a Cashless Exercise (as defined in Section 1(d)), the Company's failure to deliver Warrant Shares to the Holder on or prior to the second (2nd) Trading Day after the Company's receipt of the Aggregate Exercise Price shall not be deemed to be a breach of this Warrant.

(b) **Exercise Price.** For purposes of this Warrant, "**Exercise Price**" means \$3.361 (which, for the avoidance of doubt, includes an adjustment for the reverse stock split effective July 10, 2012), subject to adjustment as provided herein.

(c) **Company's Failure to Timely Deliver Securities.** If the Company shall fail, for any reason or for no reason, to issue to the Holder on or prior to the later of (i) three (3) Trading Days after receipt of the applicable Exercise Notice and (ii) two (2) Trading Days after the Company's receipt of the Aggregate Exercise Price (or valid notice of a Cashless Exercise) (such later date, the "**Share Delivery Deadline**"), a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant (as the case may be) (a "**Delivery Failure**"), and if on or after such Share Delivery Deadline the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such exercise that the Holder so anticipated receiving from the Company, then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to the Holder a certificate or certificates representing such shares of Common Stock or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise hereunder (as the case may be) and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock multiplied by (B) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Exercise Notice and ending on the date of such issuance and payment under this clause (ii).

(d) **Cashless Exercise.** Notwithstanding anything contained herein to the contrary (other than Section 1(f) below), the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= as applicable: (i) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the date of the applicable Exercise Notice if such Exercise Notice is (1) both executed and delivered pursuant to Section 1(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 1(a) hereof on a Trading Day prior to the opening of “regular trading hours” (as defined in Rule 600(b) (64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) the Bid Price of the Common Stock as of the time of the Holder’s execution of the applicable Exercise Notice if such Exercise Notice is executed during “regular trading hours” on a Trading Day and is delivered within two (2) hours thereafter pursuant to Section 1(a) hereof, or (iii) the Closing Sale Price of the Common Stock on the date of the applicable Exercise Notice if the date of such Exercise Notice is a Trading Day and such Exercise Notice is both executed and delivered pursuant to Section 1(a) hereof after the close of “regular trading hours” on such Trading Day.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares to be issued pursuant to the terms hereof, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 13.

(f) Limitations on Exercises.

(i) Beneficial Ownership. Notwithstanding anything to the contrary contained in this Warrant, this Warrant shall not be exercisable by the Holder hereof to the extent (but only to the extent) that the Holder or any of its affiliates would beneficially own in excess of [                    %]<sup>1</sup> (the “**Maximum Percentage**”) of the Common Stock. To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be exercisable (as among all such securities owned by the Holder) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to exercise this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability. For the purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act (as defined in the Securities Purchase Agreement) and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this

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<sup>1</sup> Each Investor to provide appropriate percentage.

paragraph shall apply to a successor Holder of this Warrant. The holders of Common Stock shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Warrant or securities issued pursuant to the Securities Purchase Agreement. By written notice to the Company, any Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of [ ]% specified in such notice; provided that (i) any such increase will not be effective until the 61st day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder sending such notice and not to any other holder of Exchange Warrants. For the avoidance of doubt, solely with respect to the calculations in this Section 1(f)(i), shares of Common Stock that may not be issued to the Holder pursuant to Sections 1(f)(ii) or 1(g) hereof shall be disregarded for purposes of determining the number of shares of Common Stock issuable upon a conversion or other issuance hereunder until such time, if any, as such applicable restrictions or prohibitions no longer apply.

(ii) Principal Market Regulation. The Company shall not issue any shares of Common Stock upon exercise of this Warrant if the issuance of such shares of Common Stock would exceed the aggregate number of shares of Common Stock which the Company may issue without breaching the Company's obligations under the rules or regulations of the Principal Market (the number of shares which may be issued immediately following the Exchange Date (prior to the exercise of any of the Exchange Warrants) without violating such rules and regulations, the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company (A) obtains the approval of its stockholders as required by the applicable rules of the Principal Market for issuances of shares of Common Stock in excess of such amount or (B) obtains a written opinion from outside counsel to the Company that such approval is not required, which opinion shall be reasonably satisfactory to the Holder. Until such approval or such written opinion is obtained, no Exchange Participant shall be issued in the aggregate, upon exercise of any Exchange Warrants, shares of Common Stock in an amount greater than the product of (i) the Exchange Cap multiplied by (ii) the quotient of (1) the number of shares of Common Stock initially issuable upon exercise of this Warrant as of the Exchange Date divided by (2) the aggregate number of shares of Common Stock initially issuable upon exercise of the Exchange Warrants as of the Exchange Date (with respect to each Exchange Participant, the "**Exchange Cap Allocation**"). In the event that any Exchange Participant shall sell or otherwise transfer any of such Exchange Participant's Exchange Warrants, the transferee shall be allocated a pro rata portion of such Exchange Participant's Exchange Cap Allocation with respect to such portion of such Exchange Warrants so transferred, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation so allocated to such

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<sup>2</sup> Each Investor to provide appropriate percentage.

transferee. Upon exercise in full of a holder's Exchange Warrants, the difference (if any) between such holder's Exchange Cap Allocation and the number of shares of Common Stock actually issued to such holder upon such holder's exercise in full of such Exchange Warrants shall be allocated to the respective Exchange Cap Allocations of the remaining holders of Exchange Warrants on a pro rata basis in proportion to the shares of Common Stock underlying the Exchange Warrants then held by each such holder. At any time after the date hereof, in the event that the Company is prohibited from issuing any shares of Common Stock pursuant to this Section 1(f)(ii) (the "**Exchange Cap Shares**"), in lieu of issuing and delivering such Exchange Cap Shares to the Holder, the Company shall pay cash to the Holder in exchange for the cancellation of such portion of this Warrant exercisable into such Exchange Cap Shares at a price equal to the sum of (i) the product of (x) such number of Exchange Cap Shares and (y) the Closing Sale Price on the applicable Exercise Date and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Exchange Cap Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

(g) **Insufficient Authorized Shares.** The Company shall (x) after the Capitalization Approval Date of such increase, reserve out of its authorized and unissued Common Stock the maximum number of shares of Common Stock issuable upon exercise of the Exchange Warrants, subject to the Exchange Cap and (y) after the Stockholder Approval Date (as defined in the Securities Purchase Agreement), at all times keep reserved for issuance under this Warrant a number of shares of Common Stock as shall be necessary to satisfy the Company's obligation to issue shares of Common Stock hereunder (without regard to any limitation otherwise contained herein with respect to the number of shares of Common Stock that may be acquirable upon exercise of this Warrant). If, notwithstanding the foregoing, and not in limitation thereof, at any time while any of the Exchange Warrants remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of the Exchange Warrants at least a number of shares of Common Stock equal to the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Exchange Warrants then outstanding (the "**Required Reserve Amount**") (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for all the Exchange Warrants then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. At any time after the six month anniversary of the Closing Date, in the event that the Company is prohibited from issuing shares of Common Stock upon an exercise of this Warrant due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorization Failure Shares**"), in lieu of issuing and delivering such Authorization Failure Shares to the Holder, the Company shall pay cash to the Holder in exchange for the cancellation of such portion of this Warrant exercisable into such Authorization Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorization Failure Shares and (y) the Closing Sale Price on the applicable Exercise Date and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Authorization Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

2. **ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES.** The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 2.

(a) **Stock Dividends and Splits.** Without limiting any provision of Section 4, if the Company, at any time on or after the date of the Securities Purchase Agreement, (i) pays a stock dividend on one or more classes of its then outstanding shares of Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its then outstanding shares of Common Stock into a larger number of shares or (iii) combines (by combination, reverse stock split or otherwise) one or more classes of its then outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) **Number of Warrant Shares.** Simultaneously with any adjustment to the Exercise Price pursuant to paragraphs (a), (c) or (d) of this Section 2, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained herein).

(c) **Holder's Right of Alternative Exercise Price Following Issuance of Certain Options or Convertible Securities.** In addition to and not in limitation of the other provisions of this Section 2, if the Company in any manner issues or sells any Options or Convertible Securities (any such securities, "**Variable Price Securities**") after the Subscription Date that are convertible into or exchangeable or exercisable for shares of Common Stock at a price which varies or may vary with the market price of the Common Shares, including by way of one or more reset(s) to a fixed price, but exclusive of such formulations reflecting customary anti-dilution provisions (such as share splits, share combinations, share dividends and similar transactions) (each of the formulations for such variable price being herein referred to as, the "**Variable Price**"), the Company shall provide written notice thereof via facsimile and overnight courier to the Holder on the date of issuance of such Convertible Securities or Options. From and after the date the Company issues any such Convertible Securities or Options with a Variable Price, the Holder shall have the right, but not the obligation, in its sole discretion to substitute the Variable Price for the Exercise Price upon exercise of this Warrant by designating in the Exercise Notice delivered upon any exercise of this Warrant that solely for purposes of such exercise the Holder is relying on the Variable Price rather than the Exercise Price then in effect. The Holder's election to rely on a Variable Price for a particular exercise of this Warrant shall not obligate the Holder to rely on a Variable Price for any future exercises of this Warrant.



(d) **Stock Combination Event Adjustment.** If at any time and from time to time on or after the Issuance Date there occurs any stock split, stock dividend, stock combination recapitalization or other similar transaction involving the Common Stock (each, a “**Stock Combination Event**”) and the product of (i) the quotient determined by dividing (x) the Exercise Price in effect immediately prior to the Stock Combination Event by (y) the quotient determined by dividing (A) the sum of the VWAP of the Common Stock on each day of the fifteen (15) Trading Day period immediately prior to the Stock Combination Event, divided by (B) fifteen (15); and (ii) the quotient determined by dividing (x) the sum of the VWAP of the Common Stock on each day of the fifteen (15) Trading Day period immediately following the date of such Stock Combination Event, divided by (y) fifteen (15) (each, an “**Event Market Price**”) is less than the Exercise Price then in effect (after giving effect to the adjustment in clause (b) above), then on the sixteenth (16th) Trading Day immediately following such Stock Combination Event, the Exercise Price then in effect on such sixteenth (16th) Trading Day (after giving effect to the adjustment in clause (b) above) shall be reduced (but in no event increased) to the Event Market Price; *provided that* no adjustment shall be made pursuant to this Section 7(c) if such Stock Combination Event is undertaken primarily for the purpose to avoid delisting or suspension by the Company’s Principal Market as result of falling below the minimum listing maintenance requirements of such Principal Market on which the Common Stock is then listed or designated for quotation (as applicable), as reasonably determined by the Company. For the avoidance of doubt, if the adjustment in the immediately preceding sentence would otherwise result in an increase in the Exercise Price hereunder, no adjustment shall be made.

(e) **Other Events.** In the event that the Company (or any Subsidiary (as defined in the Securities Purchase Agreement)) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company’s board of directors shall in good faith determine and implement an appropriate adjustment in the Exercise Price and the number of Warrant Shares (if applicable) so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company’s board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

(f) **Floor Price.** No adjustment pursuant to Section 2(c) or (d) above shall cause the Exercise Price to be less than \$3.361 (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction occurring after the date of the Securities Purchase Agreement) (the “**Floor Price**”). Notwithstanding the foregoing, nothing contained in this Section 2(f) shall apply after Stockholder Approval (as defined in the Securities Purchase Agreement) is obtained and such adjustments pursuant to Section 2(c) or (d) above that would have otherwise occurred prior to the Stockholder Approval Date, but for this Section 2(f), shall be automatically, and retroactively, made on the Stockholder Approval Date.

(g) **Calculations.** All calculations under this Section 2 shall be made by rounding to the nearest cent or the nearest 1/100<sup>th</sup> of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

3. **RIGHTS UPON DISTRIBUTION OF ASSETS.** In addition to any adjustments pursuant to Section 2 above, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “**Distribution**”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder’s right to participate in any such Distributions would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (or the beneficial ownership of any such shares of Common Stock as a result of such Distribution to such extent) and such Distribution to such extent shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

4. **PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.**

(a) **Purchase Rights.** In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “**Purchase Rights**”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

(b) **Fundamental Transactions.** The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents (as defined in the Securities Purchase Agreement) in accordance with the provisions of this Section 4(b) pursuant to written agreements in form and substance satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction) and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market. Upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of the applicable Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of each Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of this Warrant prior to the applicable Fundamental Transaction, such shares of publicly traded common stock (or its equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant), as adjusted in accordance with the provisions of this Warrant. Notwithstanding the foregoing, and without limiting Section 1(f) hereof, the Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 4(b) to permit the Fundamental Transaction without the assumption of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of each Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a “**Corporate Event**”), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction but prior to the Expiration Date, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant). Provision made pursuant to the preceding sentence shall be in a form and substance reasonably satisfactory to the Holder.

(c) **Black Scholes Value.** Notwithstanding the foregoing and the provisions of Section 4(b) above, at the request of the Holder delivered at any time commencing on the earliest to occur of (x) the public disclosure of any Fundamental Transaction, (y) the consummation of any Fundamental Transaction and (z) the Holder first becoming aware of any Fundamental Transaction (including, without limitation, a Fundamental Transaction that is publicly disclosed, consummated or of which the Holder first becomes aware (as the case may be) prior to the Initial Exercise Date) through the date that is ninety (90) days after the public disclosure of the consummation of such Fundamental Transaction by the Company pursuant to a Current Report on Form 8-K filed with the SEC, the Company or the Successor Entity (as the case may be) shall purchase this Warrant from the Holder on the date of such request by paying to the Holder cash in an amount equal to the Black Scholes Value.

(d) **Application.** The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and Corporate Events and shall be applied as if this Warrant (and any such subsequent warrants) were fully exercisable and without regard to any limitations on the exercise of this Warrant (provided that the Holder shall continue to be entitled to the benefit of the Maximum Percentage, applied however with respect to shares of capital stock registered under the 1934 Act and thereafter receivable upon exercise of this Warrant (or any such other warrant)).

5. **NONCIRCUMVENTION.** The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation (as defined in the Securities Purchase Agreement), Bylaws (as defined in the Securities Purchase Agreement) or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Exchange Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Exchange Warrants, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Exchange Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in its capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in its capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which it is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, no warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, (iv) shall have an exchange date, as indicated on the face of such new Warrant which is the same as the Exchange Date and (v) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon each adjustment of the Exercise Price and the number of Warrant Shares, setting forth in reasonable detail, and certifying, the calculation of such adjustment(s) and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder and (iii) at least ten (10) Trading Days prior to the consummation of any Fundamental Transaction. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of its Subsidiaries, the Company shall simultaneously file such notice with the SEC (as defined in the Securities Purchase Agreement) pursuant to a Current Report on Form 8-K. It is expressly understood and agreed that the time of execution specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant (other than Section 1(f)(i)) may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder. The Holder shall be entitled, at its option, to the benefit of any amendment of (i) any other similar warrant issued under the Securities Purchase Agreement or (ii) any other similar warrant. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

10. **SEVERABILITY.** If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

11. **GOVERNING LAW.** This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall (i) be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder or to enforce a judgment or other court ruling in favor of the Holder or (ii) limit any provision of Section 13. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

12. **CONSTRUCTION; HEADINGS.** This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant. Terms used in this Warrant but defined in the other Transaction Documents shall have the meanings ascribed to such terms on the Closing Date (as defined in the Securities Purchase Agreement) in such other Transaction Documents unless otherwise consented to in writing by the Holder.

13. **DISPUTE RESOLUTION.** In the case of a dispute as to the determination of the Exercise Price, the Closing Sale Price, the Bid Price, Black Scholes Value or fair market value or the arithmetic calculation of the Warrant Shares (as the case may be), the Company or the Holder (as the case may be) shall submit the disputed determination or arithmetic calculation (as the case may be) via facsimile (i) within two (2) Business Days after delivery of the applicable notice giving rise to such dispute to the Company or the Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to agree upon such determination or calculation (as the case may be) of the Exercise Price, the Closing Sale Price, the Bid Price, Black Scholes Value or fair market value or the number of Warrant Shares (as the case may be) by 5:00 p.m. (New York time) on the third (3<sup>rd</sup>) Business Day following the delivery by the Company or the Holder (as the case may be) of such disputed determination or arithmetic calculation to the Company or the Holder (as the case may be), then the Company shall, no later than 5:00 p.m. (New York time) on the second (2<sup>nd</sup>) Business Day immediately following such third (3<sup>rd</sup>) Business Day, submit (via facsimile) (a) the disputed determination of the Exercise Price, the Closing Sale Price, the Bid Price, Black Scholes Value or fair market value (as the case may be) to an independent, reputable investment bank selected by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to an independent, reputable accountant selected by the Holder (it being understood and agreed that the Holder shall be entitled to submit the disputed determination or arithmetic calculation (as the case may be) at any time after the Company fails to so submit the disputed determination or arithmetic calculation (as the case may be) by 5:00 p.m. (New York time) on such second (2<sup>nd</sup>) Business Day). The Company shall cause at its expense the investment bank or the accountant (as the case may be) to perform the determination or calculation (as the case may be) and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determination or calculation (as the case may be). Such investment bank's or accountant's determination or calculation (as the case may be) shall be binding upon all parties absent demonstrable error.

14. **REMEDIES, CHARACTERIZATION, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF.** The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Warrant. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, exercises and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Warrant (including, without limitation, compliance with Section 2 hereof). The issuance of shares and certificates for shares as contemplated hereby upon the exercise of this Warrant shall be made without charge to the Holder or such shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the Holder or its agent on its behalf.



15. **TRANSFER.** This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except as may otherwise be required by Section 2(g) of the Securities Purchase Agreement.

16. **CERTAIN DEFINITIONS.** For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“Bid Price”** means, for any security as of the particular time of determination, the bid price for such security on the Principal Market as reported by Bloomberg as of such time of determination, or, if the Principal Market is not the principal securities exchange or trading market for such security, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(b) **“Black Scholes Value”** means the value of the unexercised portion of this Warrant remaining on the date of the Holder’s request pursuant to Section 4(c), which value is calculated using the Black Scholes Option Pricing Model obtained from the “OV” function on Bloomberg utilizing (i) an underlying price per share equal to the greater of (1) the highest Closing Sale Price of the Common Stock during the period beginning on the Trading Day immediately preceding the earliest to occur of (x) the public disclosure of the applicable Fundamental Transaction, (y) the consummation of the applicable Fundamental Transaction and (z) the date on which the Holder first became aware of the applicable Fundamental Transaction and ending on the Trading Day of the Holder’s request pursuant to Section 4(c) and (2) the sum of the price per share being offered in cash in the applicable Fundamental Transaction (if any) plus the value of the non-cash consideration being offered in the applicable Fundamental Transaction (if any), (ii) a strike price equal to the Exercise Price in effect on the date of the Holder’s request pursuant to Section 4(c), (iii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the greater of (1) the remaining term of this Warrant as of the date of the Holder’s request pursuant to Section 4(c) and (2) the remaining term of this Warrant as of the date of consummation of the applicable Fundamental Transaction or as of the date of the Holder’s request pursuant to Section 4(c) if such request is prior to the date of the consummation of the applicable Fundamental Transaction, (iv) a zero cost of borrow and (v) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the earliest to occur of (x) the public disclosure of the applicable Fundamental Transaction, (y) the consummation of the applicable Fundamental Transaction and (z) the date on which the Holder first became aware of the applicable Fundamental Transaction.

(c) “**Bloomberg**” means Bloomberg, L.P.

(d) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(e) “**Closing Sale Price**” means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price, then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing does not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(f) “**Common Stock**” means (i) the Company’s shares of common stock, \$0.01 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(g) “**Convertible Securities**” means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(h) “**Debentures**” has the meaning ascribed to such term in the Securities Purchase Agreement, and shall include all debentures issued in exchange therefor or replacement thereof.

(i) “**Eligible Market**” means The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Capital Market or the Principal Market.

(j) **“Expiration Date”** means November 11, 2018 or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a **“Holiday”**), the next date that is not a Holiday.

(k) **“Fundamental Transaction”** means that (i) the Company or any of its Subsidiaries shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company or any of its Subsidiaries is the surviving corporation) any other Person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other Person, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (5) other than the Permitted Split (as defined in the Securities Purchase Agreement), (I) reorganize, recapitalize or reclassify the Common Stock, (II) effect or consummate a stock combination, reverse stock split or other similar transaction involving the Common Stock or (III) make any public announcement or disclosure with respect to any stock combination, reverse stock split or other similar transaction involving the Common Stock (including, without limitation, any public announcement or disclosure of (x) any potential, possible or actual stock combination, reverse stock split or other similar transaction involving the Common Stock or (y) board or stockholder approval thereof, or the intention of the Company to seek board or stockholder approval of any stock combination, reverse stock split or other similar transaction involving the Common Stock), or (ii) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company.

(l) **“Options”** means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(m) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(n) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(o) “**Principal Market**” means The NASDAQ Global Market.

(p) “**Successor Entity**” means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(q) “**Trading Day**” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder.

(r) “**Voting Stock**” of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(s) “**VWAP**” means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its “Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

*[signature page follows]*

**IN WITNESS WHEREOF**, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Exchange Date set out above.

**STEREOTAXIS, INC.**

By: \_\_\_\_\_

Name:

Title:

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS  
WARRANT TO PURCHASE COMMON STOCK

STEREOTAXIS, INC.

The undersigned holder hereby exercises the right to purchase \_\_\_\_\_ of the shares of Common Stock (“**Warrant Shares**”) of Stereotaxis, Inc. a Delaware corporation (the “**Company**”), evidenced by Warrant to Purchase Common Stock No. \_\_\_\_\_ (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

\_\_\_\_\_ a “Cash Exercise” with respect to Warrant Shares; and/or \_\_\_\_\_  
\_\_\_\_\_ a “Cashless Exercise” with respect to Warrant Shares. \_\_\_\_\_

In the event that the Holder has elected a Cashless Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder hereby represents and warrants that (i) this Exercise Notice was executed by the Holder at \_\_\_\_\_ [a.m.][p.m.] on the date set forth below and (ii) if applicable, the Bid Price as of such time of execution of this Exercise Notice was \$ \_\_\_\_\_.

2. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder shall pay the Aggregate Exercise Price in the sum of \$ \_\_\_\_\_ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to Holder, or its designee or agent as specified below, \_\_\_\_\_ Warrant Shares in accordance with the terms of the Warrant. Delivery shall be made to Holder, or for its benefit, to the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_,

\_\_\_\_\_  
Name of Registered Holder

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By: \_\_\_\_\_

Name:

Title:

**ACKNOWLEDGMENT**

The Company hereby acknowledges this Exercise Notice and hereby directs \_\_\_\_\_ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated May \_\_\_\_\_, 2012, from the Company and acknowledged and agreed to by \_\_\_\_\_.

**STEREOTAXIS, INC.**

By: \_\_\_\_\_  
Name:  
Title:





**Stereotaxis Reports Second Quarter 2013 Financial Results;  
Announces Capital Transactions**

- Achieves 49% Sequential Improvement in System Revenue-
- Secures Two Niobe® ES Orders-
- Narrows Operating Loss to \$(1.8) Million-
- Obtains U.S. FDA Clearance of Vdrive™ with V-Sono™ System-
- Receives Cash Infusion of Approximately \$8.5 Million from Warrant Exercises-
- Hosts Conference Call Today at 9:00 a.m. Eastern Time-

**ST. LOUIS, MO, August 8, 2013**—Stereotaxis, Inc. (NASDAQ: STXS) today reported financial results for the second quarter ended June 30, 2013. In addition, the Company disclosed recent business developments, including financing transactions to improve its current liquidity position.

**Management Comments**

William Mills, Stereotaxis Board Chairman and interim Chief Executive Officer, said, “In the second quarter, we achieved sequential improvement in revenue, gross margin and operating loss and secured two orders for our Niobe® ES system. One of these orders was a second system sale to a leading U.S. healthcare provider, which is one of four major integrated delivery networks in the country to invest in the Epoch™ platform.

“Furthermore, we saw improved utilization rates in certain strategic regions through a targeted physician plan and the implementation of territory assistants focused on driving clinical adoption. Our plan involves engaging those physicians that represent the greatest potential for volume growth and facilitating a faster pace of adoption within our installed base.”

Mr. Mills continued, “At the end of July, we achieved an important milestone with FDA clearance of our Vdrive™ with V-Sono™ system, representing a potentially significant boost to our U.S. market opportunities. The Vdrive system enables a single operator to control all catheters used in complex electrophysiology (EP) procedures and improves navigation to specific sites. The unique, diverse capabilities of the Vdrive system have enhanced the performance of Niobe labs in Europe, and we believe its entry in the U.S. will accelerate volume in our existing sites as well as potentially open doors to the wider EP market.”

“Finally, we are pleased to announce that we have entered into transactions with each of our existing convertible note holders, which will result in a cash infusion of \$8.475 million. While we believe these transactions alleviate our liquidity concerns over the next few months, they do not represent a long-term solution. To that end, we have engaged Gordian Group, LLC, a financial advisory firm with special expertise in banking and advisory services for businesses in challenging liquidity situations, to assist us in evaluating various strategic and financing alternatives,” he concluded.

### **Capital Transactions**

On August 8, 2013, holders of all of the Company's convertible subordinated notes exercised outstanding warrants to purchase an aggregate of 2.5 million shares of common stock for cash at an exercise price of \$3.361 per share and converted a portion of their notes into shares of common stock. In a separate transaction, the holders exchanged the balance of their convertible notes for shares and additional warrants to purchase 2.5 million shares, also having an exercise price of \$3.361 per share. The convertible notes held by these holders were extinguished, and the Company issued shares at a combined rate of \$3.00 per share in these transactions. As a result of these transactions, the Company is issuing a total of 5.2 million shares of common stock and will receive an aggregate of \$8.475 million in cash from the warrant exercise. In addition, \$8.1 million of convertible subordinated notes have been retired.

In connection with the exchange, the holders and the Company amended the terms of the original securities purchase agreement under which the notes and warrants were issued to remove certain ongoing covenants. The Company also intends to conduct a rights offering to all existing stockholders, pursuant to which its stockholders may elect to purchase a specified fraction of a share for each share of stock held as of the record date for the offering, at a price of \$3.00 per share. The Company currently anticipates that fraction would not be less than 0.25 per share for each share of common stock held. The Company will register the rights offering with the Securities and Exchange Commission, and as a result, the record date for the rights offering has not been set at this time.

Stereotaxis entered into these transactions with the assistance of Gordian Group in order to help alleviate its immediate liquidity concerns, which have been previously disclosed. The Company continues to work on a long-term resolution of these liquidity issues with its financial advisors in order to mitigate the operational and financial risks that it faces.

### **Second Quarter Financial Results**

Revenue for the second quarter 2013 totaled \$9.7 million compared to \$8.4 million in the first quarter of 2013, a 15.8% sequential increase, and \$10.5 million in the prior year second quarter. System revenue improved 49% sequentially to \$3.3 million, as the Company recognized revenue of \$2.2 million on two *Niobe* ES systems and two *Niobe* ES upgrades, along with \$1.1 million in *Odyssey*<sup>®</sup> system sales in the second quarter 2013. Recurring revenue of \$6.4 million in the quarter was relatively unchanged from \$6.6 million in the prior year second quarter and \$6.2 million in the 2013 first quarter. Utilization declined 11% compared to the same quarter last year and was down slightly on a sequential basis.

The Company generated new capital orders of \$4.0 million, which included two *Niobe* ES orders, compared to \$3.1 million in the second quarter of 2012 and \$2.4 million in the first quarter of 2013. Ending capital backlog for the second quarter was \$8.4 million. During the quarter, one *Niobe* ES order was removed from backlog. The order was expected to go to revenue in 2014 but was cancelled due to changes in ownership at the hospital.

Gross margin in the quarter was \$7.3 million, or 74.6% of revenue, versus \$7.3 million, or 69.0% of revenue, in the second quarter 2012 and \$6.2 million, or 73.9% of revenue, in the first quarter 2013. Operating expenses in the second quarter were \$9.0 million, a 24% improvement from the year ago period and an 8% sequential improvement.

Operating loss in the second quarter was \$(1.8) million, a 62% reduction compared to \$(4.6) million in the prior year quarter and a 51% reduction compared to \$(3.6) million in the first quarter. Interest expense increased \$0.3 million year over year and \$0.2 million sequentially, primarily due to the non-cash amortization of the convertible debt discount.

The net loss for the second quarter was \$(3.0) million, or \$(0.37) per share, compared to net income of \$2.8 million, or \$0.32 per diluted share, reported in the second quarter 2012 and a net loss of \$(4.9) million, or \$(0.61) per share, reported for the first quarter 2013. The weighted average diluted shares outstanding for the second quarters of 2013 and 2012 totaled 8.2 million and 9.3 million, respectively, and 8.0 million for the first quarter of 2013. The 2012 second quarter results included a \$9.0 million gain related to mark-to-market conversion features of the warrants and subordinated convertible debt associated with the \$18.5 million financing in May 2012. Excluding this, the adjusted net loss for the 2012 second quarter would have been \$(6.2) million, or \$(0.91) per adjusted diluted share with 6.7 million adjusted average diluted shares outstanding. Excluding mark-to-market warrant revaluation and amortization of convertible debt discount related to the financing, the net loss for the 2013 second quarter would have been \$(3.2) million, or \$(0.39) per share, and \$(5.0) million, or \$(0.63) per share, for the first quarter.

Cash burn for the second quarter of 2013 was \$2.2 million, compared to \$4.2 million for the second quarter of 2012 and \$1.1 million for the first quarter of 2013. The sequential increase in cash burn was primarily due to lower revenues and receivables in the first quarter resulting in lower collections in the second quarter.

### ***Six- Month Financial Results***

Revenue for the first six months of 2013 was \$18.1 million, down 20.4% compared to \$22.8 million in the first six months of 2012. System and recurring revenues were \$5.5 million and \$12.6 million, respectively, during the first half of 2013, compared to \$9.0 million and \$13.8 million for system and recurring revenues during the same period of 2012. Overall utilization declined 11% from the same period last year.

Gross margin was \$13.5 million, or 74.3% of revenue, compared with \$15.8 million, or 69.2% of revenue, in the first six months of the prior year. Operating expenses were \$18.8 million year to date on June 30, 2013, compared with \$24.6 million in the same period of 2012, a 23.4% reduction. Operating loss was \$(5.3) million versus \$(8.8) million in the first six months of 2012, a 39.3% decrease.

Interest expense increased to \$4.1 million for the first six months of 2013, compared to \$3.3 million in the first six months of 2012. The increase was primarily related to non-cash amortization of the convertible debt discount related to the \$18.5 million financing in May 2012.

The net loss was \$(7.9) million for the first six months of 2013 versus \$(3.0) million for the comparable period in 2012. The results for the first six months of 2012 included a \$9.0 million gain related to mark-to-market conversion features of subordinated convertible debt and the warrants associated with the May 2012 financing. Cash burn was \$3.3 million, compared to \$8.5 million in the first six months of 2012.

## **Financial Position**

At June 30, 2013, Stereotaxis had cash and cash equivalents of \$4.1 million, compared to \$9.6 million at March 31, 2013. At quarter end, total debt was \$29.9 million, including \$18.5 million related to HealthCare Royalty Partners debt. On July 31, 2013, the Company secured an extension of its revolving line of credit with Silicon Valley Bank through August 31, 2013, and was granted a waiver of covenant testing as of July 31, 2013.

While Stereotaxis has increased its cash position as a result of the transactions with convertible debt holders, it expects to have negative cash flow from operations throughout 2013. Therefore, the Company will continue to evaluate operating expense levels and cash burn, while exploring various strategic and financing alternatives with multiple entities to strengthen its balance sheet.

## **NASDAQ Status**

On July 25, Company representatives appeared before the NASDAQ Listing Qualifications Panel to request a transfer from the NASDAQ Global Market to the NASDAQ Capital Market and to present a compliance plan. The hearing was granted following a determination letter by the NASDAQ staff which denied the Company's request for an extension to achieve compliance with Global Market requirements. If the Panel decides to continue Stereotaxis' listing on the Capital Market, the Company could have until December 16, 2013, to achieve compliance with applicable listing requirements. The Company does not have the results of the hearing at this time, but intends to continue to pursue its plans to achieve compliance with Capital Market criteria and to report to the Panel on its progress no later than August 15, 2013, as requested by the Panel.

## **Clinical Update**

As previously announced, the Company has received 510(k) clearance by the Food and Drug Administration to market the *Vdrive* with *V-Sono* ICE catheter manipulator in the U.S. Additionally, the clinical study for the *V-Loop*<sup>TM</sup> circular catheter manipulator has completed 60% enrollment. This five-center, 120-patient clinical study will be part of a future *V-Loop* 510(k) submission that the Company intends to file upon completion of the study.

## **2013 Objectives**

Stereotaxis does not provide revenue and earnings per share guidance, but reiterates the following goals for the full year 2013:

- Expand global footprint through Japanese approval of *Niobe* technology
- Manage operating expenses at current level
- Strengthen balance sheet through strategic and financing alternatives

## **Conference Call and Webcast**

Stereotaxis will host a conference call and webcast today, August 8, 2013, at 9:00 a.m. Eastern Time, to discuss second quarter results and announced capital transactions. The dial-in number for the conference call is 1-877-941-1429 for domestic participants and 1-480-629-9857 for international participants. Participants are asked to call the above numbers 5-10 minutes prior to the start time. To access the live and replay webcast, please visit the investor relations section of the Stereotaxis website at [www.stereotaxis.com](http://www.stereotaxis.com).

## **About Stereotaxis**

Stereotaxis is a healthcare technology and innovation leader in the development of robotic cardiology instrument navigation systems designed to enhance the treatment of arrhythmias and coronary disease, as well as information management solutions for the interventional lab. With over 100 patents for use in a hospital's interventional surgical suite, Stereotaxis helps physicians around the world provide unsurpassed patient care with robotic precision and safety, improved lab efficiency and productivity, and enhanced collaboration of life-saving information. Stereotaxis' core Epoch™ Solution includes the Niobe® ES Remote Magnetic Navigation system, the Odyssey® portfolio of lab optimization, networking and patient information management systems and the Vdrive™ Robotic Mechanical Navigation system and consumables.

The core components of Stereotaxis systems have received regulatory clearance in the U.S., Europe, Canada and elsewhere. The V-Sono™ ICE catheter manipulator has received U.S. clearance, and the V-Loop™ circular catheter manipulator is currently in clinical trials in order to obtain clearance by the U.S. Food and Drug Administration. For more information, please visit [www.stereotaxis.com](http://www.stereotaxis.com)

*This press release includes statements that may constitute "forward-looking" statements, usually containing the words "believe," "estimate," "project," "expect" or similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, the Company's ability to raise additional capital or otherwise address ongoing liquidity challenges on a timely basis and on terms that are acceptable, its ability to continue to manage expenses and cash burn rate at sustainable levels, its ability to continue to work with lenders to extend, repay or refinance indebtedness on acceptable terms or at all, the Company's continued listing on the NASDAQ Global Market or ability to satisfy the criteria for listing on the NASDAQ Capital Market, continued acceptance of the Company's products in the marketplace, the effect of global economic conditions on the ability and willingness of customers to purchase its systems and the timing of such purchases, the outcome of various shareholder litigation filed against Stereotaxis, competitive factors, changes resulting from the recently enacted healthcare reform in the U.S., including changes in government reimbursement procedures, dependence upon third-party vendors, timing of regulatory approvals, and other risks discussed in the Company's periodic and other filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release. There can be no assurance that the Company will recognize revenue related to its purchase orders and other commitments in any particular period or at all because some of these purchase orders and other commitments are subject to contingencies that are outside of the Company's control. In addition, these orders and commitments may be revised, modified, delayed or canceled, either by their express terms, as a result of negotiations, or by overall project changes or delays.*

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Marty Stammer

Chief Financial Officer

314-678-6155

**Investor Contact:**

Todd Kehrl / Jim Byers

MKR Group, Inc.

323-468-2300

stxs@mkr-group.com

**STEREOTAXIS, INC.**  
**STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
System	\$ 3,323,251	\$ 3,863,107	\$ 5,551,328	\$ 9,042,612
Disposables, service and accessories	6,410,156	6,649,791	12,590,284	13,753,514
Total revenue	<u>9,733,407</u>	<u>10,512,898</u>	<u>18,141,612</u>	<u>22,796,126</u>
Cost of revenue				
System	1,602,480	2,175,971	2,793,833	4,518,381
Disposables, service and accessories	869,408	1,084,107	1,870,701	2,503,528
Total cost of revenue	<u>2,471,888</u>	<u>3,260,078</u>	<u>4,664,534</u>	<u>7,021,909</u>
Gross margin	7,261,519	7,252,820	13,477,078	15,774,217
Operating expenses:				
Research and development	1,484,096	2,196,073	3,013,303	5,021,280
Sales and marketing	4,254,546	6,223,330	9,110,560	12,222,069
General and administration	3,276,967	3,469,346	6,700,708	7,342,219
Total operating expenses	<u>9,015,609</u>	<u>11,888,749</u>	<u>18,824,571</u>	<u>24,585,568</u>
Operating loss	(1,754,090)	(4,635,929)	(5,347,493)	(8,811,351)
Other income	893,642	9,269,424	1,499,744	9,081,354
Interest income	1,256	2,008	2,668	3,371
Interest expense	(2,147,600)	(1,829,076)	(4,081,858)	(3,279,859)
Net income (loss)	<u><u>\$ (3,006,792)</u></u>	<u><u>\$ 2,806,427</u></u>	<u><u>\$ (7,926,939)</u></u>	<u><u>\$ (3,006,485)</u></u>
Net earnings (loss) per common share:				
Basic	\$ (0.37)	\$ 0.42	\$ (0.98)	\$ (0.49)
Diluted	<u><u>\$ (0.37)</u></u>	<u><u>\$ 0.32</u></u>	<u><u>\$ (0.98)</u></u>	<u><u>\$ (0.49)</u></u>
Weighted average shares used in computing net earnings (loss) per common share:				
Basic	8,188,837	6,741,578	8,102,087	6,120,447
Diluted	<u><u>8,188,837</u></u>	<u><u>9,263,149</u></u>	<u><u>8,102,087</u></u>	<u><u>6,120,447</u></u>

**STEREOTAXIS, INC.**  
**BALANCE SHEETS**  
(Unaudited)

	<u>June 30,</u> 2013	<u>December 31,</u> 2012
	<u>(Unaudited)</u>	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,113,768	\$ 7,777,718
Accounts receivable, net of allowance of \$338,419 and \$640,183 in 2013 and 2012, respectively	8,466,808	11,551,651
Current portion of long-term receivables	19,299	18,838
Inventories	5,580,167	5,098,241
Prepaid expenses and other current assets	2,294,529	3,492,067
<b>Total current assets</b>	<b>20,474,571</b>	<b>27,938,515</b>
Property and equipment, net	1,639,398	2,141,923
Intangible assets, net	1,829,403	1,979,320
Long-term receivables	19,521	73,199
Other assets	32,525	32,987
<b>Total assets</b>	<b><u>\$ 23,995,418</u></b>	<b><u>\$ 32,165,944</u></b>
<b>Liabilities and stockholders' equity (deficit)</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 12,061,454	\$ 12,264,490
Accounts payable	3,944,680	3,556,688
Accrued liabilities	5,637,004	5,361,810
Deferred contract revenue	8,376,807	9,502,939
Warrants	1,469,042	2,968,348
<b>Total current liabilities</b>	<b>31,488,987</b>	<b>33,654,275</b>
Long-term debt, less current maturities	17,809,026	16,824,736
Long-term deferred contract revenue	334,664	477,159
Other liabilities	—	—
<b>Stockholders' equity (deficit):</b>		
Preferred stock, par value \$0.001; 10,000,000 shares authorized, none outstanding at 2013 and 2012	—	—
Common stock, par value \$0.001; 300,000,000 shares authorized, 8,320,790 and 8,018,615 shares issued at 2013 and 2012, respectively	8,321	8,019
Additional paid-in capital	367,133,231	366,053,627
Treasury stock, 4,015 shares at 2013 and 2012	(205,999)	(205,999)
Accumulated deficit	(392,572,812)	(384,645,873)
<b>Total stockholders' equity (deficit)</b>	<b><u>(25,637,259)</u></b>	<b><u>(18,790,226)</u></b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b><u>\$ 23,995,418</u></b>	<b><u>\$ 32,165,944</u></b>