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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended June 30, 2019

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

For the transition period from to

Commission File Number: 001-36159

**STEREOTAXIS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State of  
Incorporation)

94-3120386  
(I.R.S. employer  
identification no.)

4320 Forest Park Avenue Suite 100  
St. Louis, Missouri  
(Address of principal executive offices)

63108  
(Zip Code)

Registrant's telephone number, including area code: (314) 678-6100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of outstanding shares of the registrant's common stock on July 31, 2019 was 59,421,791.

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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.  
BALANCE SHEETS

	<u>June 30, 2019</u> (Unaudited)	<u>December 31, 2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,471,914	\$ 10,796,072
Accounts receivable, net of allowance of \$502,251 and \$398,847 in 2019 and 2018, respectively	4,997,148	5,021,111
Inventories, net	1,560,116	1,191,666
Prepaid expenses and other current assets	514,408	963,700
Total current assets	<u>15,543,586</u>	<u>17,972,549</u>
Property and equipment, net	297,494	343,693
Operating lease right-of-use assets	5,245,842	-
Other assets	168,153	198,365
Total assets	<u>\$ 21,255,075</u>	<u>\$ 18,514,607</u>
<b>Liabilities and stockholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 1,642,049	\$ 1,726,360
Accrued liabilities	2,376,058	2,642,481
Deferred revenue	6,537,988	5,825,536
Current portion of operating lease liabilities	2,223,023	-
Total current liabilities	<u>12,779,118</u>	<u>10,194,377</u>
Long-term deferred revenue	508,772	407,151
Operating lease liabilities	3,048,650	-
Other liabilities	260,947	641,461
Total liabilities	<u>16,597,487</u>	<u>11,242,989</u>
Convertible preferred stock:		
Convertible preferred stock, par value \$0.001; 10,000,000 shares authorized, 23,855 and 23,900 shares outstanding at 2019 and 2018	5,948,953	5,960,475
Stockholders' equity (deficit):		
Common stock, par value \$0.001; 300,000,000 shares authorized, 59,383,038 and 59,058,297 shares issued at 2019 and 2018, respectively	59,383	59,058
Additional paid in capital	479,127,279	478,179,574
Treasury stock, 4,015 shares at 2019 and 2018	(205,999)	(205,999)
Accumulated deficit	(480,272,028)	(476,721,490)
Total stockholders' equity (deficit)	<u>(1,291,365)</u>	<u>1,311,143</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 21,255,075</u>	<u>\$ 18,514,607</u>

See accompanying notes.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenue:</b>				
Systems	\$ -	\$ 310,751	\$ 58,051	\$ 328,026
Disposables, service and accessories	6,546,115	7,240,650	13,256,873	14,195,008
Sublease	251,996	-	493,061	-
<b>Total revenue</b>	<u>6,798,111</u>	<u>7,551,401</u>	<u>13,807,985</u>	<u>14,523,034</u>
<b>Cost of revenue:</b>				
Systems	6,201	457,509	57,365	661,111
Disposables, service and accessories	894,760	931,541	2,009,119	1,993,286
Sublease	246,531	-	493,061	-
<b>Total cost of revenue</b>	<u>1,147,492</u>	<u>1,389,050</u>	<u>2,559,545</u>	<u>2,654,397</u>
<b>Gross margin</b>	5,650,619	6,162,351	11,248,440	11,868,637
<b>Operating expenses:</b>				
Research and development	2,695,162	2,032,394	5,654,381	3,995,020
Sales and marketing	3,236,516	3,457,416	6,546,342	7,092,413
General and administrative	1,178,469	1,298,604	2,646,629	2,537,783
<b>Total operating expenses</b>	<u>7,110,147</u>	<u>6,788,414</u>	<u>14,847,352</u>	<u>13,625,216</u>
<b>Operating loss</b>	(1,459,528)	(626,063)	(3,598,912)	(1,756,579)
<b>Other income</b>				
Other income	-	-	-	2,590,361
Interest income (expense)	31,810	(6,142)	48,374	(30,757)
<b>Net income (loss)</b>	<u>\$ (1,427,718)</u>	<u>\$ (632,205)</u>	<u>\$ (3,550,538)</u>	<u>\$ 803,025</u>
Cumulative dividend on convertible preferred stock	(357,194)	(357,518)	(710,704)	(711,107)
Net income attributable to convertible preferred stock	-	-	-	(42,936)
<b>Earnings (loss) attributable to common stockholders</b>	<u>\$ (1,784,912)</u>	<u>\$ (989,723)</u>	<u>\$ (4,261,242)</u>	<u>\$ 48,982</u>
<b>Net income (loss) per share attributable to common stockholders:</b>				
Basic	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ 0.00
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ 0.00</u>
<b>Weighted average number of common shares and equivalents:</b>				
Basic	60,052,673	58,926,545	59,936,606	45,019,358
Diluted	<u>60,052,673</u>	<u>58,926,545</u>	<u>59,936,606</u>	<u>45,728,732</u>

See accompanying notes.

**STEREOTAXIS, INC**  
**STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
(Unaudited)

**Three Months Ended June 30, 2018**

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Beginning Balance	23,900	\$ 5,960,475	58,901,126	\$ 58,901	\$ 477,872,296	\$ (205,999)	\$ (475,403,017)	\$ 2,322,181
Issuance of common stock and warrants					(80,467)			(80,467)
Share-based compensation			8,250	8	103,762			103,770
Components of net loss							(632,205)	(632,205)
Employee stock purchase plan			24,008	24	15,101			15,125
Ending Balance	<u>23,900</u>	<u>\$ 5,960,475</u>	<u>58,933,384</u>	<u>\$ 58,933</u>	<u>\$ 477,910,692</u>	<u>\$ (205,999)</u>	<u>\$ (476,035,222)</u>	<u>\$ 1,728,404</u>

**Three Months Ended June 30, 2019**

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Beginning Balance	23,880	\$ 5,955,354	59,308,237	\$ 59,308	\$ 478,363,886	\$ (205,999)	\$ (478,844,310)	\$ (627,115)
Issuance of common stock and warrants			13,397	14	(66,869)			(66,855)
Share-based compensation			7,500	7	807,021			807,028
Components of net loss							(1,427,718)	(1,427,718)
Employee stock purchase plan			9,132	9	16,885			16,894
Preferred stock conversion	(25)	(6,401)	44,772	45	6,356			6,401
Ending Balance	<u>23,855</u>	<u>\$ 5,948,953</u>	<u>59,383,038</u>	<u>\$ 59,383</u>	<u>\$ 479,127,279</u>	<u>\$ (205,999)</u>	<u>\$ (480,272,028)</u>	<u>\$ (1,291,365)</u>

See accompanying notes.

**STEREOTAXIS, INC**  
**STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
(Unaudited)

**Six Months Ended June 30, 2018**

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Beginning Balance	23,900	\$ 5,960,475	22,805,731	\$ 22,806	\$ 450,748,403	\$ (205,999)	\$ (477,132,808)	\$ (26,567,598)
Issuance of common stock and warrants			35,791,927	35,792	26,813,524			26,849,316
Share-based compensation			293,912	294	320,150			320,444
Components of net loss							803,025	803,025
Employee stock purchase plan			41,814	41	28,615			28,656
Cumulative catchup for adoption of ASC 606 <sup>(1)</sup>							294,561	294,561
Ending Balance	<u>23,900</u>	<u>\$ 5,960,475</u>	<u>58,933,384</u>	<u>\$ 58,933</u>	<u>\$ 477,910,692</u>	<u>\$ (205,999)</u>	<u>\$ (476,035,222)</u>	<u>\$ 1,728,404</u>

**Six Months Ended June 30, 2019**

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Beginning Balance	23,900	\$ 5,960,475	59,058,297	\$ 59,058	\$ 478,179,574	\$ (205,999)	\$ (476,721,490)	\$ 1,311,143
Issuance of common stock and warrants			46,484	47	(50,479)			(50,432)
Share-based compensation			174,462	174	954,808			954,982
Components of net loss							(3,550,538)	(3,550,538)
Employee stock purchase plan			23,757	24	31,934			31,958
Preferred stock conversion	(45)	(11,522)	80,038	80	11,442			11,522
Ending Balance	<u>23,855</u>	<u>\$ 5,948,953</u>	<u>59,383,038</u>	<u>\$ 59,383</u>	<u>\$ 479,127,279</u>	<u>\$ (205,999)</u>	<u>\$ (480,272,028)</u>	<u>\$ (1,291,365)</u>

<sup>(1)</sup> Represents the adjustments related to the adoption of new accounting standards. See Note 2 for details.

See accompanying notes.

**STEREOTAXIS, INC.**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (3,550,538)	\$ 803,025
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	56,032	281,656
Amortization of intangibles	-	32,994
Amortization of deferred finance costs	-	24,657
Non-cash lease expense	1,171,171	-
Share-based compensation	473,093	320,356
Loss on asset disposal	-	1,449
Adjustment of warrants	-	(2,590,361)
Changes in operating assets and liabilities:		
Accounts receivable	23,963	(506,141)
Inventories	(368,450)	(398,422)
Prepaid expenses and other current assets	449,292	(44,475)
Other assets	30,212	(36,897)
Accounts payable	(84,311)	(300,886)
Accrued liabilities	215,436	(236,374)
Deferred revenue	814,073	1,119,224
Operating lease liability	(1,145,340)	-
Other liabilities	(380,514)	(956)
Net cash used in operating activities	<u>(2,295,881)</u>	<u>(1,531,151)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(9,833)	(56,864)
Net cash used in investing activities	<u>(9,833)</u>	<u>(56,864)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of stock, net of issuance costs	(18,444)	28,747
Proceeds from warrant exercise	-	9,864,697
Net cash provided by (used in) financing activities	<u>(18,444)</u>	<u>9,893,444</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,324,158)</u>	<u>8,305,429</u>
Cash and cash equivalents at beginning of period	10,796,072	3,686,302
Cash and cash equivalents at end of period	<u>\$ 8,471,914</u>	<u>\$ 11,991,731</u>

See accompanying notes.

**STEREOTAXIS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**Notes to Financial Statements**

In this report, “Stereotaxis”, the “Company”, “Registrant”, “we”, “us”, and “our” refer to Stereotaxis, Inc. and its wholly owned subsidiaries. Genesis™, Epoch®, Niobe®, Odyssey®, Odyssey Cinema™, Vdrive®, Vdrive Duo™, V-CAS™, V-Loop™, V-Sono™, V-CAS Deflect™, QuikCAS™, and Cardiodrive® are trademarks of Stereotaxis, Inc. All other trademarks that appear in this report are the property of their respective owners.

**1. Description of Business**

Stereotaxis designs, manufactures and markets an advanced robotic navigation system for use in a hospital’s interventional surgical suite, or “interventional lab”, that we believe revolutionizes the treatment of arrhythmias by enabling enhanced safety, efficiency, and efficacy for catheter-based, or interventional, procedures. Our products include the *Genesis* Robotic Magnetic Navigation System (“*Genesis* system”), the *Niobe* ES Robotic Magnetic Navigation System (“*Niobe* ES system”), *Odyssey* Information Management Solution (“*Odyssey* Solution”), the *Vdrive* Robotic Navigation System (“*Vdrive* system”), Stereotaxis Imaging Model S x-ray system, and related devices.

The *Genesis* and *Niobe* systems are designed to enable physicians to complete more complex interventional procedures by providing image-guided delivery of catheters through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation, efficient procedures, and reduced x-ray exposure. As of June 30, 2019, the Company had an installed base of 126 *Niobe* ES systems.

In addition to the robotic magnetic navigation systems and their components, Stereotaxis also has developed the *Odyssey* Solution, which consolidates all lab information enabling doctors to focus on the patient for optimal procedure efficiency. The system also features a remote viewing and recording capability called *Odyssey Cinema*, which is an innovative solution that delivers synchronized content for optimized workflow, advanced care, and improved productivity. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the global *Odyssey* Network providing physicians with a tool for clinical collaboration, remote consultation, and training.

Our *Vdrive* system provides navigation and stability for diagnostic and therapeutic devices designed to improve interventional procedures. The *Vdrive* system complements the robotic magnetic navigation systems’ control of therapeutic catheters for fully remote procedures and enables single-operator workflow and is sold as two options, the *Vdrive* system and the *Vdrive Duo* system. In addition to the *Vdrive* system and the *Vdrive Duo* system, we also manufacture and market various disposable components which can be manipulated by these systems.

We promote our full suite of products in a typical hospital implementation, subject to regulatory approvals or clearances. This implementation requires a hospital to agree to an upfront capital payment and recurring payments. The upfront capital payment typically includes equipment and installation charges. The recurring payments typically include disposable costs for each procedure, equipment service costs beyond warranty period, and ongoing software updates. In hospitals where our full suite of products has not been implemented, equipment upgrade or expansion can be implemented upon purchasing of the necessary upgrade or expansion.

The *Niobe* system, *Odyssey Workstation*, *Cardiodrive*, and various disposable interventional devices have received regulatory clearance in the U.S., Europe, Canada, China, Japan and various other countries. We have received the regulatory clearance, licensing and/or CE Mark approvals that allow us to market the *Vdrive* and *Vdrive Duo* systems with the *V-CAS*, *V-Loop* and *V-Sono* devices in the U.S., Canada and Europe. The *Genesis* system and the *V-CAS Deflect* catheter advancement system have been CE Marked for sale in the Europe. Stereotaxis Imaging Model S is CE marked and FDA cleared.

We have strategic relationships with technology leaders in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices, in order to continue to develop new solutions in the interventional lab. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. The commercial availability of currently compatible digital imaging fluoroscopy systems is unlikely to continue and efforts are being made to ensure the availability of integrated next generation systems and/or equivalent alternatives; however, we cannot provide assurance as to the timeline of the ongoing availability of such compatible systems or our ability to obtain equivalent alternatives on competitive terms or at all.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited financial statements of Stereotaxis, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the six month period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ended December 31, 2019 or for future operating periods.



These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (SEC) on March 15, 2019.

### ***Going Concern, Liquidity and Management's Plan***

The Company believes the cash on hand at June 30, 2019 will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued. The Company has sustained operating losses throughout its corporate history and expects that its 2019 expenses will exceed its 2019 gross margin. The Company expects to continue to incur operating losses and negative cash flows until revenues reach a level sufficient to support ongoing operations or expense reductions are in place. The Company's liquidity needs will be largely determined by the success of clinical adoption within the installed base of robotic magnetic navigation systems as well as by new placements of capital systems. The Company also may consider raising cash through capital transactions, which could include either debt or equity financing.

### ***Financial Instruments***

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and debt. The carrying value of such amounts reported at the applicable balance sheet dates approximates fair value.

The Company measures certain financial assets and liabilities at fair value on a recurring basis. General accounting principles for fair value measurement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3").

### ***Revenue and Costs of Revenue***

The Company adopted Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*, on January 1, 2018.

We generate revenue from initial capital sales of systems as well as recurring revenue from the sale of our proprietary disposable devices, from royalties paid to the Company on the sale by Biosense Webster of co-developed catheters, and from other recurring revenue including ongoing software updates and service contracts.

We account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. We record our revenue based on consideration specified in the contract with each customer, net of any taxes collected from customers that are remitted to government authorities.

For contracts containing multiple products and services the Company accounts for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the products or services. If a standalone selling price is not directly observable, then the Company estimates the standalone selling price considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services and market conditions. The Company regularly reviews standalone selling prices and updates these estimates as necessary.

#### Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software updates throughout the period and is included in Other Recurring Revenue. The Company's system contracts generally do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were not material for the periods presented. Revenue from system delivery and installation represented 0% and 2% of revenue for the six months ended June 30, 2019 and 2018, respectively.

#### Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the periods presented. Disposable revenue represented 36% and 34% of revenue for the six months ended June 30, 2019 and 2018, respectively.

Royalty:

The Company is entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters. Royalty revenue from the co-developed catheters represented 10% of revenue for the six months ended June 30, 2019 and 2018.

Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for one year following installation. Revenue from services and software enhancements is deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed. Other recurring revenue represented 50% and 54% of revenue for the six months ended June 30, 2019 and 2018, respectively.

Sublease Revenue:

The adoption of new lease accounting guidance as of January 1, 2019 requires the Company to record sublease income as revenue beginning in 2019. Sublease revenue represented 4% of revenue for the six months ended June 30, 2019.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Systems	\$ -	\$ 310,751	\$ 58,051	\$ 328,026
Disposables, service and accessories	6,546,115	7,240,650	13,256,873	14,195,008
Sublease	251,996	-	493,061	-
Total revenue	\$ 6,798,111	\$ 7,551,401	\$ 13,807,985	\$ 14,523,034

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to the Company's systems contracts and obligations that will be recognized as revenue in future periods. These obligations are generally satisfied within two years after contract inception but may occasionally extend longer. Transaction price representing revenue to be earned on remaining performance obligations on system contracts was approximately \$2.6 million as of June 30, 2019. Performance obligations arising from contracts for disposables, royalty and service are generally expected to be satisfied within one year after entering into the contract.

The following information summarizes the Company's contract assets and liabilities:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Contract Assets - Unbilled Receivables	\$ 208,023	\$ 251,867
Customer deposits	371,000	487,086
Product shipped, revenue deferred	645,199	645,199
Deferred service and license fees	6,030,561	5,100,402
Total deferred revenue	7,046,760	6,232,687
Less: Long-term deferred revenue	(508,772)	(407,151)
Total current deferred revenue	\$ 6,537,988	\$ 5,825,536

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets primarily represent the difference between the revenue that was earned but not billed on service contracts and revenue from system contracts that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Deferred revenue is primarily related to service contracts, for which the service fees are billed up-front, generally quarterly or annually, and for amounts billed in advance for system contracts for which some performance obligations remain outstanding. For service contracts, the associated deferred revenue is generally recognized ratably over the service period. For system contracts, the associated deferred revenue is recognized when the remaining performance obligations are satisfied. The Company did not have any impairment losses on its contract assets for the periods presented.

Revenue recognized for the six months ended June 30, 2019 and 2018, that was included in the deferred revenue balance at the beginning of each reporting period was \$4.3 million and \$4.2 million respectively.

### **Assets Recognized from the Costs to Obtain a Contract with a Customer**

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets, in the Company's balance sheet was \$0.3 million as of June 30, 2019. The Company did not incur any impairment losses during any of the periods presented.

Costs of systems revenue include direct product costs, installation labor and other costs, estimated warranty costs, and initial training and product maintenance costs. These costs are recorded at the time of sale. Costs of disposable revenue include direct product costs and estimated warranty costs and are recorded at the time of sale. Cost of revenue from services and license fees are recorded when incurred.

### **Share-Based Compensation**

The Company accounts for its grants of stock options, stock appreciation rights, restricted shares, and restricted stock units and for its employee stock purchase plan in accordance with the provisions of general accounting principles for share-based payments. These accounting principles require the determination of the fair value of the share-based compensation at the grant date and the recognition of the related expense over the period in which the share-based compensation vests.

The Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights at the date of grant. The resulting compensation expense is recognized over the requisite service period, which is generally four years. Restricted shares and units granted to employees are valued at the fair market value at the date of grant. The Company amortizes the fair market value to expense over the service period. If the shares are subject to performance objectives, the resulting compensation expense is amortized over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives.

### **Net Income (Loss) per Common Share ("EPS")**

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the number of common shares outstanding during the period. In periods where there is net income, we apply the two-class method to calculate basic and diluted net income (loss) per share of common stock, as our Convertible Preferred Stock is a participating security. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. In periods where there is a net loss, the two-class method of computing earnings per share does not apply as our Convertible Preferred Stock does not contractually participate in our losses. We compute diluted net income (loss) per common share using net income (loss) as the "control number" in determining whether potential common shares are dilutive, after giving consideration to all potentially dilutive common shares, including stock options, warrants, unvested restricted stock units outstanding during the period and potential issuance of stock upon the conversion of our Convertible Preferred Stock issued and outstanding during the period, except where the effect of such securities would be antidilutive.

The following table sets forth the computation of basic and diluted EPS:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	\$ (1,427,718)	\$ (632,205)	\$ (3,550,538)	\$ 803,025
Cumulative dividend on convertible preferred stock	(357,194)	(357,518)	(710,704)	(711,107)
Net loss attributable to convertible preferred stock	-	-	-	(42,936)
Net income (loss) attributable to common stockholders	\$ (1,784,912)	\$ (989,723)	\$ (4,261,242)	\$ 48,982
Shares used for basic EPS-weighted average shares	60,052,673	58,926,545	59,936,606	45,019,358
Restricted stock units	-	-	-	267,936
Warrants	-	-	-	441,438
Weighted average number of common shares and equivalents:	60,052,673	58,926,545	59,936,606	45,728,732
Basic EPS	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ 0.00
Diluted EPS	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ 0.00

The Company did not include any portion of unearned restricted stock units, outstanding options, stock appreciation rights, or warrants in the calculation of diluted loss per common share for the three and six month periods ended June 30, 2019 or the three month period ended June 30, 2018 because all such securities are anti-dilutive. The following potential common shares were excluded from diluted EPS for the six month period ended June 30, 2018 as they were antidilutive: 1,167,775 stock options and stock appreciation rights, 271,990 restricted stock units, and 1,853,239 warrants. The Company had no unearned restricted shares during any period.

As of June 30, 2019, the Company had 2,066,996 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of \$2.09 per share, 1,099,997 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.70 per share, 42,757,007 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock and accumulated dividends, and 680,437 shares of unvested restricted share units.

### **Recently Issued Accounting Pronouncements**

Effective January 1, 2019, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and all subsequent ASUs that modified Topic 842, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

Leases with a term of 12 months or less are accounted for similar to previous guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to previous guidance for sales-type leases, direct financing leases and operating leases. Accounting Standards Codification (“ASC 842”) supersedes the previous lease standard, ASC 840 Leases. The Company adopted ASU 2016-02 using the alternative modified transition method. Under this method, the cumulative-effect adjustment to the opening balance of retained earnings is recognized on the date of adoption with prior periods not restated. There was no cumulative-effect adjustment recorded on January 1, 2019. The new standard provides a number of optional practical expedients in transition. The Company elected the ‘package of practical expedients’, which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. In addition, the new standard provides practical expedients for an entity’s ongoing accounting. The Company elected the practical expedients for ongoing accounting of (1) the election for certain classes of underlying asset to not separate non-lease components from lease components and (2) the election for short-term lease recognition exemption for all leases that qualify. For the Company, as a lessee, the primary impact of adopting ASC 842 was the balance sheet recognition of the right-of-use asset and lease liability for the operating leases. Under the new standard, as a lessor, the Company will record the sublease proceeds as Sublease revenue and the related cost as Sublease cost of revenue. See Note 6 for additional details.

### 3. Inventories

Inventories consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 2,491,587	\$ 2,686,870
Work in process	179,408	2,594
Finished goods	3,208,467	2,963,013
Reserve for obsolescence	(4,319,346)	(4,460,811)
Total inventory	<u>\$ 1,560,116</u>	<u>\$ 1,191,666</u>

### 4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Prepaid expenses	\$ 256,718	\$ 401,972
Prepaid commissions	273,753	304,585
Deposits	152,090	455,508
Total prepaid expenses and other assets	682,561	1,162,065
Less: Noncurrent prepaid expenses and other assets	(168,153)	(198,365)
Total current prepaid expenses and other assets	<u>\$ 514,408</u>	<u>\$ 963,700</u>

### 5. Property and Equipment

Property and equipment consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Equipment	\$ 6,447,835	\$ 6,739,939
Leasehold improvements	2,488,505	2,684,065
	8,936,340	9,424,004
Less: Accumulated depreciation	(8,638,846)	(9,080,311)
Net property and equipment	<u>\$ 297,494</u>	<u>\$ 343,693</u>

Certain prior year amounts have been reclassified to conform to the 2019 presentation.

### 6. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASU No. 2016-02 "Leases" (Topic 842) and all subsequent ASUs that modified Topic 842. The Company determines if an arrangement contains a lease at inception. For the Company, Accounting Standards Codification ("ASC 842") primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

The Company leases its facilities under operating leases, which were previously not recognized on the Company's balance sheets. With the adoption of ASC 842, operating lease agreements are required to be recognized on the balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability. These leases do not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do not contain contingent rent provisions. Many of our leases include both lease (i.e., fixed payments including rent, taxes, and insurance costs) and non-lease components (i.e., common-area or other maintenance costs) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases. A portion of our principal executive office is subleased to a third party through 2021. The sublease does not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. In addition, the sublease does not contain contingent rent provisions nor are there options to extend or terminate the sublease.

The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. The Company elected not to include short-term leases (i.e. leases with initial terms of twelve months or less) on the balance sheet.

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments. ASC 842 requires the use of the discount rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception. At June 30, 2019, the weighted average discount rate for operating leases was 9.0% and the weighted average remaining lease term for operating lease term is 2.5 years.

The following table represents lease costs and other lease information.

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>
Operating lease cost	\$ 585,585	\$ 1,171,171
Short-term lease cost	18,831	38,639
Sublease income	(251,996)	(493,061)
Total lease cost	<u>\$ 352,420</u>	<u>\$ 716,749</u>
Cash paid within operating cash flows	\$ 612,224	\$ 1,227,490

The initial recognition of the right of use assets was \$6.2 million. Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased facilities and equipment which are paid based on actual costs incurred.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2019, excluding sublease income, were as follows:

	<b>June 30, 2019</b>
2019	\$ 1,145,225
2020	2,339,810
2021	2,382,660
2022 and thereafter	-
Total lease payments	<u>\$ 5,867,695</u>
Less: Interest	(596,022)
Present value of lease liabilities	<u>\$ 5,271,673</u>

The undiscounted future cash flows to be received under the sublease are \$0.5 million in 2019, \$1.0 million in 2020 and \$1.0 million in 2021.

#### 7. Accrued Liabilities

Accrued liabilities consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Accrued salaries, bonus, and benefits	\$ 1,199,869	\$ 1,491,844
Accrued licenses and maintenance fees	483,879	577,389
Accrued warranties	125,820	149,464
Accrued taxes	184,442	192,268
Accrued professional services	175,000	489,017
Other	467,995	383,960
Total accrued liabilities	<u>2,637,005</u>	<u>3,283,942</u>
Less: Long term accrued liabilities	(260,947)	(641,461)
Total current accrued liabilities	<u>\$ 2,376,058</u>	<u>\$ 2,642,481</u>

Certain prior year amounts have been reclassified to conform to the 2019 presentation.

## **8. Long-Term Debt and Credit Facilities**

The Company has had a working capital line of credit with its primary lender, Silicon Valley Bank, since 2004. The working capital line of credit matures on June 30, 2020. The revolving line of credit is secured by substantially all of the Company's assets. The maximum available under the line is \$5.0 million subject to the value of collateralized assets and the interest rate is equal to the prime rate subject to a floor of 4.5%. The Company is required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with its primary lender.

On June 27, 2019, the Company entered into a Second Amendment to and Reinstatement of Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank to extend the maturity of the revolving line of credit to June 30, 2020 under substantially identical terms to the prior agreement.

As of June 30, 2019, the Company had no outstanding balance under the revolving line of credit. Draws on the line of credit were made based on the borrowing capacity one week in arrears. As of June 30, 2019, the Company had a borrowing capacity of \$3.4 million based on the Company's collateralized assets. The Company's total liquidity as of June 30, 2019, was \$11.9 million which included cash and cash equivalents of \$8.5 million.

## **9. Convertible Preferred Stock and Stockholders' Equity**

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends and the conditions of the revolving line of credit agreement. No dividends have been declared or paid as of June 30, 2019.

### ***Convertible Preferred Stock and Warrants***

In September 2016, the Company issued 24,000 shares of Series A Convertible Preferred Stock, par value \$0.001 with a stated value of \$1,000 per share which are convertible into shares of the Company's common stock at an initial conversion rate of \$0.65 per share and (ii) warrants to purchase an aggregate of 36,923,078 shares of common stock. The convertible preferred shares are entitled to vote on an as-converted basis with the common stock, subject to specified beneficial ownership issuance limitations. The convertible preferred shares bear dividends at a rate of six percent (6%) per annum, which are cumulative and accrue daily from the date of issuance on the \$1,000 stated value. Such dividends will not be paid in cash except in connection with any liquidation, dissolution or winding up of the Company or any redemption of the convertible preferred shares. Each holder of convertible preferred shares has the right to require us to redeem such holder's convertible preferred shares upon the occurrence of specified events, which include certain business combinations, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the outstanding shares of the Company's common stock. In addition, the Company has the right to redeem the convertible preferred shares in the event of a defined change of control. The convertible preferred shares rank senior to our common stock as to distributions and payments upon the liquidation, dissolution, and winding up of the Company. Since the convertible preferred shares are subject to conditions for redemption that are outside the Company's control, the convertible preferred shares are presently reported in the mezzanine section of the balance sheet.

The warrants issued in conjunction with the convertible preferred stock (the "SPA Warrants") have an exercise price equal to \$0.70 per share subject to adjustments as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership issuance limitations. The warrants were originally puttable upon the occurrence of certain events outside of the Company's control, and were classified as liabilities under Accounting Standards Codification ("ASC") Topic 480-10. The calculated fair value of the warrants was periodically re-measured with any changes in value recognized in "Other income (expense)" in the Statements of Operations.

The warrants were modified on February 28, 2018 to allow for a reduction in the exercise price from \$0.70 per share to \$0.28 per share for a period between March 1, 2018 and March 5, 2018. Any holder who exercised warrants at the reduced strike price was required to enter into a lock-up agreement with the Company agreeing not to sell the warrants or the common shares received upon exercise of the warrants for a period of 18 months following March 12, 2018. Additionally, the beneficial ownership limitation related to the warrants was modified and the right of holders to require the Company to redeem their SPA Warrants in exchange for cash in certain circumstances was eliminated. Following these modifications, the warrants were no longer subject to liability accounting and were reclassified to equity. During the restricted exercise period, Stereotaxis received exercise notices for 35,791,927 warrants and received an aggregate of \$10.0 million in cash from the warrant exercise. As a result of these transactions, total stockholders' equity increased by \$27 million and common shares outstanding increased by 35,791,927 shares. The Consent and Amendment and the Amended and Restated Form of Warrants are available in a Form 8-K filed with the Securities and Exchange Commission on March 6, 2018.

### Stock Award Plans

The Company has various stock plans that permit the Company to provide incentives to employees and directors of the Company in the form of equity compensation. In July 2012, the Compensation Committee of the Board of Directors adopted the 2012 Stock Incentive Plan (the "Plan") which was subsequently approved by the Company's shareholders. This plan replaced the 2002 Stock Incentive Plan which expired on March 25, 2012.

On June 5, 2013, June 10, 2014, May 24, 2016, and May 23, 2017, the shareholders approved amendments to the Plan, which were previously approved and adopted by the Compensation Committee of the Board of Directors of the Company. Under each of the amendments on June 5, 2013 and June 10, 2014, the number of shares authorized for issuance under the Plan was increased by one million shares. The amendment on May 24, 2016 increased the number of shares authorized for issuance under the Plan by 1.5 million shares, and the amendment on May 23, 2017 increased the number of shares authorized for issuance under the Plan by 4.0 million shares. At June 30, 2019, the Company had 3,293,836 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At June 30, 2019, the total compensation cost related to options, stock appreciation rights, and non-vested stock granted to employees under the Company's stock award plans but not yet recognized was approximately \$1.9 million. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in actual forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the six month period ended June 30, 2019 is as follows:

	<u>Number of Options/SARs</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price per Share</u>
Outstanding, December 31, 2018	1,165,086	\$0.74 - \$43.90	\$ 2.54
Granted	982,000	\$2.03	\$ 2.03
Exercised	(15,330)	\$0.74 - \$0.83	\$ 0.74
Forfeited	(64,760)	\$0.74 - \$43.90	\$ 9.59
Outstanding, June 30, 2019	<u>2,066,996</u>	<u>\$0.74 - \$36.20</u>	<u>\$ 2.09</u>

A summary of the restricted stock unit activity for the six month period ended June 30, 2019 is as follows:

	<u>Number of Restricted Stock Units</u>	<u>Weighted Average Grant Date Fair Value per Unit</u>
Outstanding, December 31, 2018	647,649	\$ 0.83
Granted	210,000	\$ 1.19
Vested	(174,462)	\$ 1.12
Forfeited	(2,750)	\$ 0.74
Outstanding, June 30, 2019	<u>680,437</u>	<u>\$ 0.87</u>

### 10. Product Warranty Provisions

The Company's standard policy is to warrant all capital systems against defects in material or workmanship for one year following installation. The Company's estimate of costs to service the warranty obligations is based on historical experience and current product performance trends. A regular review of warranty obligations is performed to determine the adequacy of the reserve and adjustments are made to the estimated warranty liability as appropriate.

Accrued warranty, which is included in other accrued liabilities, consists of the following:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Warranty accrual, beginning of the fiscal period	\$ 149,464	\$ 164,365
Accrual adjustment for product warranty	20,040	34,253
Payments made	(43,684)	(49,154)
Warranty accrual, end of the fiscal period	<u>\$ 125,820</u>	<u>\$ 149,464</u>

### 11. Commitments and Contingencies

The Company at times becomes a party to claims in the ordinary course of business. Management believes that the ultimate resolution of pending or threatened proceedings will not have a material effect on the financial position, results of operations or liquidity of the Company.

### 12. Subsequent Events

On August 7, 2019, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and other accredited investors (the "Buyers"), whereby it, in a private placement, agreed to issue and sell to the investors an aggregate of 6,585,000 shares (the "Common Shares") of the Company's common stock, \$0.001 par value per share (the "Common Stock"), at a price of \$2.05 per share and 5,610,121 shares of the Company's Series B Convertible Preferred Stock, \$0.001 par value per share (the "Series B Preferred Stock"), which are convertible into shares of the Company's Common Stock (the "Conversion Shares"), at a price of \$2.05 per share (the "Private Placement"). The Series B Preferred Stock, which is a Common Stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into Common Stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement.

The Private Placement closed on August 7, 2019. The Company received net proceeds of approximately \$23.1 million, after offering expenses. The



Company plans to use the funds for general corporate purposes.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018. Operating results are not necessarily indicative of results that may occur in future periods.

This report includes various forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Item 1A. Risk Factors." Forward-looking statements discuss matters that are not historical facts. Forward-looking statements include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity, capital resources, and results of operations. Such statements include, but are not limited to, statements preceded by, followed by, or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "can", "could", "may", "would", or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they are made. They give our expectations regarding the future, but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

### Overview

Stereotaxis designs, manufactures and markets an advanced cardiology instrument control system for use in a hospital's interventional surgical suite to enhance the treatment of arrhythmias and coronary artery disease. Our capital products include the *Genesis* system, the *Niobe* system, *Odyssey* Solution, the *Vdrive* system, and the Stereotaxis Imaging Model S x-ray system. We believe that the robotic magnetic navigation systems represent a revolutionary technology in the interventional surgical suite, or "interventional lab," and have the potential to become the standard of care for a broad range of complex cardiology procedures. We also believe that our technology represents an important advance in the ongoing trend toward digital instrumentation in the interventional lab and provides substantial, clinically important improvements, and cost efficiencies over manual interventional methods, which require years of physician training and often result in long and unpredictable procedure times and sub-optimal therapeutic outcomes.

The *Genesis* system is the latest generation of the robotic magnetic navigation system. This system is designed to enable physicians to complete more complex interventional procedures by providing image-guided delivery of catheters and guidewires through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter or guidewire, resulting in improved navigation, efficient procedures and reduced x-ray exposure. The *Genesis* system is CE marked and will become available in other global geographies subject to regulatory approval. The core components of the *Niobe* system have received regulatory clearance in the U.S., Canada, Europe, China, Japan, and various other countries. As of June 30, 2019, the Company had an installed base of 126 *Niobe* ES systems.

Stereotaxis also has developed the *Odyssey* Solution which consolidates all lab information enabling doctors to focus on the patient for optimal procedure efficiency. The system also features a remote viewing and recording capability called *Odyssey Cinema*, which is an innovative solution delivering synchronized content for optimized workflow, advanced care, and improved productivity. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the global *Odyssey* Network providing physicians with a tool for clinical collaboration, remote consultation, and training. The *Odyssey* Solution may be acquired in conjunction with a robotic magnetic navigation system or on a stand-alone basis for installation in interventional labs and other locations where clinicians often desire the benefits of the *Odyssey* Solution that we believe can improve clinical workflows and related efficiencies.

Our *Vdrive* system provides navigation and stability for diagnostic and therapeutic devices designed to improve interventional procedures. The *Vdrive* system complements the robotic magnetic navigation system's control of therapeutic catheters for fully remote procedures and enables single-operator workflow and is sold as two options, the *Vdrive* system and the *Vdrive Duo* system. In addition to the *Vdrive* system and the *Vdrive Duo* system, we also manufacture and market various disposable components (*V-Loop*, *V-Sono*, *V-CAS*, and *V-CAS Deflect*) which can be manipulated by these systems.

We have strategic relationships with technology leaders in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices, in order to continue to develop new solutions in the interventional lab. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. The commercial availability of currently compatible digital imaging fluoroscopy systems is unlikely to continue and efforts are being made to ensure the availability of integrated next generation systems and/or equivalent alternatives; however, we cannot provide assurance as to the timeline of the ongoing availability of such compatible systems or our ability to obtain equivalent alternatives on competitive terms or at all.

### ***Going Concern, Liquidity and Management's Plan***

The Company believes the cash on hand at June 30, 2019 will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued. The Company has sustained operating losses throughout its corporate history and expects that its 2019 expenses will exceed its 2019 gross margin. The Company expects to continue to incur operating losses and negative cash flows until revenues reach a level sufficient to support ongoing operations or expense reductions are in place. The Company's liquidity needs will be largely determined by the success of clinical adoption within the installed base of *Niobe* systems as well as by new placements of capital systems. The Company also may consider raising cash through capital transactions, which could include either debt or equity financing.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. We review our estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements. For a complete listing of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2018.

#### ***Revenue Recognition***

The Company adopted Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*, on January 1, 2018. We generate revenue from the initial capital sales of systems as well as recurring revenue from the sale of our proprietary disposable devices from royalties paid to the Company on the sale by Biosense Webster of co-developed catheters, and from other recurring revenue including ongoing software updates and service contracts.

We account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. We record our revenue based on consideration specified in the contract with each customer, net of any taxes collected from customers that are remitted to government authorities.

For contracts containing multiple products and services the Company accounts for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the products or services. If a standalone selling price is not directly observable, then the Company estimates the standalone selling price considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services and market conditions. The Company regularly reviews standalone selling prices and updates these estimates if necessary.

#### **Systems:**

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software updates throughout the period and is included in Other Recurring Revenue. The Company's system contracts generally do not provide a right of return. Systems are generally covered by a one-year warranty; warranty costs were not material for the periods presented.

#### **Disposables:**

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by a warranty that provides for the return of defective products. Warranty costs were not material for the periods presented.

#### **Royalty:**

The Company is entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters.

### Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for one year following installation. Revenue from services and software enhancements is deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed.

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Deferred revenue is primarily related to service contracts, for which the service fees are billed up-front, generally quarterly or annually, and for amounts billed in advance for system contracts for which some performance obligations remain outstanding. For service contracts, the associated deferred revenue is generally recognized ratably over the service period. For system contracts, the associated deferred revenue is recognized when the remaining performance obligations are satisfied. See Note 2 for additional detail on deferred revenue. The Company did not have any impairment losses on its contract assets for the periods presented.

### ***Assets Recognized from the Costs to Obtain a Contract with a Customer***

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets in the Company's balance sheets were \$0.3 million as of June 30, 2019. The Company did not incur any impairment losses during any of the periods presented.

### ***Leases***

On January 1, 2019, the Company adopted ASU No. 2016-02 "Leases" (Topic 842) and all subsequent ASUs that modified Topic 842. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company determines if a contract contains a lease at inception. For contracts where the Company is the lessee, operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liability on the Company's balance sheet. The Company currently does not have any finance leases.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. Lease terms may include options to extend or terminate when the Company is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company also has lease arrangements with lease and non-lease components. The Company elected the practical expedient not to separate non-lease components from lease components for the Company's operating leases. Additionally, the Company applies the short-term lease measurement and recognition exemption in which right of use assets and lease liabilities are not recognized for leases less than twelve months.

### ***Cost of Contracts***

Costs of systems revenue include direct product costs, installation labor and other costs, estimated warranty costs, and initial training and product maintenance costs. These costs are recorded at the time of sale. Costs of disposable revenue include direct product costs and estimated warranty costs and are recorded at the time of sale. Cost of revenue from services and license fees are recorded when incurred.

### **Results of Operations**

#### *Comparison of the Three Months Ended June 30, 2019 and 2018*

**Revenue.** Revenue decreased from \$7.6 million for the three months ended June 30, 2018 to \$6.8 million for the three months ended June 30, 2019, a decrease of 10%. There were no system sales in the three months ended June 30, 2019. Revenue from the sale of systems was \$0.3 million for the three months ended June 30, 2018. Revenue from sales of disposable interventional devices, service, and accessories decreased to \$6.5 million for the three months ended June 30, 2019 from \$7.2 million for the three months ended June 30, 2018, a decrease of approximately 10% due to decreased service revenue. The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record \$0.3 million of sublease income as revenue for the three months ended June 30, 2019.

**Cost of Revenue.** Cost of revenue decreased from \$1.4 million for the three months ended June 30, 2018 to \$1.1 million for the three months ended June 30, 2019, a decrease of approximately 17%. As a percentage of our total revenue, overall gross margin increased to 83% for the three months ended June 30, 2019 from 82% for the three months ended June 30, 2018. Excluding the impact of the new lease guidance, gross margin for the three months ended June 30, 2019 was 86%. Cost of revenue for systems sold decreased from \$0.5 million for the three months ended June 30, 2018 to less than \$0.1 million for the three months ended June 30, 2019 due to lower sales, higher production volume and reduced obsolescence. Gross margin for systems was negative \$0.1 million for the three months ended June 30, 2018 and less than negative \$0.1 million for the three months ended June 30, 2019. Cost of revenue for disposables, service, and accessories remained relatively consistent at \$0.9 million for the three months ended June 30, 2019 and June 30, 2018. Gross margin for disposables, service, and accessories was 86% for the current quarter compared to 87% for the three months ended June 30, 2018. The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record \$0.2 million of cost of sublease for the three months ended June 30, 2019.

*Research and Development Expenses.* Research and development expenses increased from \$2.0 million for the three months ended June 30, 2018 to \$2.7 million for the three months ended June 30, 2019, an increase of approximately 33%. This increase was primarily due to spending for new projects.

*Sales and Marketing Expenses.* Sales and marketing expenses decreased from \$3.5 million for the three months ended June 30, 2018 to \$3.2 million for the three months ended June 30, 2019, a decrease of approximately 6%. This decrease was primarily due to a more efficient distribution of clinical adoption and marketing resources favorably impacting headcount costs.

*General and Administrative Expenses.* General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses decreased from \$1.3 million for the three months ended June 30, 2018 to \$1.2 million for the three months ended June 30, 2019, a decrease of approximately 9%. This decrease was primarily due reduced professional fees. .

*Interest Income (Expense).* Interest income for the three months ended June 30, 2019 was less than \$0.1 million compared to interest expense of less than \$0.1 million for the three months ended June 30, 2018.

#### *Comparison of the Six Months Ended June 30, 2019 and 2018*

*Revenue.* Revenue decreased from \$14.5 million for the six months ended June 30, 2018 to \$13.8 million for the six months ended June 30, 2019, a decrease of approximately 5%. Revenue from the sale of systems decreased from \$0.3 million to \$0.1 million, a decrease of approximately 82%, primarily due to lower sales volumes. Revenue from sales of disposable interventional devices, service and accessories decreased to \$13.3 million for the six months ended June 30, 2019 from \$14.2 million for the six months ended June 30, 2018, a decrease of approximately 7% primarily due to decreased service revenue. The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record \$0.5 million of sublease income as revenue for the six months ended June 30, 2019.

*Cost of Revenue.* Cost of revenue decreased from \$2.7 million for the six months ended June 30, 2018 to \$2.6 million for the six months ended June 30, 2019, a decrease of approximately 4%. As a percentage of our total revenue, overall gross margin remained relatively consistent at 81% for the six months ended June 30, 2019 and June 30, 2018. Excluding the impact of the new lease guidance, gross margin for the six months ended June 30, 2019 was 84%. Cost of revenue for systems sold decreased from \$0.7 million for the six months ended June 30, 2018 to \$0.1 million for the six months ended June 30, 2019, a decrease of approximately 91%, primarily due to decreased *Odyssey* system sales and changes in obsolete inventory. Gross margin for systems increased from negative \$0.3 million for the six months ended June 30, 2018 to less than \$0.1 million for the six months ended June 30, 2019 due to higher production and reduced obsolescence. Cost of revenue for disposables, service and accessories remained relatively consistent at \$2.0 million for the six months ended June 30, 2019 and June 30, 2018. Gross margin for disposables, service and accessories was 85% for the current period compared to 86% for the six months ended June 30, 2018 driven by decreased service revenue from contract billings in the current year period. The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record \$0.5 million of cost of sublease for the six months ended June 30, 2019.

*Research and Development Expenses.* Research and development expenses increased from \$4.0 million for the six months ended June 30, 2018 to \$5.7 million for the six months ended June 30, 2019, an increase of approximately 42%. This increase was due to higher project-based expenses.

*Sales and Marketing Expenses.* Sales and marketing expenses decreased from \$7.1 million for the six months ended June 30, 2018 to \$6.5 million for the six months ended June 30, 2019, a decrease of approximately 8%. This decrease was primarily due to a more efficient distribution of clinical adoption and marketing resources favorably impacting both headcount and contractor costs.

*General and Administrative Expenses.* General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased to \$2.6 million for the six months ended June 30, 2019 from \$2.5 million for the six months ended June 30, 2018, an increase of 4%. This increase was primarily driven by higher administrative costs partially offset by lower professional fees.

*Other Income (Expense).* Other income (expense) represents the non-cash change in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock.

*Interest Expense.* Interest income for the six months ended June 30, 2019 was less than \$0.1 million compared to interest expense of less than \$0.1 million for the six months ended June 30, 2018.

#### ***Liquidity and Capital Resources***

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash and cash equivalents. At June 30, 2019 we had \$8.5 million of cash and equivalents. We had working capital of \$2.8 million as of June 30, 2019 compared to approximately \$7.8 million as of December 31, 2018. The decrease in working capital was primarily driven by net loss incurred during the first six months of 2019 as well as the adoption of the new lease accounting guidance.

The following table summarizes our cash flow by operating, investing and financing activities for the six months ended June 30, 2019 and 2018 (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Cash flow used in operating activities	\$ (2,296)	\$ (1,531)
Cash flow used in investing activities	(10)	(57)
Cash flow provided by (used in) financing activities	(18)	9,893

*Net cash used in operating activities.* We used approximately \$2.3 million and \$1.5 million of cash for operating activities during the six months ended June 30, 2019 and 2018, respectively. The increase in cash used in operating activities was driven by larger operating losses partially offset by improved working capital.

*Net cash used in investing activities.* We used less than \$0.1 million of cash during the six months ended June 30, 2019 and June 30, 2018, respectively for the purchases of equipment.

*Net cash provided by (used in) financing activities.* We used less than \$0.1 million of cash for the six month period ended June 30, 2019 compared to approximately \$9.9 million generated for the six month period ended June 30, 2018. The cash used in the six month period ended June 30, 2019 was driven by the proceeds from issuance of stock, net of issuance costs. The cash generated in the six months ended June 30, 2018 was primarily driven by the warrant exercise in March 2018.

The Company believes the cash on hand at June 30, 2019 will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued. The Company has sustained operating losses throughout its corporate history and expects that its 2019 expenses will exceed its 2019 gross margin. The Company expects to continue to incur operating losses and negative cash flows until revenues reach a level sufficient to support ongoing operations or expense reductions are in place. The Company's liquidity needs will be largely determined by the success of clinical adoption within the installed base of robotic magnetic navigation systems as well as by new placements of capital systems. The Company also may consider raising cash through capital transactions, which could include either debt or equity financing.

Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with cash resources primarily generated from the proceeds of our past and future public offerings, private sales of our equity securities and working capital, and equipment financing loans. In the future, we may finance cash needs through the sale of other equity securities or non-core assets, strategic collaboration agreements, debt financings, or through distribution rights. We cannot assure you that such additional financing will be available on a timely basis on terms acceptable to us or at all, that we will be able to engage in equity financings because our common stock is no longer listed on a national securities exchange, or that such financing will not be dilutive to our stockholders. If adequate funds are not available to us, we could be required to delay development or commercialization of new products, to license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves or to reduce the sales, marketing, customer support, or other resources devoted to our products, any of which could have a material adverse effect on our business, financial condition, and results of operations. In addition, we could be required to cease operations.

#### *Capital Resources*

As of June 30, 2019, our borrowing facilities were comprised of a revolving line of credit maintained with our primary lender, Silicon Valley Bank.

#### *Revolving Line of Credit*

The Company has had a working capital line of credit with its primary lender, Silicon Valley Bank, since 2004. The working capital line of credit matures on June 30, 2020. The revolving line of credit is secured by substantially all of the Company's assets. The maximum available under the line is \$5.0 million subject to the value of collateralized assets and the interest rate is equal to the prime rate subject to a floor of 4.5%. The Company is required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with its primary lender.

On June 27, 2019, the Company entered into a Second Amendment to and Reinstatement of Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank to extend the maturity of the revolving line of credit to June 30, 2020 under substantially identical terms to the prior agreement.

As of June 30, 2019, the Company had no outstanding balance under the revolving line of credit. Draws on the line of credit were made based on the borrowing capacity one week in arrears. As of June 30, 2019, the Company had a borrowing capacity of \$3.4 million based on the Company's collateralized assets. The Company's total liquidity as of June 30, 2019, was \$11.9 million which included cash and cash equivalents of \$8.5 million.

## *Common Stock*

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends and the conditions of the revolving line of credit agreement. No dividends have been declared or paid as of June 30, 2019.

### **2019 Equity Financing**

As disclosed in Note 12, on August 7, 2019, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and other accredited investors (the "Buyers"), whereby it, in a private placement, agreed to issue and sell to the investors an aggregate of 6,585,000 shares (the "Common Shares") of the Company's common stock, \$0.001 par value per share (the "Common Stock"), at a price of \$2.05 per share and 5,610,121 shares of the Company's Series B Convertible Preferred Stock, \$0.001 par value per share (the "Series B Preferred Stock"), which are convertible into shares of the Company's Common Stock (the "Conversion Shares"), at a price of \$2.05 per share (the "Private Placement"). The Series B Preferred Stock, which is a Common Stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into Common Stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement.

The Private Placement closed on August 7, 2019. The Company received net proceeds of approximately \$23.1 million, after offering expenses. The Company plans to use the funds for general corporate purposes.

### **Convertible Preferred Stock and Warrants**

In September 2016, the Company issued 24,000 shares of Series A Convertible Preferred Stock, par value \$0.001 with a stated value of \$1,000 per share which are convertible into shares of the Company's common stock at an initial conversion rate of \$0.65 per share and (ii) warrants to purchase an aggregate of 36,923,078 shares of common stock. The convertible preferred shares are entitled to vote on an as-converted basis with the common stock, subject to specified beneficial ownership limitations. The convertible preferred shares bear dividends at a rate of six percent (6%) per annum, which are cumulative and accrue daily from the date of issuance on the \$1,000 stated value. Such dividends will not be paid in cash except in connection with any liquidation, dissolution or winding up of the Company or any redemption of the convertible preferred shares. Each holder of convertible preferred shares has the right to require us to redeem such holder's convertible preferred shares upon the occurrence of specified events, which include certain business combinations, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the outstanding shares of the Company's common stock. In addition, the Company has the right to redeem the convertible preferred shares in the event of a defined change of control. The convertible preferred shares rank senior to our common stock as to distributions and payments upon the liquidation, dissolution, and winding up of the Company. Since the convertible preferred shares are subject to conditions for redemption that are outside the Company's control, the convertible preferred shares are presently reported in the mezzanine section of the balance sheet.

The warrants issued in conjunction with the convertible preferred stock (the "SPA Warrants") have an exercise price equal to \$0.70 per share subject to adjustments as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership limitations. The warrants were originally puttable upon the occurrence of certain events outside of the Company's control, and were classified as liabilities under Accounting Standards Codification ("ASC") Topic 480-10. The calculated fair value of the warrants was periodically re-measured with any changes in value recognized in "Other income (expense)" in the Statements of Operations.

The warrants were modified on February 28, 2018 to allow for a reduction in the exercise price from \$0.70 per share to \$0.28 per share for a period between March 1, 2018 and March 5, 2018. Any holder who exercised warrants at the reduced strike price was required to enter into a lock-up agreement with the Company agreeing not to sell the warrants or the common shares received upon exercise of the warrants for a period of 18 months following March 12, 2018. Additionally, the beneficial ownership limitation related to the warrants was modified and the right of holders to require the Company to redeem their SPA Warrants in exchange for cash in certain circumstances was eliminated. Following these modifications, the warrants were no longer subject to liability accounting and were reclassified to equity. During the restricted exercise period, Stereotaxis received exercise notices for 35,791,927 warrants and received an aggregate of \$10.0 million in cash from the warrant exercise. As a result of these transactions, total stockholders' equity increased by \$27 million and common shares outstanding increased by 35,791,927 shares. The Consent and Amendment and the Amended and Restated Form of Warrants are available in a Form 8-K filed with the Securities and Exchange Commission on March 6, 2018.

### **Off-Balance Sheet Arrangements**

We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As a result, we are not materially exposed to any financing, liquidity, market, or credit risk that could have arisen if we had engaged in these relationships.

### **ITEM 3. [RESERVED]**

None.

### **ITEM 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures:* The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

*Changes In Internal Control Over Financial Reporting:* The Company's management, with the participation of the Company's Chief Executive Officer

and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.



## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are involved from time to time in various lawsuits and claims arising in the normal course of business. Although the outcomes of these lawsuits and claims are uncertain, we do not believe any of them will have a material adverse effect on our business, financial condition or results of operations.

### **ITEM 1A. RISK FACTORS**

Additional Risk Factors are discussed in our Annual Report on Form 10-K for the year ended December 31, 2018.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. [RESERVED]**

None.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

<b>Number</b>	<b>Description</b>
3.1	<a href="#"><u>Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.</u></a>
3.2	<a href="#"><u>Certificate of Amendment to Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 000-50884) filed on July 10, 2012.</u></a>
3.3	<a href="#"><u>Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on September 30, 2016.</u></a>
3.4	<a href="#"><u>Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.</u></a>
10.1	<a href="#"><u>Second Amendment to and Reinstatement of Third Awarded and Restated Loan and Security Agreement, dated June 27, 2019, between Silicon Valley Bank, the Company, and Stereotaxis International, Inc.</u></a>
31.1	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).</u></a>
31.2	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).</u></a>
32.1	<a href="#"><u>Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).</u></a>
32.2	<a href="#"><u>Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).</u></a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

**STEREOTAXIS, INC.**

**SIGNATURES**

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

STEREOTAXIS, INC.  
(Registrant)

Date: August 9, 2019

By: */s/ David L. Fischel*  
**David L. Fischel**  
**Chief Executive Officer**

Date: August 9, 2019

By: */s/ Martin C. Stammer*  
**Martin C. Stammer**  
**Chief Financial Officer**



Certification of Principal Executive Officer

I, David L. Fischel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ David L. Fischel  
David L. Fischel  
Chief Executive Officer  
Stereotaxis, Inc.  
(Principal Executive Officer)

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## Certification of Principal Financial Officer

I, Martin C. Stammer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

*/s/ Martin C. Stammer*

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Martin C. Stammer  
Chief Financial Officer  
Stereotaxis, Inc.  
(Principal Financial Officer)





**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Fischel, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2019

*/s/ David L. Fischel*

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David L. Fischel  
Chief Executive Officer  
Stereotaxis, Inc.

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin C. Stammer, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2019

*/s/ Martin C. Stammer*

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Martin C. Stammer  
Chief Financial Officer  
Stereotaxis, Inc.

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