

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

FORM 10-Q

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2022**

OR

**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 the Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

94-3120386

(I.R.S. Employer
Identification Number)

710 North Tucker Boulevard, Suite 110
St. Louis, MO 63101

(Address of Principal Executive Offices including Zip Code)

(314) 678-6100

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	STXS	NYSE American LLC

Securities registered pursuant to Section 12(g) of the Act: None

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 for 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T "See 232.405 of this Chapter" during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller reporting company
Emerging growth company

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.

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

The number of outstanding shares of the registrant's common stock on July 31, 2022 was 74,790,074.

**STEREOTAXIS, INC.
INDEX TO FORM 10-Q**

	<u>Page</u>
Part I Financial Information	
Item 1. Financial Statements (unaudited)	3
Balance Sheets	3
Statements of Operations	4
Statements of Convertible Preferred Stock and Stockholders' Equity	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-18
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19-24
Item 3. [Reserved]	24
Item 4. Controls and Procedures	24
Part II Other Information	
Item 1. Legal Proceedings	25
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3. Defaults upon Senior Securities	25
Item 4. [Reserved]	25
Item 5. Other Information	25
Item 6. Exhibits	25-26
Signatures	27

ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS*(in thousands, except share amounts)*

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,498	\$ 38,739
Restricted cash - current	618	454
Accounts receivable, net of allowance of \$225 and \$180 at 2022 and 2021, respectively	3,748	5,406
Inventories, net	7,786	4,433
Prepaid expenses and other current assets	991	2,356
Total current assets	46,641	51,388
Property and equipment, net	3,260	2,632
Restricted cash	1,006	952
Operating lease right-of-use assets	5,553	5,735
Prepaid and other non-current assets	218	278
Total assets	<u>\$ 56,678</u>	<u>\$ 60,985</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,244	\$ 4,189
Accrued liabilities	2,126	2,528
Deferred revenue	6,959	6,277
Current portion of operating lease liabilities	328	268
Total current liabilities	13,657	13,262
Long-term deferred revenue	1,630	2,238
Operating lease liabilities	5,663	5,842
Other liabilities	202	219
Total liabilities	21,152	21,561
Series A - Convertible preferred stock:		
Convertible preferred stock, Series A, par value \$0.001; 22,386 and 22,387 shares outstanding at 2022 and 2021, respectively	5,584	5,584
Stockholders' equity:		
Convertible preferred stock, Series B, par value \$0.001; 10,000,000 shares authorized, 5,610,121 shares outstanding at 2022 and 2021	6	6
Common stock, par value \$0.001; 300,000,000 shares authorized, 74,686,056 and 74,618,240 shares issued at 2022 and 2021, respectively	75	75
Additional paid in capital	537,963	532,641
Treasury stock, 4,015 shares at 2022 and 2021	(206)	(206)
Accumulated deficit	(507,896)	(498,676)
Total stockholders' equity	29,942	33,840
Total liabilities and stockholders' equity	<u>\$ 56,678</u>	<u>\$ 60,985</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Systems	\$ 602	\$ 2,686	\$ 2,236	\$ 5,289
Disposables, service and accessories	5,550	6,118	10,953	11,892
Sublease	-	247	-	493
Total revenue	6,152	9,051	13,189	17,674
Cost of revenue:				
Systems	509	1,390	1,801	2,825
Disposables, service and accessories	973	882	1,794	1,808
Sublease	-	247	-	493
Total cost of revenue	1,482	2,519	3,595	5,126
Gross margin	4,670	6,532	9,594	12,548
Operating expenses:				
Research and development	2,893	2,717	5,340	5,084
Sales and marketing	3,279	3,045	6,225	5,992
General and administrative	3,677	4,161	7,297	6,391
Total operating expenses	9,849	9,923	18,862	17,467
Operating loss	(5,179)	(3,391)	(9,268)	(4,919)
Interest income (expense), net	45	(3)	48	(7)
Gain on extinguishment of debt	-	2,183	-	2,183
Net loss	\$ (5,134)	\$ (1,211)	\$ (9,220)	\$ (2,743)
Cumulative dividend on convertible preferred stock	(335)	(335)	(666)	(668)
Net loss attributable to common stockholders	\$ (5,469)	\$ (1,546)	\$ (9,886)	\$ (3,411)
Net loss per share attributable to common stockholders:				
Basic	\$ (0.07)	\$ (0.02)	\$ (0.13)	\$ (0.05)
Diluted	\$ (0.07)	\$ (0.02)	\$ (0.13)	\$ (0.05)
Weighted average number of common shares and equivalents:				
Basic	75,953,916	75,547,574	75,915,864	75,362,521
Diluted	75,953,916	75,547,574	75,915,864	75,362,521

See accompanying notes.

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

Three Months Ended June 30, 2021

<i>(in thousands, except share amounts)</i>	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
	Amount	Amount	Amount	Amount	Amount	Amount				
Balance at March 31, 2021	22,408	\$ 5,578	5,610,121	\$ 6	74,089,659	\$ 74	\$ 524,389	\$ (206)	\$ (489,492)	\$ 34,771
Issuance of common stock	-	-	-	-	89,778	-	87	-	-	87
Share-based compensation	-	-	-	-	242,250	-	2,785	-	-	2,785
Components of net loss	-	-	-	-	-	-	-	-	(1,211)	(1,211)
Employee stock purchase plan	-	-	-	-	5,204	-	33	-	-	33
Preferred stock conversion	(1)	-	-	-	1,974	-	-	-	-	-
Balance at June 30, 2021	<u>22,407</u>	<u>\$ 5,578</u>	<u>5,610,121</u>	<u>\$ 6</u>	<u>74,428,865</u>	<u>\$ 74</u>	<u>\$ 527,294</u>	<u>\$ (206)</u>	<u>\$ (490,703)</u>	<u>\$ 36,465</u>

Three Months Ended June 30, 2022

<i>(in thousands, except share amounts)</i>	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
	Amount	Amount	Amount	Amount	Amount	Amount				
Balance at March 31, 2022	22,386	\$ 5,584	5,610,121	\$ 6	74,647,329	\$ 75	\$ 535,209	\$ (206)	\$ (502,762)	\$ 32,322
Issuance of common stock	-	-	-	-	30,229	-	26	-	-	26
Share-based compensation	-	-	-	-	-	-	2,698	-	-	2,698
Components of net loss	-	-	-	-	-	-	-	-	(5,134)	(5,134)
Employee stock purchase plan	-	-	-	-	8,498	-	30	-	-	30
Preferred stock conversion	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2022	<u>22,386</u>	<u>\$ 5,584</u>	<u>5,610,121</u>	<u>\$ 6</u>	<u>74,686,056</u>	<u>\$ 75</u>	<u>\$ 537,963</u>	<u>\$ (206)</u>	<u>\$ (507,896)</u>	<u>\$ 29,942</u>

See accompanying notes.

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

Six Months Ended June 30, 2021

<i>(in thousands, except share amounts)</i>	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
	Amount	Amount	Amount	Amount	Amount	Amount				
Balance at December 31, 2020	22,513	\$ 5,605	5,610,121	\$ 6	73,694,203	\$ 74	\$ 522,710	\$ (206)	\$ (487,960)	\$ 34,624
Issuance of common stock					244,584		340			340
Share-based compensation					272,500		4,156			4,156
Components of net loss									(2,743)	(2,743)
Employee stock purchase plan					11,207		61			61
Preferred stock conversion	(106)	(27)			206,371		27			27
Balance at June 30, 2021	<u>22,407</u>	<u>\$ 5,578</u>	<u>5,610,121</u>	<u>\$ 6</u>	<u>74,428,865</u>	<u>\$ 74</u>	<u>\$ 527,294</u>	<u>\$ (206)</u>	<u>\$ (490,703)</u>	<u>\$ 36,465</u>

Six Months Ended June 30, 2022

<i>(in thousands, except share amounts)</i>	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
	Amount	Amount	Amount	Amount	Amount	Amount				
Balance at December 31, 2021	22,387	\$ 5,584	5,610,121	\$ 6	74,618,240	\$ 75	\$ 532,641	\$ (206)	\$ (498,676)	\$ 33,840
Issuance of common stock					40,523		45			45
Share-based compensation					10,699		5,211			5,211
Components of net loss									(9,220)	(9,220)
Employee stock purchase plan					14,569		66			66
Preferred stock conversion	(1)				2,025					-
Balance at June 30, 2022	<u>22,386</u>	<u>\$ 5,584</u>	<u>5,610,121</u>	<u>\$ 6</u>	<u>74,686,056</u>	<u>\$ 75</u>	<u>\$ 537,963</u>	<u>\$ (206)</u>	<u>\$ (507,896)</u>	<u>\$ 29,942</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (9,220)	\$ (2,743)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	194	54
Non-cash lease (expense)	63	(26)
Share-based compensation	5,211	4,156
Gain on debt extinguishment	-	(2,183)
Non-cash interest	-	25
Changes in operating assets and liabilities:		
Accounts receivable	1,658	(1,137)
Inventories	(3,353)	(851)
Prepaid expenses and other current assets	1,365	(931)
Compensating cash arrangement	-	(1)
Other assets	60	25
Accounts payable	1,037	(484)
Accrued liabilities	(403)	(352)
Deferred revenue	75	4,102
Other liabilities	(17)	75
Net cash used in operating activities	(3,330)	(271)
Cash flows from investing activities		
Purchase of property and equipment	(1,804)	(150)
Net cash used in investing activities	(1,804)	(150)
Cash flows from financing activities		
Proceeds from issuance of stock, net of issuance costs	111	402
Net cash provided by financing activities	111	402
Net decrease in cash, cash equivalents, and restricted cash	(5,023)	(19)
Cash, cash equivalents, and restricted cash at beginning of period	40,145	43,940
Cash, cash equivalents, and restricted cash at end of period	\$ 35,122	\$ 43,921
Supplemental disclosure of cash flow information:		
Purchase of property and equipment included in accounts payable	\$ 116	\$ -
Reconciliation of cash, cash equivalents, and restricted cash to balance sheet as of June 30th:		
Cash and cash equivalents	\$ 33,498	\$ 42,054
Restricted cash - current	618	1,484
Restricted cash	1,006	383
Total cash, cash equivalents, and restricted cash	\$ 35,122	\$ 43,921

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 RMN[®], Niobe[®], Navigant[®], Odyssey[®], Odyssey Cinema[™], Vdrive[®], Vdrive Duo[™], V-CAS[™], V-Loop[™], V-Sono[™], 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 is a pioneer and global leader in surgical robotics for minimally invasive endovascular intervention. We design, manufacture and market robotic systems, instruments and information systems for the interventional laboratory. Our proprietary robotic technology, Robotic Magnetic Navigation, fundamentally transforms endovascular interventions using precise computer-controlled magnetic fields to directly control the tip of flexible interventional catheters or devices. Direct control of the tip of an interventional device, in contrast to all manual hand-held devices that are controlled from their handle, can improve the precision, stability, reach and safety of these devices during procedures.

Our primary clinical focus has been electrophysiology, specifically cardiac ablation procedures for the treatment of arrhythmias. Cardiac ablation has become a well-accepted therapy for arrhythmias and a multi-billion-dollar medical device market with expectations for substantial long-term growth. We have shared our aspiration and a product strategy to expand the clinical focus of our technology to several additional endovascular indications including coronary, neuro, and peripheral interventions.

There is substantial real-world evidence and clinical literature for Robotic Magnetic Navigation in electrophysiology. Hundreds of electrophysiologists at over one hundred hospitals globally have treated over 100,000 arrhythmia patients with our robotic technology. Clinical use of our technology has been documented in over 400 clinical publications. Robotic Magnetic Navigation is designed to enable physicians to complete more complex interventional procedures with greater success and safety 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 computer-controlled magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation. The more flexible atraumatic design of catheters driven using magnetic fields may reduce the risk of patient harm and other adverse events. Performing the procedure from a control cockpit enables physicians to complete procedures in a safe location protected from x-ray exposure, with greater ergonomics, and improved efficiency. We believe these benefits can be applicable in other endovascular indications where navigation through complex vasculature is often challenging or unsuccessful and generates significant x-ray exposure.

Our primary products include the *Genesis RMN System*, the *Odyssey Solution*, and other related devices. We also offer to our customers the Stereotaxis Imaging Model S x-ray System and other accessory devices.

The *Genesis RMN System* is 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.

The *Odyssey Solution* consolidates lab information onto one large integrated display, enabling physicians to view and control all the key information in the operating room. This is designed to improve lab layout and 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.

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.

We have received regulatory clearances and registration approvals necessary for us to market the *Genesis RMN System* in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. The *Niobe System*, *Odyssey Solution*, *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. Stereotaxis Imaging Model S x-ray System is CE marked and FDA cleared.

We have strategic relationships with technology leaders and innovators in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic navigation system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. There are no guarantees that any existing strategic relationships will continue, and efforts are ongoing to ensure the availability of integrated systems and devices and/or equivalent alternatives. 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 U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by GAAP 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, 2022, are not necessarily indicative of the results that may be expected for the year ending December 31, 2022, 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, 2021, as filed with the Securities and Exchange Commission (SEC) on March 10, 2022.

Risks and Uncertainties

The novel coronavirus COVID-19 (“COVID-19”) pandemic has resulted, and is likely to continue to result, in significant disruptions to the economy, as well as business and capital markets around the world. The full extent of the impact of the COVID-19 pandemic on our business, results of operations and financial condition will depend on numerous evolving factors that we may not be able to accurately predict.

As a result of the COVID-19 outbreak, we have experienced business disruptions, including travel restrictions on us and our third-party distributors, which have negatively affected our complex sales, marketing, installation, distribution and service network relating to our products and services. The COVID-19 pandemic may continue to negatively affect demand for both our systems and our disposable products by limiting the ability of our sales personnel to maintain their customary contacts with customers as governmental authorities institute prolonged quarantines, travel restrictions, and shelter-in-place orders, or as our customers impose limitations on contacts and in-person meetings that go beyond those imposed by governmental authorities.

In addition, many of our hospital customers, for whom the purchase of our system involves a significant capital purchase which may be part of a larger construction project at the customer site (typically the construction of a new building), may themselves be under economic pressures. This may cause delays or cancellations of current purchase orders and other commitments, and may exacerbate the long and variable sales and installation cycles for our robotic magnetic navigation systems. We may also experience significant reductions in demand for our disposable products as our healthcare customers (physicians and hospitals) continue to re-prioritize the treatment of patients and divert resources away from non-coronavirus areas, which we anticipate will lead to the performance of fewer procedures in which our disposable products are used. In addition, patients may consider foregoing or deferring procedures utilizing our products, even if physicians and hospitals are willing to perform them, which could also reduce demand for, and sales of, our disposable products.

As of the date of the filing of this Quarterly Report on Form 10-Q, we believe our manufacturing operations and supply chains have been manageably impacted, but we cannot guarantee that they will not be impacted more severely in the future. If our manufacturing operations or supply chains are materially interrupted, it may not be possible for us to timely manufacture relevant products at required levels, or at all. Changes in economic conditions and supply chain constraints could lead to higher inflation than previously experienced or expected, which could, in turn, lead to an increase in costs. We may be unable to raise the prices of our products sufficiently to keep up with the rate of inflation. A material reduction or interruption to any of our manufacturing processes or a substantial increase in costs would have a material adverse effect on our business, operating results, and financial condition.

As governmental authorities around the world continue to institute prolonged mandatory closures, social distancing protocols and shelter-in-place orders, or as private parties on whom we rely to operate our business put in place their own protocols that go beyond those instituted by relevant governmental authorities, our ability to adequately staff and maintain our operations or further our product development could be negatively impacted.

Any disruption to the capital markets could negatively impact our ability to raise capital. If the capital markets are disrupted for an extended period of time and we need to raise additional capital, such capital may not be available on acceptable terms, or at all. Continued disruptions to the capital markets and other financing sources could also negatively impact our hospital customers’ ability to raise capital or otherwise obtain financing to fund their operations and capital projects. Such could result in delayed spending on current projects, a longer sales cycle for new projects where a large capital commitment is required, and decreased demand for our disposable products as well as an increased risk of customer defaults or delays in payments for our systems installation, service contracts and disposable products.

We continue to evaluate and, where appropriate, take actions to reduce costs and spending across our organization. We will continue to actively monitor the situation and may take further actions that alter our business operations that may be required by federal, state, or local governmental authorities that may be implemented by our vendors, supplier or customers, or that we determine are in the best interests of our employees, customers, suppliers and stockholders.

Cash and Cash Equivalents

The Company considers all short-term investments purchased with original maturities of three months or less to be cash equivalents. The Company places its cash with high-credit-quality financial institutions and invests primarily in money market accounts.

Restricted Cash

Restricted cash primarily consists of cash that the Company is obligated to maintain in accordance with contractual obligations. The Company's restricted cash was \$1.6 million and \$1.4 million at June 30, 2022 and December 31, 2021, respectively.

Financial Instruments

Financial instruments consist of cash and cash equivalents, restricted cash, 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").

The Company's financial assets consist of restricted cash and cash equivalents invested in money market funds which totaled \$1.6 million and \$1.4 million as of June 30, 2022 and December 31, 2021, respectively. The financial assets consisting of cash equivalents invested in money market funds are classified as Level 2 as described above and total interest income recorded for these investments was insignificant for the six months ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, the Company did not have any financial liabilities valued at fair value on a recurring basis.

Revenue and Costs of Revenue

The Company accounts for revenue in accordance with Accounting Standards Codification Topic 606 ("ASC 606"), "Revenue from Contracts with Customers".

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 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 arrangements with multiple performance obligations, 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.

Our revenue recognition policy affects the following revenue streams in our business as follows:

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 enhancements throughout the period and is included in Other Recurring Revenue. The Company's system contracts do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were less than \$0.1 million and \$0.1 million for the six months ended June 30, 2022 and 2021, respectively. Revenue from system delivery and installation represented 17% and 30% of revenue for the six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2022 and 2021. Disposable revenue represented 31% and 25% of revenue for the six months ended June 30, 2022 and 2021, 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 8% and 7% of revenue for the six-month periods ended June 30, 2022 and 2021, respectively.

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 a specified period, typically one year following installation of our systems. 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 44% and 35% of revenue for the six months ended June 30, 2022 and 2021, respectively.

Sublease Revenue:

A portion of our former principal executive office was subleased to a third party through 2021. The sublease ended December 31, 2021. In accordance with Accounting Standards Update (ASU) 2016-02, "Leases" (Topic 842), the Company recorded sublease income as revenue. Sublease revenue represented 3% of revenue for the six months ended June 30, 2021.

The following table summarizes the Company's revenue for systems, disposables, service and accessories and sublease for the six months ended June 30, 2022 and 2021 (in thousands):

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Systems	\$ 602	\$ 2,686	\$ 2,236	\$ 5,289
Disposables, service and accessories	5,550	6,118	10,953	11,892
Sublease	-	247	-	493
Total revenue	\$ 6,152	\$ 9,051	\$ 13,189	\$ 17,674

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 \$14.2 million as of June 30, 2022. 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 table summarizes the Company's contract assets and liabilities (in thousands):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Contract Assets - unbilled receivables	\$ 208	\$ 178
Customer deposits	\$ 1,234	\$ 925
Product shipped, revenue deferred	1,794	1,794
Deferred service and license fees	5,561	5,796
Total deferred revenue	\$ 8,589	\$ 8,515
Less: Long-term deferred revenue	(1,630)	(2,238)
Total current deferred revenue	\$ 6,959	\$ 6,277

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. Customer deposits primarily relate to future system sales but can also include deposits on disposable sales. 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, 2022 and 2021, that was included in the deferred revenue balance at the beginning of each reporting period was \$4.6 million and \$4.0 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 \$0.2 million as of June 30, 2022 and December 31, 2021. 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 recognized at the time of sale. Costs of disposable revenue include direct product costs and estimated warranty costs and are recognized at the time of sale. Cost of revenue from services and license fees are recognized when incurred.

Stock-Based Compensation

The Company accounts for its grants of stock options, stock appreciation rights, restricted shares, 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.

For time-based awards, 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.

For market-based awards, stock-based compensation expense is recognized over the minimum service period regardless of whether or not the market target is probable of being achieved. The fair value of such awards is estimated on the grant date using Monte Carlo simulations.

Shares purchased by employees under the 2009 and 2022 Employee Stock Purchase Plans are considered to be non-compensatory.

Net Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing the net earnings (loss) for the period by the weighted average 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 (in thousands except for share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (5,134)	\$ (1,211)	\$ (9,220)	\$ (2,743)
Cumulative dividend on Series A Convertible Preferred Stock	(335)	(335)	(666)	(668)
Net loss attributable to common stockholders	<u>\$ (5,469)</u>	<u>\$ (1,546)</u>	<u>\$ (9,886)</u>	<u>\$ (3,411)</u>
Weighted average number of common shares and equivalents:	75,953,916	75,547,574	75,915,864	75,362,521
Basic EPS	\$ (0.07)	\$ (0.02)	\$ (0.13)	\$ (0.05)
Diluted EPS	\$ (0.07)	\$ (0.02)	\$ (0.13)	\$ (0.05)

The Company did not include any portion of unearned restricted shares, outstanding options, stock appreciation rights, warrants or convertible preferred stock in the calculation of diluted loss per common share because all such securities are anti-dilutive for all periods presented. The application of the two-class method of computing earnings per share under general accounting principles for participating securities is not applicable during these periods because those securities do not contractually participate in its losses.

As of June 30, 2022, the Company had 3,385,126 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of \$4.26 per share, 46,328,875 shares of our common stock issuable upon conversion of our Series A Convertible Preferred Stock, 5,610,121 shares of our common stock issuable upon conversion of our Series B Convertible Preferred Stock and 1,215,604 shares of unvested restricted share units. The Company had no unearned restricted shares outstanding as of June 30, 2022.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments” and also issued subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04 and ASU 2019-05. The standard modifies the measurement approach for credit losses on financial instruments, including trade receivables, from an incurred loss method to a current expected credit loss method, otherwise known as “CECL.” The standard requires the measurement of expected credit losses to be based on relevant information, including historical experience, current conditions and a forecast that is supportable. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years; early adoption is permitted. The standard must be adopted by applying a cumulative adjustment to retained earnings. The Company anticipates adopting the standard in the first quarter of 2023, although it does not expect a significant impact to the Company’s financial results.

3. Inventories

Inventories consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Raw materials	\$ 5,554	\$ 3,642
Work in process	1,405	133
Finished goods	2,981	2,823
Reserve for excess and obsolescence	(2,154)	(2,165)
Total inventory	\$ 7,786	\$ 4,433

The reserve for excess and obsolescence primarily includes Niobe Systems and related raw materials and spare parts.

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 338	\$ 1,012
Prepaid commissions	204	229
Deposits	584	1,276
Other assets	83	117
Total prepaid expenses and other assets	1,209	2,634
Less: Noncurrent prepaid expenses and other assets	(218)	(278)
Total current prepaid expenses and other assets	\$ 991	\$ 2,356

5. Property and Equipment

Property and Equipment consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Equipment	\$ 3,684	\$ 3,670
Leasehold improvements	2,521	17
Construction in process	349	2,156
	6,554	5,843
Less: Accumulated depreciation	(3,294)	(3,211)
Net property and equipment	\$ 3,260	\$ 2,632

The Company had approximately \$0.8 million of property and equipment additions during the six months ended June 30, 2022 associated with the buildout of the new leased space in St. Louis, Missouri.

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. The Company accounts for leases in accordance with Accounting Standards Update No. 2016-02 “Leases” (Topic 842) and all subsequent ASUs that modified Topic 842 (“ASC 842”). The Company determines if an arrangement contains a lease at inception.

The Company leases its facilities under operating leases. In accordance with ASC 842, operating lease agreements are recognized on the balance sheet as a right-of-use (“ROU”) asset and a corresponding lease liability. These leases generally 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 and non-lease components 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 former principal executive office was subleased to a third party through 2021. The sublease did not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. In addition, the sublease did not contain contingent rent provisions nor were there options to extend or terminate the sublease. The sublease ended December 31, 2021.

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.

On March 1, 2021, the Company entered into an office lease agreement (the “Lease”) with Globe Building Company (the “Landlord”), under which the Company leases executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the “Premises”) that serves as the Company’s new principal executive and administrative offices and manufacturing facility. Lease payments commenced on January 1, 2022, and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately \$0.8 million in 2022 to \$1.0 million in 2031. The Company gained access to the Premises in the third quarter 2021 to begin constructing leasehold improvements. In accordance with ASC 842, the Company recorded a ROU asset and lease liability. The initial recognition of the ROU asset and lease liability was \$5.9 million. In the fourth quarter of 2021, the Company received an occupancy permit and relocated its operations to the new leased space.

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. As of June 30, 2022, the weighted average discount rate for operating leases was 9% and the weighted average remaining lease term for operating lease term is 9.5 years.

The following table represents lease costs and other lease information (in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Operating lease cost	\$ 226	\$ 583	\$ 451	\$ 1,165
Short-term lease cost	10	14	20	31
Sublease income	-	(247)	-	(493)
Total net lease cost	\$ 236	\$ 350	\$ 471	\$ 703
Cash paid within operating cash flows	\$ 220	\$ 539	\$ 654	\$ 1,170

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, 2022 were as follows (in thousands):

	June 30, 2022
2022	\$ 413
2023	871
2024	891
2025	912
2026	933
2027 and thereafter	4,986
Total lease payments	\$ 9,006
Less: Interest	(3,015)
Present value of lease liabilities	\$ 5,991

7. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued salaries, bonus, and benefits	\$ 1,213	\$ 1,516
Accrued licenses and maintenance fees	484	484
Accrued warranties	209	242
Accrued taxes	165	177
Accrued investigational sites	102	123
Accrued lease deposit payable	5	124
Other	150	81
Total accrued liabilities	2,328	2,747
Less: Long term accrued liabilities	(202)	(219)
Total current accrued liabilities	\$ 2,126	\$ 2,528

Certain prior year amounts have been reclassified to conform to the 2022 presentation.

8. Debt and Credit Facilities

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020 in the United States. Among the provisions contained in the CARES Act was the creation of the Paycheck Protection Program that provides for Small Business Administration (“SBA”) Section 7(a) loans for qualified small businesses. In general, the loan could be forgiven as long as the funds were used for payroll related expenses as well as rent and utilities paid during the twenty-four-week period from the date of the loan and as long as certain headcount and salary/wage levels were maintained. On April 10, 2020, the Company was informed by its lender, Midwest BankCentre (the “Bank”), that the Bank received approval from the SBA to fund the Company’s request for a loan under the SBA’s Paycheck Protection Program (“PPP Loan”). Per the terms of the PPP Loan, the Company received total proceeds of approximately \$2.2 million from the Bank on April 20, 2020. In accordance with the loan forgiveness requirements of the CARES Act, the Company used the full proceeds from the PPP Loan primarily for payroll costs, rent and utilities. In March 2021, the Company applied for loan forgiveness and in June 2021 full loan forgiveness was granted by the SBA. The Company recognized a net gain from debt extinguishment of approximately \$2.2 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 when and as declared by the Board of Directors out of funds legally available for dividends, subject to the prior rights or preferences applicable to any preferred stock as may then be outstanding. The Company’s Series B Preferred is entitled to dividends equal to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. Until all shares of the Company’s Series A Preferred Stock have been converted or redeemed, no dividends may be paid on the common stock or the Series B Preferred Stock without the express written consent of the holders of a majority of the outstanding shares of Series A Preferred Stock. In the event that dividends or other distributions of assets are made or paid by the Company to the holders of the common stock or the holders of shares of the Series B Preferred, the holders of shares of the Series A Preferred Stock are entitled to participate in such dividend or distribution on an as-converted basis. No dividends have been declared or paid as of June 30, 2022, and the Company does not presently intend to pay any cash dividends in the foreseeable future.

Series B Convertible Preferred Stock

On August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, as part of a private placement, agreed to issue and sell to the investors 5,610,121 shares of the Company's Series B Convertible Preferred Stock, \$0.001 par value per share which are convertible into shares of the Company's common stock, at a price of \$2.05 per share. 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 Series B Convertible Preferred Stock is reported in the stockholders' equity section of the Company's balance sheet.

Series A Convertible Preferred Stock and Warrants

In September 2016, the Company issued (i) 24,000 shares of Series A Convertible Preferred Stock, par value \$0.001 per share, with a stated value of \$1,000 per share (the "Series A Preferred Stock"), which are convertible into shares of the Company's common stock at an initial conversion rate of \$0.65 per share, subject to adjustment for events such as stock splits, combinations and the like as provided in the certificate of designations covering such Series A Preferred Stock, and (ii) (the SPA Warrants) to purchase an aggregate of 36,923,078 shares of common stock. The shares of Series A Preferred Stock are entitled to vote on an as-converted basis with the common stock, subject to specified beneficial ownership issuance limitations. The Series A Preferred Stock 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 Series A Preferred Stock. Each holder of convertible preferred shares has the right to require us to redeem such holder's shares of Series A Preferred Stock 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 Series A Preferred Stock in the event of a defined change of control. The Series A Preferred Stock ranks senior to our common stock as to distributions and payments upon the liquidation, dissolution, and winding up of the Company. Since the Series A Preferred Stock are subject to conditions for redemption that are outside the Company's control, the Series A Preferred Stock are presently reported in the mezzanine section of the balance sheet.

The SPA 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 and to modify certain beneficial ownership limitations and to eliminate certain redemption rights, resulting in, among other things, the exercise of a substantial number of the SPA Warrants for cash. The remaining unexercised 15,385 Warrants expired on September 29, 2021.

2021 CEO Performance Award Unit Grant

On February 23, 2021, the Company's Board of Directors, upon recommendation of the Compensation Committee, approved the grant of the CEO Performance Award to the Company's Chief Executive Officer. The CEO Performance award is a 10-year performance award of up to 13,000,000 shares, tied to the achievement of market capitalization milestones and subject to minimum service requirements.

As detailed in the table below, the CEO Performance Award consists of ten vesting tranches. The first market capitalization milestone is \$1.0 billion, and each of the remaining nine market capitalization milestones are in additional \$500 million increments, up to \$5.5 billion.

Tranche #	No. of Shares Subject to PSU	Market Capitalization Milestones ⁽¹⁾
1	1,000,000	\$ 1,000,000,000
2	1,500,000	\$ 1,500,000,000
3	1,500,000	\$ 2,000,000,000
4	2,000,000	\$ 2,500,000,000
5	1,000,000	\$ 3,000,000,000
6	1,000,000	\$ 3,500,000,000
7	1,000,000	\$ 4,000,000,000
8	2,000,000	\$ 4,500,000,000
9	1,000,000	\$ 5,000,000,000
10	1,000,000	\$ 5,500,000,000
Total:	13,000,000	

Each tranche represents a portion of the PSUs covering the number of shares outlined in the table above. Each tranche vests upon (i) satisfaction of the market capitalization milestones and (ii) continued employment as CEO of the Company from the grant date through December 31, 2030. Absent an earlier termination, the PSUs will expire on December 31, 2030. If our CEO ceases employment as CEO of the Company for any reason including death, disability, termination for cause or without cause (as defined in the award agreement), or if he voluntarily terminates after service as CEO for at least five years, the remaining service period will be waived and he will retain any PSUs that have vested through the date of termination.

The Company received Shareholder approval at its annual meeting on May 20, 2021 for shares to be issued under the award.

The market capitalization requirement is considered a market condition under FASB Accounting Standards Codification Topic 718 "Compensation – Stock Compensation" and is estimated on the grant date using Monte Carlo simulations. Recognition of stock-based compensation expense of all the tranches commenced on February 23, 2021, the date of grant, as the probability of meeting the ten market capitalization milestones is not considered in determining the timing of expense recognition. The expense will be recognized on an accelerated basis through 2030. Key assumptions for estimating the performance-based awards fair value at the date of grant included share price on grant date, volatility of the Company's common stock price, risk free interest rate, and grant term.

Total stock-based compensation recorded as operating expense for the CEO Performance Award was \$3.5 million and \$2.5 million for the six-month period ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Company had approximately \$47.7 million and \$54.9 million, respectively of total unrecognized stock-based compensation expense remaining under the CEO Performance Award assuming the grantee's continued employment as CEO of the Company, or in a similar capacity, through 2030. As of June 30, 2022, none of the performance milestones established by the 2021 CEO Incentive Program have been achieved, and no awards have been earned.

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 February 2022, the Compensation Committee of the Board of Directors adopted the 2022 Stock Incentive Plan (the "Plan") which was subsequently approved by the Company's shareholders. This plan replaced the 2012 Stock Incentive Plan which expired on May 19, 2022.

At June 30, 2022, the Company had 4,107,114 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At June 30, 2022, the total compensation cost related to options, stock appreciation rights, and non-vested stock granted to employees and non-employees under the Company's stock award plans but not yet recognized was approximately \$6.2 million, excluding compensation not yet recognized related to the CEO Performance Award discussed above. 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, 2022 is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2021	2,818,012	\$0.74 - \$9.87	\$ 4.10
Granted	760,500	\$2.66 - \$5.21	\$ 4.80
Exercised	(40,523)	\$0.74 - \$4.52	\$ 1.11
Forfeited	(152,863)	\$0.74 - \$7.70	\$ 4.89
Outstanding, June 30, 2022	<u>3,385,126</u>	<u>\$0.74 - \$9.87</u>	<u>\$ 4.26</u>

A summary of the restricted stock unit activity for the six-month period ended June 30, 2022 is as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2021	1,164,723	\$ 3.57
Granted	61,580	\$ 9.56
Vested	(10,699)	\$ 9.37
Outstanding, June 30, 2022	<u>1,215,604</u>	<u>\$ 3.82</u>

10. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including certain cash equivalents. Generally accepted 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"). The three levels of the fair value hierarchy are described below:

Level 1: Values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or other model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Values are generated from model-based techniques that use significant assumptions not observable in the market.

The following table sets forth the Company's assets measured at fair value on a recurring basis by level within the fair value hierarchy. As required by the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

<i>(in thousands)</i>	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at June 30, 2022:				
Cash invested in money market accounts	\$ 1,625	\$ —	\$ 1,625	\$ —
Total assets at fair value	\$ 1,625	\$ —	\$ 1,625	\$ —
Assets at December 31, 2021:				
Cash invested in money market accounts	\$ 1,406	\$ —	\$ 1,406	\$ —
Total assets at fair value	\$ 1,406	\$ —	\$ 1,406	\$ —

The Company did not have any financial liabilities valued at fair value on a recurring basis as of June 30, 2022 or December 31, 2021.

Level 1

The Company does not have any financial assets or liabilities classified as Level 1.

Level 2

The Company's financial assets consist of restricted cash and cash equivalents invested in money market funds in the amount of \$1.6 million and \$1.4 million at June 30, 2022 and December 31, 2021, respectively. These assets are classified as Level 2, as described above, and total interest income recorded for these investments was less than \$0.1 million during the six months ended June 30, 2022 and year ended December 31, 2021.

Level 3

The Company does not have any financial assets or liabilities classified as Level 3.

11. 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 (in thousands):

	June 30, 2022	December 31, 2021
Warranty accrual, beginning of the fiscal period	\$ 242	\$ 158
Accrual adjustment for product warranty	92	199
Payments made	(125)	(115)
Warranty accrual, end of the fiscal period	\$ 209	\$ 242

12. 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.

In April 2021, the Company entered into a letter of credit pursuant to the Lease agreement totaling approximately \$1.8 million to be delivered in four equal installments of which the first was delivered in April 2021, the second was delivered in July 2021, the third was delivered in October 2021, and the fourth was delivered in January 2022. The amount available under this letter of credit will automatically reduce by one fortieth at the end of each month during the lease term.

13. Subsequent Events

None.

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 Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2021. 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 “Part II - Item 1A. Risk Factors” included in this Quarterly Report on Form 10-Q and in Part I, Item 1A, “Risk Factors,” included in our Annual Report on Form 10-K for the year ended December 31, 2021. 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, results of operations, and the impact of the recent coronavirus (“COVID-19”) pandemic and our response to it. 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 is a pioneer and global leader in surgical robotics for minimally invasive endovascular intervention. We design, manufacture and market robotic systems, instruments and information systems for the interventional laboratory. Our proprietary robotic technology, Robotic Magnetic Navigation, fundamentally transforms endovascular interventions using precise computer-controlled magnetic fields to directly control the tip of flexible interventional catheters or devices. Direct control of the tip of an interventional device, in contrast to all manual hand-held devices that are controlled from their handle, can improve the precision, stability, reach and safety of these devices during procedures.

Our primary clinical focus has been electrophysiology, specifically cardiac ablation procedures for the treatment of arrhythmias. Cardiac ablation has become a well-accepted therapy for arrhythmias and a multi-billion-dollar medical device market with expectations for substantial long-term growth. We have shared our aspiration and a product strategy to expand the clinical focus of our technology to several additional endovascular indications including coronary, neuro, and peripheral interventions.

There is substantial real-world evidence and clinical literature for Robotic Magnetic Navigation in electrophysiology. Hundreds of electrophysiologists at over one hundred hospitals globally have treated over 100,000 arrhythmia patients with our robotic technology. Clinical use of our technology has been documented in over 400 clinical publications. Robotic Magnetic Navigation is designed to enable physicians to complete more complex interventional procedures with greater success and safety 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 computer-controlled magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation. The more flexible atraumatic design of catheters driven using magnetic fields may reduce the risk of patient harm and other adverse events. Performing the procedure from a control cockpit enables physicians to complete procedures in a safe location protected from x-ray exposure, with greater ergonomics, and improved efficiency. We believe these benefits can be applicable in other endovascular indications where navigation through complex vasculature is often challenging or unsuccessful and generates significant x-ray exposure.

Our primary products include the *Genesis RMN* System, the *Odyssey* Solution, and other related devices. We also offer to our customers the Stereotaxis Imaging Model S x-ray System and other accessory devices.

The *Genesis RMN* System is 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.

The *Odyssey* Solution consolidates lab information onto one large integrated display, enabling physicians to view and control all the key information in the operating room. This is designed to improve lab layout and 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.

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 the 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.

We have received regulatory clearances and registration approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. Our prior generation robotic magnetic navigation system, the *Niobe* System, and the *Odyssey* Solution, *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. Stereotaxis Imaging Model S x-ray System is CE marked and cleared by the FDA.

We have strategic relationships with technology leaders in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic navigation system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. There are no guarantees that any existing strategic relationships will continue, and efforts are ongoing to ensure the availability of integrated systems and devices and/or equivalent alternatives. 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.

COVID-19 Pandemic

In January 2020, we began to see the impacts of the COVID-19 pandemic with a substantial reduction in robotic procedures in Asia Pacific, especially in China. As the COVID-19 pandemic intensified and spread throughout the world, we experienced significant procedure disruption in all geographies. At the height of the first wave of the pandemic, procedures in the U.S and Europe, which represent the majority of our procedures, declined to approximately 70% of the weekly procedure rate experienced in the fourth quarter of 2019. In the latter half of 2020, weekly procedures recovered and approached the levels seen before the pandemic.

During 2021, resurgences of COVID-19 as well as hospital staffing shortages, continued to impact procedure levels. During the first quarter of 2021, overall procedure volumes were approximately 5% higher than the first quarter of 2020. During the second quarter of 2021, as the rollout of vaccines continued in the US and were varied in other geographies, overall procedure volumes remained fairly consistent with the first quarter of 2021 and were nearly 40% higher than at the height of the pandemic in the second quarter of 2020. During the third and fourth quarters of 2021, a resurgence of COVID and hospital staffing shortages depressed procedure volumes with overall procedure volumes dropping by approximately 9% and 8% as compared to the respective prior year quarter.

In the first half of 2022, procedure volumes continue to be challenged by periodic resurgences of COVID-19, ongoing hospital staffing issues and other factors. Procedures in the first half of 2022 declined by approximately 13% as compared to the prior year first half with the most noticeable declines occurring in the Asia Pacific and North American geographies.

We have experienced challenges and disruptions due to the pandemic such as worldwide supply chain disruptions, including shortages and inflationary pressures, and logistics delays which makes it difficult for us to source parts and ship our products. Our customers have also experienced similar supply chain issues as well as labor shortages, both of which have contributed to delayed hospital construction project timelines. To-date, we have been generally able to conduct normal business activities albeit in a more deliberate manner than prior to the pandemic, including taking action to increase inventory levels, but we cannot guarantee that they will not be impacted more severely in the future.

Ongoing

The ongoing impact that the pandemic will have on our business will likely continue to vary by individual geography based on the extent of the outbreak in each area, the timing of vaccine distribution, specific governmental restrictions and the availability of testing capabilities, personal protective equipment, and hospital facilities, as well as decisions by our vendors, suppliers, customers and, ultimately, patients in response to the pandemic, none of which we are able to currently and accurately predict. While we cannot reliably estimate the depth or length of the impact, we continue to anticipate significant, periodic disruptions to our procedures volumes, service activities and system placements in 2022. In addition, we would expect that capital system orders will continue to experience some delay.

Capital markets and worldwide economies continue to be significantly impacted by the COVID-19 pandemic, and the outlook for 2022 depends on future developments, including but not limited to: the length and severity of ongoing outbreaks (including further new variants beyond Delta and Omicron, which may be more contagious, more severe or less responsive to treatment or vaccines), the effectiveness of containment actions, and the timing of vaccinations and achievement of herd immunity. The impact on local and/or global economies is uncertain, including ongoing risk of recession. Such economic disruptions, including a recession, could have a material adverse effect on our long-term business as hospitals continue to monitor and adjust capital and overall spending or redirect such spending to treatments related directly to the pandemic. To date, our manufacturing operations and supply chains have been manageably impacted, but we cannot guarantee that such will not be impacted further in the future. If our manufacturing operations or supply chains are materially interrupted, it may not be possible for us to timely manufacture relevant products at required levels, or at all. A material reduction or interruption to any of our manufacturing processes could have a material adverse effect on our business, operating results, and financial condition. Further, the COVID-19 pandemic and local actions, such as “shelter-in-place” orders and restrictions on our ability to travel and access our customers or temporary closures of our facilities or the facilities of our suppliers and their contract manufacturers, could also significantly impact our sales and our ability to ship our products and supply our customers. Any of these events could negatively impact the number of procedures performed and the number of system placements and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

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 ongoing 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, 2021.

Revenue Recognition

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 ongoing software enhancements and service contracts.

In accordance with Accounting Standards Codification Topic 606 (“ASC 606”), “Revenue from Contracts with Customers,” 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 arrangements with multiple performance obligations, 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 enhancements throughout the period and is included in Other Recurring Revenue. The Company’s system contracts do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were less than \$0.1 million and \$0.1 million for the six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2022 and 2021.

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 a specified period, typically one year following installation of our systems. 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.

Sublease Revenue:

A portion of our former principal executive office was subleased to a third party through 2021. In accordance with Accounting Standards Update (ASU) 2016-02, “Leases” (Topic 842), the Company recorded sublease income as revenue.

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. Customer deposits primarily relate to future system sales but can also include deposits on disposable sales. 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 \$0.2 million as of June 30, 2022 and December 31, 2021. The Company did not incur any impairment losses during any of the periods presented.

Leases

The Company accounts for leases in accordance with 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.

As disclosed in Note 6, on March 1, 2021, the Company entered into an office lease agreement (the "Lease") with Globe Building Company (the "Landlord"), under which the Company is leasing executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the "Premises") that serves as the Company's new principal executive and administrative offices and manufacturing facility. Lease payments commenced on January 1, 2022 and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately \$0.8 million in 2022 to \$1.0 million in 2031.

The Company gained access to the Premises in the third quarter 2021 to begin constructing leasehold improvements. In accordance with ASC 842, the Company recorded a ROU asset and lease liability. The initial recognition of the ROU asset and lease liability was \$5.9 million. In the fourth quarter of 2021, the Company received an occupancy permit and relocated its operations to the new leased space.

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 recognized at the time of sale. Costs of disposable revenue include direct product costs and estimated warranty costs and are recognized at the time of sale. Cost of revenue from services and license fees are recognized when incurred. Cost of sublease revenue was recognized on a straight-line basis.

Share-Based Compensation

Stock compensation expense, which is a non-cash charge, results from stock option, non-qualified stock options, stock appreciation rights, and restricted share grants made to employees, directors, and third-party consultants at the fair value of the grants. For time-based awards, the fair value of options and stock appreciation rights granted was determined using the Black-Scholes valuation method which gives consideration to the estimated value of the underlying stock at the date of grant, the exercise price of the option, the expected dividend yield and volatility of the underlying stock, the expected life of the option and the corresponding risk-free interest rate. The fair value of the grants of restricted shares and units was determined based on the closing price of our stock on the date of grant. Stock compensation expense for options, stock appreciation rights and for time-based restricted share grants and units is amortized on a straight-line basis over the vesting period of the underlying issue, generally over four years except for grants to directors which are generally earned over a period of six months. Stock compensation expense for performance-based restricted shares, if any, is amortized on a straight-line basis over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives. Compensation expenses related to grants to non-employees are re-measured quarterly through the vesting date. Compensation expense is recognized only for those options expected to vest, net of actual forfeitures. Estimates of the expected life of options have been based on the average of the vesting and expiration periods, which is the simplified method under general accounting principles for share-based payments. Estimates of volatility utilized in calculating stock-based compensation have been prepared based on historical data. Actual experience to date has been consistent with these estimates.

For market-based awards, stock-based compensation expense is recognized over the minimum service period regardless of whether or not the market target is probable of being achieved. The fair value of such awards is estimated on the grant date using Monte Carlo simulations.

The amount of compensation expense to be recorded in future periods may increase if we make additional grants of options, stock appreciation rights or restricted shares. The amount of expense to be recorded in future periods may decrease if the requisite service periods are not completed.

Shares purchased by employees under the 2009 Employee Stock Purchase Plan are considered to be non-compensatory.

Results of Operations

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenue. Revenue decreased from \$9.1 million for the three months ended June 30, 2021, to \$6.2 million for the three months ended June 30, 2022, a decrease of 32%. Revenue from the sales of systems decreased to \$0.6 million for the three months ended June 30, 2022 from \$2.7 million for the three months ended June 30, 2021 due to decreased system shipments in the current year period. Revenue from sales of disposable interventional devices, service, and accessories decreased to \$5.6 million for the three months ended June 30, 2022, from \$6.1 million for the three months ended June 30, 2021, a decrease of approximately 9%, primarily driven by timing of service contract revenue and lower procedure volumes during the current year period. The Company recognized \$0.2 million of sublease revenue for the three-month period ended June 30, 2021. The sublease ended December 31, 2021.

Cost of Revenue. Cost of revenue decreased from \$2.5 million for the three months ended June 30, 2021, to \$1.5 million for the three months ended June 30, 2022, a decrease of approximately 41%. As a percentage of our total revenue, overall gross margin increased to 76% for the three months ended June 30, 2022, from 72% for the three months ended June 30, 2021. Cost of revenue for systems sold decreased to \$0.5 million for the three months ended June 30, 2022, from \$1.4 million for the three months ended June 30, 2021, driven by decreased system sales volumes and changes in product mix in the current year period. Gross margin for systems was \$0.1 million for the three months ended June 30, 2022, compared to \$1.3 million for the three months ended June 30, 2021. Cost of revenue for disposables, service, and accessories increased to \$1.0 million for the three months ended June 30, 2022 from \$0.9 million for the three months ended June 30, 2021. Gross margin for disposables, service, and accessories was 83% for the three months ended June 30, 2022 compared to 86% for the three months ended June 30, 2021. Cost of sublease revenue was \$0.2 million for the three months ended June 30, 2021. The sublease ended December 31, 2021.

Research and Development Expenses. Research and development expenses increased from \$2.7 million for the three months ended June 30, 2021, to \$2.9 million for the three months ended June 30, 2022, an increase of approximately 6%. This increase was primarily driven by project timing.

Sales and Marketing Expenses. Sales and marketing expenses increased from \$3.0 million for the three months ended June 30, 2021, to \$3.3 million for the three months ended June 30, 2022, an increase of approximately 8% primarily due to higher trade show expense.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses decreased from \$4.2 million for the three months ended June 30, 2021, to \$3.7 million for the three months ended June 30, 2022, a decrease of approximately 12%. This decrease was primarily driven by lower stock-based compensation expense and reduced professional service fees in the current year period.

Interest Income (Expense). Net interest income (expense) was less than \$0.1 million for the three months ended June 30, 2022 and 2021.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue. Revenue decreased from \$17.7 million for the six months ended June 30, 2021 to \$13.2 million for the six months ended June 30, 2022, a decrease of approximately 25%. Revenue from the sales of systems decreased to \$2.2 million for the six months ended June 30, 2022 from \$5.3 million for the six months ended June 30, 2021 driven by decreased system sales volumes and changes in product mix in the current year period. Revenue from sales of disposable interventional devices, service and accessories decreased to \$11.0 million for the six months ended June 30, 2022 from \$11.9 million for the six months ended June 30, 2021, a decrease of approximately 8%, driven by lower procedure volumes and service contracts. Sublease revenue was \$0.5 million for the six-month period ended June 30, 2021. The sublease ended December 31, 2021.

Cost of Revenue. Cost of revenue decreased from \$5.1 million for the six months ended June 30, 2021 to \$3.6 million for the six months ended June 30, 2022, a decrease of approximately 30%. As a percentage of our total revenue, overall gross margin increased to 73% for the six months ended June 30, 2022 from 71% for the six months ended June 30, 2021, primarily due to changes in product mix. Cost of revenue for systems sold decreased from \$2.8 million for the six months ended June 30, 2021 to \$1.8 million for the six months ended June 30, 2022, driven by decreased system sales volumes. Gross margin for systems decreased from \$2.5 million for the six months ended June 30, 2021 to \$0.4 million for the six months ended June 30, 2022. Cost of revenue for disposables, service, and accessories remained consistent at \$1.8 million for the six months ended June 30, 2022 and 2021. Gross margin for disposables, service and accessories was 84% for the six months ended June 30, 2022 compared to 85% for the six months ended June 30, 2021. Cost of sublease revenue was \$0.5 million for the six months ended June 30, 2021. The sublease ended December 31, 2021.

Research and Development Expenses. Research and development expenses increased from \$5.1 million for the six months ended June 30, 2021 to \$5.3 million for the six months ended June 30, 2022, an increase of approximately 5%. This increase was primarily due to higher project spending and hiring in the current year period.

Sales and Marketing Expenses. Sales and marketing expenses increased from \$6.0 million for the six months ended June 30, 2021 to \$6.2 million for the six months ended June 30, 2022, an increase of approximately 4%. This increase was primarily due to higher travel and trade show expenses in the current year period.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased to \$7.3 million for the six months ended June 30, 2022 from \$6.4 million for the six months ended June 30, 2021, an increase of approximately 14%. This increase was primarily driven by higher stock-based compensation expense for the previously announced CEO Performance Award partially offset by lower professional service fees in the current year period.

Interest Income (Expense). Net interest income (expense) was less than \$0.1 million for the six months ended June 30, 2022 and 2021.

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. We are continuously and critically reviewing our liquidity and anticipated capital requirements in light of the significant uncertainty created by the COVID-19 pandemic, the increasing recession risk, and macroeconomic headwinds.

At June 30, 2022 we had \$35.1 million of cash and cash equivalents, inclusive of restricted cash. We had working capital of \$33.0 million as of June 30, 2022, compared to \$38.1 million as of December 31, 2021.

The following table summarizes our cash flow by operating, investing and financing activities for the six months ended June 30, 2022 and 2021 (in thousands):

	Six Months Ended June 30,	
	2022	2021
Cash flow used in operating activities	\$ (3,330)	\$ (271)
Cash flow used in investing activities	(1,804)	(150)
Cash flow provided by financing activities	111	402

Net cash used in operating activities. We used approximately \$3.3 million and \$0.3 million of cash for operating activities during the six months ended June 30, 2022 and 2021, respectively. The increase in cash used in operating activities was driven by the increase in operating loss.

Net cash used in investing activities. We used approximately \$1.8 million of cash during the six months ended June 30, 2022, for the purchase of equipment, construction and design costs associated with our new facility. We used less than \$0.2 million of cash during the six months ended June 30, 2021 for the purchase of equipment.

Net cash provided by financing activities. We generated \$0.1 million and \$0.4 million of cash from financing activities during the six months ended June 30, 2022 and 2021, respectively. The cash generated in both periods was driven by the proceeds from issuance of stock, net of issuance costs.

Capital Resources

As of June 30, 2022, the Company did not have any debt.

Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020 in the United States. Among the provisions contained in the CARES Act was the creation of the Paycheck Protection Program that provides for Small Business Administration (“SBA”) Section 7(a) loans for qualified small businesses. In general, the loan could be forgiven as long as the funds were used for payroll related expenses as well as rent and utilities paid during the twenty-four-week period from the date of the loan and as long as certain headcount and salary/wage levels were maintained. On April 10, 2020, the Company was informed by its lender, Midwest BankCentre (the “Bank”), that the Bank received approval from the SBA to fund the Company’s request for a loan under the SBA’s Paycheck Protection Program (“PPP Loan”). Per the terms of the PPP Loan, the Company received total proceeds of approximately \$2.2 million from the Bank on April 20, 2020. In accordance with the loan forgiveness requirements of the CARES Act, the Company used the full proceeds from the PPP Loan primarily for payroll costs, rent and utilities. In March 2021, the Company applied for loan forgiveness and in June 2021, full loan forgiveness was granted by the SBA. The Company recognized a net gain from debt extinguishment of approximately \$2.2 million upon forgiveness.

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

None.

ITEM 1A. RISK FACTORS

None.

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

Number	Description
3.1	<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>
3.2	<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>
3.3	<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>
3.4	<u>Certificate of Designations, Preferences and Rights of Series B 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 August 8, 2019.</u>
3.5	<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>

10.1#	Stereotaxis, Inc. 2022 Stock Incentive Plan, filed herewith.
10.2#	Stereotaxis, Inc. 2022 Employee Stock Purchase Plan, filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
31.2	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
32.1	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
32.2	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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 11, 2022

By: /s/ David L. Fischel

David L. Fischel
Chief Executive Officer

Date: August 11, 2022

By: /s/ Kimberly R. Peery

Kimberly R. Peery
Chief Financial Officer

2022 STOCK INCENTIVE PLAN

1. PURPOSE OF THE PLAN.

The purpose of the Plan is to provide the Company with a means to assist in recruiting, retaining, and rewarding certain employees, directors, consultants, and other individuals providing services to the Company and to motivate such individuals to exert their best efforts on behalf of the Company by providing incentives through the granting of Awards. By granting Awards to such individuals, the Company expects that the interests of the recipients will be better aligned with those of the Company by providing recipients with a proprietary interest in the growth and performance of the Company.

2. DEFINITIONS. Unless the context clearly indicates otherwise, the following capitalized terms shall have the meanings set forth below:

- A. “Act” means the Securities Exchange Act of 1934, as amended, or any successor thereto.
 - B. “Award” means a grant under the Plan of an Option, Stock Appreciation Right, Cash-Based Award or Other Stock-Based Award.
 - C. “Award Agreement” means the document (in written or electronic form) communicating the terms, conditions, and limitations applicable to an Award. The Committee may, in its discretion, require that the Participant execute such Award Agreement, or may provide for procedures through which Award Agreements are made available but not executed. Any Participant who is granted an Award and who does not affirmatively reject the applicable Award Agreement shall be deemed to have accepted the terms of Award as embodied in the Award Agreement.
 - D. “Board” means the Board of Directors of the Company.
 - E. “Cash-Based Award” means an Award described in Section 7 as a Cash-Based Award.
 - F. “Change of Control” means the occurrence of one or more of the following:
 - (1) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 35% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding voting securities entitled to vote generally in the election of directors
 - (2) Individuals who, as of the date hereof, constitute the Board (as of the date hereof, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or
-

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

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred with respect to any Award that (i) provides "non-qualified deferred compensation" within the meaning of Code Section 409A and (ii) settles upon a Change of Control, unless such foregoing event constitutes a "change in ownership" of the Company, a "change in effective control" of the Company, or a "change in the ownership of a substantial portion of the assets" of the Company in each case, as defined under Code Section 409A and otherwise to the extent required under Code Section 409A.

- G. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.
- H. "Committee" means the Compensation Committee of the Board, and any successor committee thereto or such other committee of the Board as may be designated by the Board to administer this Plan in whole or in part including any subcommittee of the Board as designated by the Board.
- I. "Company" means Stereotaxis, Inc., a Delaware corporation, and any successor thereto.
- J. "Employer" means the Company and any other entity directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board or the Committee in which the Company has an interest. The term "control" (including the terms "controlling", "controlled by" and "under common control with") has the meaning ascribed to it under Rule 405 of the Securities Act of 1933, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.
- K. "Fair Market Value" means the closing sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, on the date such Fair Market Value is measured of one share of Stock as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on The New York Stock Exchange American Exchange ("NYSE American") or, if the shares of Stock are not listed or admitted to trading on the NYSE American, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Stock are listed or admitted to trading or, if the shares of Stock are not listed or admitted to trading on any national securities exchange, the last quoted sale price on such date or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market on such date, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use. If shares of Stock are not publicly held or so listed or publicly traded, the Fair Market Value per share of Stock shall be 100% of the fair market value of a share of Stock on the date such Fair Market Value is measured, as determined in good faith by the Committee.
-

- L. "Incentive Stock Option" means a stock option which is intended to be an incentive stock option within the meaning of Code Section 422.
- M. "Non-Qualified Stock Option" means a stock option which is not an Incentive Stock Option.
- N. "Option" means both an Incentive Stock Option and a Non-Qualified Stock Option.
- O. "Other Stock-Based Award" means an Award granted pursuant to Section 7 and described as an Other Stock-Based Award.
- P. "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.
- Q. "Participant" means any director or any employee of the Company, or any of its subsidiaries (including subsidiaries of subsidiaries), or any other entity in which the Company has a significant equity or other interest, as determined by the Committee, as well as any individual providing services to the Company who is selected to receive an Award; provided, that Incentive Stock Options may only be granted to employees of the Company or any of its Subsidiaries.
- R. "Plan" means the Stereotaxis, Inc. 2022 Stock Incentive Plan.
- S. "Stock" means the common stock, par value of \$0.001 per share, of the Company.
- T. "Stock Appreciation Right" means a stock appreciation right described in Section 6.
- U. "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

3. STOCK SUBJECT TO THE PLAN.

As of the date of adoption of this Plan by the Board or the Committee, as applicable, the number of shares of Stock available for Awards under the Plan shall be 4,107,114. The maximum number of shares of Stock subject to Awards which may be granted during a calendar year to a Participant shall be 1,000,000. The Company may, in its discretion, use shares of Stock held in the treasury in lieu of authorized but unissued shares of Stock. If any Award shall expire or terminate or be cancelled or forfeited for any reason, the shares subject to the Award shall again be available for the purposes of the Plan. Any shares of Stock which are tendered by a Participant as full or partial payment to the Company to satisfy a purchase price related to an Award shall not be available for the purposes of the Plan. To the extent any shares subject to an Award are not delivered to a Participant because such shares are used to satisfy an applicable tax-withholding obligation or used to satisfy a purchase price related to an Option, such withheld shares shall not be available for the purposes of the Plan. Shares of Stock subject to the grant of a Stock Appreciation Right shall not become available again for issuance under this Plan upon exercise or settlement of such Stock Appreciation Right for a lesser number of shares. Awards that by their terms may only be settled in cash shall not reduce the number of shares available for purposes of the Plan, and if cash is issued in lieu of Stock pursuant to an Award, such shares will not become available again for issuance under this Plan.

All the shares of Stock available under the Plan may be used for the grant of Incentive Stock Options.

4. ADMINISTRATION.

The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and the number of shares, if applicable, to be subject to each Award. In making such determinations, the Committee may take into account the nature of services rendered by the respective individuals, their present and potential contributions to the Employer's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary discretionary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 4 shall be conclusive.

Notwithstanding the foregoing, the Committee may not amend the terms of outstanding Award Agreements without the approval of the Company's shareholders in accordance with applicable law or regulation to either reduce the exercise price of any outstanding Option or Stock Appreciation Right, or cancel any outstanding Option or Stock Appreciation Right in exchange for cash, another Award, or another Option or Stock Appreciation Right with an exercise price that is less than the exercise price of the original Option or Stock Appreciation Right.

The Committee shall have the power and authority to determine which individuals, including individuals outside the United States, shall be eligible to receive Awards under the Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, disability, retirement, separation from service or termination of employment, available methods of exercise or settlement of an Award, payment of income, social insurance contributions and payroll taxes, withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to Participants employed by particular Employers or at particular locations.

5. OPTIONS.

The Committee, in its discretion, may grant Options which are Incentive Stock Options or Non-Qualified Stock Options, as evidenced by the Award Agreement, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

A. Type of Option. Incentive Stock Options may be granted to any individual classified by the Committee as an employee of the Company, a Parent or a Subsidiary. A Non-Qualified Stock Option may be granted to any individual selected by the Committee, provided that in no event shall a Non-Qualified Stock Option be granted in exchange for services performed by an individual unless the Company is an "eligible issuer of service recipient stock" within the meaning of Code Section 409A with respect to such individual. No individual may be granted Options to purchase more than 1,000,000 shares of Stock during any single fiscal year of the Company.

B. Option Prices. The purchase price of the Stock under each Option shall not be less than 100% of the Fair Market Value of the Stock at the time of the granting of the Option, as determined under Section 16; provided that, in the case of a Participant who owns more than 10% of the total combined voting power of all classes of stock of the Company, a Parent or a Subsidiary (as determined in accordance with Code Section 422), the purchase price of the Stock under each Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Stock on the date such Option is granted.

C. Exercise – Elections and Restrictions. The purchase price for an Option is to be paid in full upon the exercise of the Option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company (either actual or by attestation) of shares of Stock already owned by the Participant and registered in his or her name, having a Fair Market Value equal to the cash exercise price of the Option being exercised, (iii) through a net or cashless (including broker-assisted cashless exercise, to the extent permissible) form of exercise as permitted by the Committee, or (iv) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i), (ii), or (iii) hereof; provided that, no shares of Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the Participant through the exercise of an Incentive Stock Option unless (a) such shares have been held by the Participant for at least one year and (b) at least two years have elapsed since such prior Incentive Stock Option was granted.

D. Option Terms. The term of each Option shall not be more than ten (10) years from the date of granting thereof, as determined under Section 16, or such shorter period as is prescribed in the Award Agreement; provided that, in the case of a Participant who owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, a Parent or a Subsidiary, the term of any Incentive Stock Option shall not be more than five (5) years from the date of granting thereof or such shorter period as prescribed in the Award Agreement. Within such limit, Options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all Participants. The holder of an Option shall have none of the rights of a shareholder with respect to the shares subject to Option until such shares shall be issued to him or her upon the exercise of his or her Option. In no event shall Option holders be entitled to dividends or dividend equivalents with respect to such Options.

E. Successive Option Grants. As determined by the Committee, successive option grants may be made to any Participant under the Plan.

F. Additional Incentive Stock Option Requirements. The maximum aggregate Fair Market Value (determined at the time an Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company, a Parent and a Subsidiary) shall not exceed \$100,000. A Participant who disposes of Stock acquired upon the exercise of an Incentive Stock Option either (i) within two years after the date of grant of such Incentive Stock Option or (ii) within one year after the transfer of such shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

6. STOCK APPRECIATION RIGHTS.

A. Grant Terms. The Committee may grant a Stock Appreciation Right independent of an Option or in connection with an Option or a portion thereof. A Stock Appreciation Right granted in connection with an Option or a portion thereof shall cover the same shares of Stock covered by the Option, or a lesser number as the Committee may determine. The maximum number of shares of Stock subject to Awards for Stock Appreciation Rights for grants intended to qualify as Performance-Based Awards during a calendar year shall be 1,000,000. The term of each Stock Appreciation Right shall not be more than ten (10) years from the date of granting thereof, as determined under Section 16, or such shorter period as is prescribed in the Award Agreement.

B. Exercise Terms. The exercise price per share of Stock of a Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Stock at the time of granting, as determined under Section 16, the Stock Appreciation Right. A Stock Appreciation Right granted independent of an Option shall entitle the Participant upon exercise to a payment from the Company in an amount equal to the excess of the Fair Market Value on the exercise date of a share of Stock over the exercise price per share, times the number of Stock Appreciation Rights exercised. A Stock Appreciation Right granted in connection with an Option shall entitle the Participant to surrender an unexercised Option (or portion thereof) and to receive in exchange an amount equal to the excess of the Fair Market Value on the exercise date of a share of Stock over the exercise price per share for the Option, times the number of shares covered by the Option (or portion thereof) which is surrendered. Payment may be made, in the discretion of the Committee, in (i) Stock, (ii) cash or (iii) any combination of Stock and cash. Cash shall be paid for fractional shares of Stock upon the exercise of a Stock Appreciation Right.

C. Limitations. The Committee may include in the Award Agreement such conditions upon the exercisability or transferability of Stock Appreciation Rights as it determines in its sole discretion. In no event shall Stock Appreciation Right holders be entitled to dividends or dividend equivalents with respect to such Stock Appreciation Rights.

7. OTHER STOCK-BASED AWARDS AND CASH-BASED AWARDS

The Committee may, in its sole discretion, grant Awards of Stock, restricted Stock, restricted Stock units and other Awards that are valued in whole or in part by reference to the Fair Market Value of Stock. These Awards shall collectively be referred to herein as Other Stock-Based Awards. The Committee may also, in its sole discretion, grant Cash-Based Awards, which shall have a value as may be determined by the Committee. Other Stock-Based Awards shall be in such form, and dependent on such conditions, if any, as the Committee shall determine, including, but not limited to, the right to receive fully-vested shares or the right to receive one or more shares of Stock (or the cash-equivalent thereof) upon the completion of a specified period of service, the occurrence of an event or the attainment of performance objectives. Other Stock-Based Awards and Cash-Based Awards may be granted with or in addition to other Awards. Subject to the other terms of the Plan, Other Stock-Based Awards and Cash-Based Awards may be granted to such Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee and set forth in an Award Agreement; provided that, the maximum Cash-Based Award that may be granted to a Participant in a calendar year is \$1,000,000 to the extent it is also a Performance-Based Award. Notwithstanding the foregoing, no dividends or dividend equivalents shall be paid with respect to unvested Other Stock-Based Awards, including Other Stock-Based Awards that are intended to be Performance-Based Awards.

8. PERFORMANCE-BASED AWARDS

The Committee may, in its sole and absolute discretion, determine that certain Awards should be subject to performance requirements. If the Committee so determines, such Awards shall be considered Performance-Based Awards subject to the terms of this Section 8. The performance measures to be used for purposes of a Performance-Based Award shall be determined by the Committee, in its sole and absolute discretion, and may include, without limitation, any of the following or such other performance measures as the Committee may determine in its sole and absolute discretion: the Company's earnings per share growth; earnings; earnings per share; cash flow; working capital; expense management; customer satisfaction; revenues; financial return ratios; market performance; shareholder return and/or value; operating income (loss) (including earnings (loss) before income taxes, depreciation and amortization); net income (loss); profit returns; margins; stock price; working capital; business trends; production cost; product cost; return on assets; project milestones; and plant and equipment performance. The performance measures may relate to the Company, a Parent, a Subsidiary, an Employer or one or more units of such an entity.

The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to an Award and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. Except as otherwise set forth in an Award Agreement, each performance measure that constitutes a criteria measured by reference to the Company's financial statements shall be determined in accordance with generally accepted accounting principles as consistently applied by the Company and, if so determined by the Committee, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles. The Committee shall have the discretion to adjust the amount payable on a Company-wide or divisional basis or to reflect individual performance and/or unanticipated factors (and, for the avoidance of doubt, the Committee shall retain the discretion to adjust such Awards downward).

9. VESTING LIMITATIONS.

Except as otherwise provided in this Plan, each Stock Option and Stock Appreciation Right shall have a minimum vesting period of three years from the date of grant of such award, provided that such vesting may occur incrementally over such three-year period. Except as otherwise provided in this Plan, the vesting schedule of any such Award may not accelerate except in the case of death, disability, retirement, a Change of Control, involuntary termination of employment without cause or voluntary termination for good reason. Except as otherwise provided in this Plan, whether an Award will be subject to accelerated vesting upon the occurrence of one or more of these events shall be specified in the Award Agreement relating to such Award or another agreement with the Participant, such as an employment agreement.

10. WITHHOLDING.

Upon exercise of an Option, the Company shall withhold a sufficient number of shares to satisfy the Company's minimum required statutory withholding obligations for any taxes incurred as a result of such exercise (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes); provided that, in lieu of all or part of such withholding, the Participant may pay an equivalent amount of cash to the Company. Prior to the payment, settlement, or vesting of any Award other than an Option, the Participant shall pay to the Company, or make arrangements acceptable to the Company for the payment of, amounts sufficient for the Company to satisfy its required statutory withholding obligations. The Company shall have the right to satisfy its required statutory withholding obligations by withholding an amount of cash otherwise due to a Participant (or shares of Stock for Awards settled in shares of Stock) upon the settlement of any Award.

11. NONTRANSFERABILITY OF AWARDS.

Unless otherwise determined by the Committee and expressly set forth in an Award Agreement, an Award granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution and an Award may be exercised, if applicable, during the lifetime of the Participant thereof, only by the Participant or his or her guardian or legal representative. Notwithstanding the above, the Committee may not provide in an Award Agreement that an Incentive Stock Option is transferable.

12. INVESTMENT PURPOSE.

Each Award under the Plan shall be awarded only on the condition that all purchases of Stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to Awards granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of Stock subject to the Award, or upon the happening of any other contingency warranting the release of such condition.

13. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR CORPORATION ACQUISITIONS.

In the event of any change in the outstanding Stock of the Company by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, consolidation, split-up, merger, or similar event, the Committee shall adjust appropriately: (a) the number of shares or kind of Stock (i) available for issuance under the Plan, (ii) for which Awards may be granted to an individual Participant, and (iii) covered by outstanding Awards denominated in stock or units of stock; (b) the exercise and grant prices related to outstanding Awards; and (c) the appropriate Fair Market Value and other price determinations for such Awards. In the event of any other change affecting the Stock or any distribution (other than normal cash dividends) to holders of Stock, such adjustments in the number and kind of shares and the exercise, grant and conversion prices of the affected Awards as may be deemed equitable by the Committee, including adjustments to avoid fractional shares, shall be made to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee shall be authorized to cause to issue or assume stock options, whether or not in a transaction to which section 424(a) of the Code applies, by means of substitution of new stock options for previously issued stock options or an assumption of previously issued stock options. In such event, the aggregate number of shares of Stock available for issuance under Awards under Section 3, including the individual Participant maximums, will be increased to reflect such substitution or assumption.

In the event of a Change of Control, notwithstanding any other provisions of the Plan or an Award Agreement to the contrary, the Committee may, in its sole discretion, provide for:

(1) Termination of an Award upon the consummation of the Change of Control in exchange for the payment of a cash amount (but only in a manner which does not result in a violation of Code Section 409A and only to the extent the terminated Award has, in the discretion of the Committee, a positive value as of the termination date); and/or

(2) Issuance of substitute Awards to substantially preserve the terms of any Awards previously granted under the Plan (but only in a manner which does not result in a violation of Code Section 409A) which are outstanding upon the consummation of the Change of Control.

Prior to the consummation of a Change of Control, the Committee may also provide for accelerated vesting of any outstanding Awards that are otherwise unexercisable or unvested as of a date selected by the Committee.

14. AMENDMENT AND TERMINATION.

The Board or the Committee may at any time terminate the Plan, or make such modifications to the Plan as either shall deem advisable; provided, however, that the Board or the Committee may not, without further approval by the shareholders of the Company, increase the maximum number of shares as to which Awards may be granted under the Plan (except under the anti-dilution provisions of Section 13), or change the class of employees to whom Incentive Stock Options may be granted. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award.

15. EFFECTIVENESS OF THE PLAN.

The Plan shall become effective upon adoption by the Board or the Committee subject, however, to its further approval by the shareholders of the Company given within twelve (12) months of the date the Plan is adopted by the Board or the Committee at a regular meeting of the shareholders or at a special meeting duly called and held for such purpose. Grants of Awards may be made prior to such shareholder approval but all Award grants made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such Awards shall not be effective for any purpose.

16. TIME OF GRANTING OF AN AWARD.

An Award grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, makes an Award to a Participant (but in no event prior to the adoption of the Plan by the Board or the Committee).

17. TERM OF PLAN.

This Plan shall terminate ten (10) years after the date on which it is approved and adopted by the Board or the Committee and no Award shall be granted hereunder after the expiration of such ten-year period. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.

18. NO RIGHT TO CONTINUED EMPLOYMENT.

Nothing in the Plan or in any Award granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Employer or interfere in any way with the right of the Employer to terminate his or her employment at any time.

19. CHOICE OF LAW.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of law. Unless otherwise provided in an Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to the Plan or any Award Agreement.

20. SEVERABILITY.

If any provision of the Plan is, becomes, or is deemed invalid, illegal, or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

* * *

“The foregoing Plan was Initially adopted by our Board of Directors on February 3, 2022, and further revised by the Compensation Committee of the Board of Directors, on February 27, 2022, and approved by the Stockholders on May 19, 2022”

Date: August 11, 2022

/s/ Laura Spencer Garth

Laura Spencer Garth
Secretary
Stereotaxis, Inc.

STEREOTAXIS, INC.
2022 EMPLOYEE STOCK PURCHASE PLAN

1. Purpose. The purpose of this Stereotaxis, Inc. 2022 Employee Stock Purchase Plan (“Plan”) is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation and otherwise be interpreted in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) “Board” shall mean the Board of Directors of the Company.

(b) “Code” shall mean the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

(c) “Common Stock” shall mean the common stock of the Company.

(d) “Company” shall mean Stereotaxis, Inc..

(e) “Compensation” shall mean all cash compensation paid to an Employee by the Company or a Designated Subsidiary as compensation for services to the Company or Designated Subsidiary reportable on Form W-2, including without limitation base straight time gross earnings, sales commissions, payments for overtime, shift premiums, incentive compensation, incentive payments and bonuses, and before deduction for any salary deferral contributions by the Participant to any Company or Designated Subsidiary 401(k) Plan or nonqualified deferred compensation plan from compensation paid to the Participant by the Company or Designated Subsidiary, but excluding compensatory fringe benefit payments and special award or bonus payments classified by the Company as excludable from Compensation.

(f) “Designated Subsidiary” shall mean any Subsidiary that has been designated by the Board its sole discretion as eligible to participate in the Plan, and such other Subsidiaries that may be designated by the Board from time to time in its sole discretion.

(g) “Employee” shall mean any individual who is an Employee of the Company or Designated Subsidiary for tax purposes whose customary employment with the Company or Designated Subsidiary is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three months, or such other period of time specified in Treasury Regulation 1.421-1(h)(2), and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period, or such other period specified in Treasury Regulation 1.421-1(h)(2). An individual who performs services as an employee for the Company or Designated Subsidiary shall not be considered an Employee if the laws of the country (outside of the United States) in which such individual is a citizen or resident prohibits his or her participation in the Plan to the extent provided in Treasury Regulation 1.423-2(f).

(h) “Enrollment Date” shall mean the first Trading Day of each Offering Period.

(i) “Exercise Date” shall mean the last Trading Day of each Offering Period.

(j) “Fair Market Value” shall mean, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The New York Stock Exchange American Exchange (“NYSE American”), its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(k) “Offering Period” shall mean a period of three months commencing on the first day of each calendar quarter.

(l) “Participant” shall mean an Employee who participates in the Plan.

(m) “Plan” shall mean this Stereotaxis, Inc. 2022 Employee Stock Purchase Plan.

(n) “Purchase Price” shall mean 95% of the Fair Market Value of a share of Common Stock on the Exercise Date.

(o) “Reserves” shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

(p) “Subsidiary” shall mean any corporation other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of granting an option under the Plan, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, whether or not such corporation exists now or is hereafter organized or acquired by the Company or a Subsidiary. In all cases, the determination of whether an entity is a Subsidiary shall be made in accordance with Section 424 of the Code.

(q) “Trading Day” shall mean a day on which national stock exchanges and the NYSE American are open for trading.

3. Eligibility.

(a) Any Employee who shall be employed by the Company or Designated Subsidiary on a given Enrollment Date shall be eligible to participate in the Plan with respect to such Offering Period.

(b) Any provisions of the Plan to the contrary notwithstanding, no participant shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such participant (or any other person whose stock would be attributed to such participant pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time. The Board of Directors may set a maximum number of shares of capital stock which any participant may purchase during any Offering Period.

4. Offering Periods. The Plan shall be implemented by a series of Offering Periods, each with a duration of three (3) months, with new Offering Periods commencing on the first day of each calendar quarter (or at such other time or times as may be determined by the Board or a committee of the Board). The Plan shall continue until terminated in accordance with Section 20 hereof. The Board (or a committee of the Board) shall have the power to change the duration and/or the frequency of the Offering Period with respect to future offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected.

5. Participation. An eligible Employee may become a participant in the Plan by enrolling through such procedures as may be provided by the Company from time to time. Except as provided in Section 6, an enrollment in effect for a participant for a particular Offering Period will continue in effect for subsequent Offering Periods if the participant remains an eligible Employee and has not withdrawn from participation in the Plan pursuant to Section 10.

(a) Payroll deductions for a Participant shall commence on the first payroll date following the Enrollment Date and shall end on the last payroll date in the Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10.

(b) During a leave of absence approved by the Company or a Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2), a Participant may continue to participate in the Plan by making cash payments to the Company on each pay day equal to the amount of the Participant's payroll deductions under the Plan for the pay day immediately preceding the first day of such Participant's leave of absence. If a leave of absence is unapproved or fails to meet the requirements of Treasury Regulation Section 1.421-1(h)(2), the Participant will cease automatically to participate in the Plan. In such event, the Company will automatically cease to make contributions for such Participant under the Plan and Company will pay to the Participant his or her total payroll deductions for the Offering Period, in cash in one lump sum (without interest), as soon as practicable after the Participant ceases to participate.

(c) By enrolling in the Plan, each participant will be deemed to have authorized the establishment of a brokerage account in his or her name at a securities brokerage firm, which firm shall serve as custodial agent for the purpose of holding shares purchased under the Plan. The account will be governed by, and subject to, the terms and conditions of a written agreement with the firm approved by the Board or the committee administering the Plan.

6. Payroll Deductions. At the time a Participant enrolls in the Plan, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period. Except for the foregoing sentence, all eligible Employees shall have the same rights and privileges under the Plan.

All payroll deductions made for a Participant shall be credited to his or her notional account under the Plan and shall be withheld in whole percentages only. The Company shall maintain records of all payroll deductions but shall have no obligation to pay interest on payroll deductions or to hold such amounts in a trust or in any segregated account. A Participant may not make any additional payments into such notional account, unless expressly permitted by the Board or committee administering the Plan.

(a) A Participant's election shall remain in effect for successive Offering Periods unless terminated or the Participant withdraws as provided in Section 10 hereof. During an Offering Period, a Participant may elect to reduce his or her payroll deductions to zero percent (0%), in accordance with such procedures as may be provided by the Company from time to time, but he or she may not otherwise change the payroll deduction percentage during an Offering Period. Amounts deducted prior to an election to reduce his or her payroll deductions to zero shall not be refunded to the Participant unless he or she specifically withdraws under Section 10. In accordance with procedures established by the Company from time to time, a Participant must re-enroll in the Plan if he or she reduces his or her payroll deductions to zero or withdraws under Section 10. The deduction rate selected by the Participant may be increased or decreased by the Participant with respect to a subsequent Offering Period by submitting a new deduction rate election authorizing a new level of payroll deductions prior to the beginning of the next Offering Period and otherwise in accordance with such rules and procedures as may be established by the Company.

(b) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, the Company may decrease a Participant's payroll deductions to zero percent (0%) at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such Participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year (or such earlier time as permitted under Section 423(b)(8) of the Code), unless terminated by the Participant as provided in Section 10 hereof.

(c) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Participant.

7. Grant of Option. On the Enrollment Date of each Offering Period, each Participant participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Participant's payroll deductions accumulated prior to such Exercise Date by the applicable Purchase Price; provided that such purchase shall be subject to the limitations set forth in Sections 3(b) and 13. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock a Participant may purchase during each Offering Period. Exercise of the option shall occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option shall be purchased for such Participant at the applicable Purchase Price with the accumulated payroll deductions in his or her notional account. No fractional shares shall be purchased; any payroll deductions accumulated in a Participant's notional account which are not sufficient to purchase a full share shall be reflected as notional fractional shares in the Participant's notional account for the subsequent Offering Period to be aggregated with other notional shares on future Exercise Dates, subject to earlier withdrawal by the Participant as provided in Section 10. Any other monies left over in a Participant's notional account after the Exercise Date shall be returned to the Participant. During a Participant's lifetime, a Participant's options are exercisable only by him or her.

(b) If the Board determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Board may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the notional account of each Participant which has not been applied to the purchase of shares of Common Stock shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Exercise Date, without any interest thereon.

9. Delivery of Shares. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall issue shares to each Participant by book entry on the Company's transfer agent and registrar's books of account in an account. A physical share certificate shall not be issued or delivered unless specifically requested by the Participant.

10. Withdrawal. A Participant may withdraw all but not less than all the payroll deductions credited to his or her notional account and not yet used to exercise his or her option under the Plan at any time through such procedures as may be provided by the Company from time to time. All of the Participant's payroll deductions credited to his or her notional account shall be paid to such Participant promptly after withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the Participant elects to enroll in accordance with the enrollment procedures as may be provided by the Company from time to time.

(a) A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the Participant withdraws.

(b) Notwithstanding the foregoing a Participant shall withdraw from an Offering Period if he or she makes a hardship withdrawal from a Company or Designated Subsidiary 401(k) Plan if such 401(k) Plan so provides. Such Participant shall thereafter be suspended from participating in this Plan in accordance with the terms of such 401(k) Plan.

11. Termination of Employment. Upon a Participant's ceasing to be an Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such Participant's notional account during the Offering Period but not yet used to exercise the option shall be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, and such Participant's option shall be automatically terminated. Therefore, a Participant who ceases to be an Employee on any day during an Offering Period, including the last day, shall not be eligible to purchase shares during such Offering Period.

12. Interest. No interest shall accrue on the payroll deductions of a Participant in the Plan.

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 203,366 shares, consisting of the shares available under 2009 Employee Stock Purchase Plan that were converted into shares available under this Plan as of the date of adoption of the approval of the Plan.

(b) The Participant shall have no interest or voting right in shares covered by his or her option until such option has been exercised.

(c) Shares to be issued to a Participant under the Plan shall be registered in the name of the Participant or in the name of the Participant and his or her spouse.

14. Administration. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, prescribe, amend, and rescind rules relating to the Plan's administration, determine eligibility, adjudicate all disputed claims filed under the Plan, and take any other actions necessary or desirable for the administration of the Plan. The Board or its committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) In accordance with such procedures as may be established by the Board, a Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's notional account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's notional account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice in such form, time, and manner and subject to such other procedures as may be established by the Board. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall issue such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may issue such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a Participant's notional account nor any option or rights with regard to the exercise of an option may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual notional accounts shall be maintained for each Participant. Statements of notional accounts shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price of any shares purchased with accumulated funds, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each Participant may purchase each Offering Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board (or a committee of the Board). The New Exercise Date shall be before the date of the Company’s proposed dissolution or liquidation. The Board (or a committee of the Board) shall notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant’s option has been changed to the New Exercise Date and that the Participant’s option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Offering Period then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”) and shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company’s proposed sale or merger. The Board shall notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant’s option has been changed to the New Exercise Date and that the Participant’s option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10.

20. Amendment or Termination.

(a) The Board (or a committee of the Board) may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board (or a committee of the Board) on any Exercise Date if the Board (or a committee of the Board) determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 and this Section 20, no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant rights may be considered to have been “adversely affected,” the Board (or a committee of the Board) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company’s processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant’s Compensation, and establish such other limitations or procedures as the Board (or a committee of the Board) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board (or a committee of the Board) determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board (or a committee of the Board) may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (ii) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the action of the Board (or a committee of the Board); and
- (iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the latest to occur of its adoption by the Board, its approval by the stockholders of the Company or such date designated by the Board. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 20.

24. Equal Rights and Privileges. All Employees of the Company (or of any Designated Subsidiary) will have equal rights and privileges under the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code or applicable Treasury regulations thereunder. Any provision of the Plan that is inconsistent with Section 423 or applicable Treasury regulations will, without further act or amendment by the Company or the Board, be reformed to comply with the equal rights and privileges requirement of Section 423 or applicable Treasury regulations.

25. No Employment Rights. Nothing in the Plan shall be construed to give any person (including any Employee or Participant) the right to remain in the employ of the Company, or a Subsidiary or to affect the right of the Company, or any Subsidiary to terminate the employment of any person (including any Employee or Participant) at any time, with or without cause.

26. Notice of Disposition of Shares. Each Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Common Stock purchased upon exercise of an option if such disposition or transfer is made: (a) within two (2) years from the Enrollment Date of the Offering Period in which the shares were purchased or (b) within one (1) year after the Exercise Date on which such shares were purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Participant in such disposition or other transfer. The Company has the authority to establish procedures regarding the ability of a Participant to transfer shares of Common Stock in order to ensure compliance with this Section 26.

27. Choice of Law. The Plan shall be governed by and construed in accordance with the laws of the State of Missouri without regard to conflicts of law.

28. Entire Plan. This Plan constitutes the entire plan with respect to the subject matter hereof and supersedes all prior plans with respect to the subject matter hereof.

“The foregoing Plan was Initially adopted by our Board of Directors on February 3, 2022, and further revised by the Compensation Committee of the Board of Directors, on February 27, 2022, and approved by the Stockholders on May 19, 2022”.

Date: August 11, 2022

/s/ Laura Spencer Garth

Laura Spencer Garth

Secretary

Stereotaxis, Inc.

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 11, 2022

/s/ David L. Fischel

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

Certification of Principal Financial Officer

I, Kimberly R. Peery, 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 11, 2022

/s/ Kimberly R. Peery

Kimberly R. Peery
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, 2022 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 11, 2022

/s/ David L. Fischel

David L. Fischel
Chief Executive Officer
Stereotaxis, Inc.

**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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kimberly R. Peery, 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 11, 2022

/s/ Kimberly R. Peery

Kimberly R. Peery
Chief Financial Officer
Stereotaxis, Inc.
