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

FORM 10-Q

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

For the quarterly period ended June 30, 2008.

☐ **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: 000-50884

STEREOTAXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3120386**
(State of Incorporation)	**(I.R.S. employer identification no.)**
4320 Forest Park Avenue Suite 100 St. Louis, Missouri	**63108**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The number of outstanding shares of the registrant's common stock on July 31, 2008 was 37,446,645

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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	June 30, 2008 (unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 11,358,470	$ 17,022,200
Short-term investments	—	6,634,178
Accounts receivable, net of allowance of $225,820 and $189,040 in 2008 and 2007, respectively	14,787,534	13,757,270
Current portion of long-term receivables	213,940	136,430
Inventories	9,625,809	9,964,460
Prepaid expenses and other current assets	4,892,621	3,421,202
Total current assets	40,878,374	50,935,740
Property and equipment, net	6,358,570	7,011,763
Intangible assets, net	1,344,445	1,411,111
Long-term receivables	328,525	272,859
Long-term investments	469,392	—
Other assets	760,029	844,321
Total assets	$ 50,139,335	$ 60,475,794
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	$ 14,040,379	$ 972,222
Accounts payable	5,246,680	7,349,426
Accrued liabilities	8,540,333	11,913,418
Deferred contract revenue	11,162,771	8,774,958
Total current liabilities	38,990,163	29,010,024
Long-term debt, less current maturities	6,600,142	6,000,000
Long-term deferred contract revenue	1,292,900	942,573
Other liabilities	189,381	328,790
Stockholders' equity:		
Preferred stock, par value $0.001; 10,000,000 shares authorized at 2008 and 2007, none outstanding at 2008 and 2007	—	—
Common stock, par value of $0.001; 100,000,000 shares authorized at 2008 and 2007, 37,431,384 and 37,132,529 shares issued at 2008 and 2007, respectively	37,431	37,133
Additional paid in capital	281,628,496	276,433,662
Treasury stock, 40,151 shares at 2008 and 2007	(205,999)	(205,999)
Accumulated deficit	(278,393,179)	(252,072,353)
Accumulated other comprehensive income	—	1,964
Total stockholders' equity	3,066,749	24,194,407
Total liabilities and stockholders' equity	$ 50,139,335	$ 60,475,794

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Systems	$ 7,898,310	$ 5,771,587	$ 12,275,707	$ 12,979,029
Disposables, service and accessories	2,760,282	2,063,652	5,411,335	4,017,165
Total revenue	10,658,592	7,835,239	17,687,042	16,996,194
Cost of revenue:				
Systems	3,868,166	1,952,482	5,724,268	4,482,290
Disposables, service and accessories	314,471	520,196	884,431	1,240,735
Inventory impairment	0	1,870,653	0	1,870,653
Total cost of revenue	4,182,637	4,343,331	6,608,699	7,593,678
Gross margin	6,475,955	3,491,908	11,078,343	9,402,516
Operating expenses:				
Research and development	4,782,074	7,090,948	9,480,871	12,785,639
Sales and marketing	8,621,028	6,986,475	16,284,739	13,066,396
General and administrative	5,262,213	4,848,888	10,738,335	9,791,830
Total operating expenses	18,665,315	18,926,311	36,503,945	35,643,865
Operating loss	(12,189,360)	(15,434,403)	(25,425,602)	(26,241,349)
Interest income	24,226	491,103	131,954	873,558
Interest expense	(624,527)	(62,616)	(1,027,178)	(142,232)
Net loss	$(12,789,661)	$(15,005,916)	$(26,320,826)	$(25,510,023)
Net loss per common share:				
Basic and diluted	$ (0.35)	$ (0.42)	$ (0.72)	$ (0.72)
Weighted average shares used in computing net loss per common share:				
Basic and diluted	36,523,194	36,152,659	36,507,915	35,285,931

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2008	**2007**
Cash flows from operating activities		
Net loss	$(26,320,826)	$(25,510,023)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	1,124,678	699,905
Amortization (accretion)	48,564	(84,955)
Amortization of warrants	668,704	—
Share-based compensation	2,805,801	2,729,284
Gain on asset disposal	4,188	6,043
Impairment charge	31,598	1,870,653
Other expense	1,801,721	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,030,264)	(84,610)
Other receivables	(133,850)	(52,526)
Inventories	338,651	(2,274,351)
Prepaid expenses and other current assets	(409,079)	331,438
Other assets	84,292	(822)
Accounts payable	463,254	(142,745)
Accrued liabilities	(1,807,330)	(1,816,865)
Deferred contract revenue	2,738,140	1,208,453
Other	(139,409)	383,548
Net cash used in operating activities	(19,731,167)	(22,737,573)
Cash flows from investing activities		
Purchase of equipment	(475,673)	(2,973,823)
Sale or disposal of equipment	—	100,640
Proceeds from the maturity/sale of available-for-sale investments	6,150,000	22,200,000
Purchase of available-for-sale investments	—	(7,201,707)
Net cash provided by investing activities	5,674,327	12,125,110
Cash flows from financing activities		
Proceeds from long-term debt	10,000,000	2,000,000
Payments under long-term debt	(2,265,177)	(1,500,000)
Proceeds from issuance of stock, net of issuance costs	658,287	20,960,209
Net cash provided by financing activities	8,393,110	21,460,209
Net increase (decrease) in cash and cash equivalents	(5,663,730)	10,847,746
Cash and cash equivalents at beginning of period	17,022,200	15,210,493
Cash and cash equivalents at end of period	$ 11,358,470	$ 26,058,239

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008 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 as filed with the Securities and Exchange Commission on March 17, 2008 for the year ended December 31, 2007.

Recently Adopted Accounting Pronouncements

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. The Company has adopted the provisions of SFAS 157 with respect to its financial assets and liabilities only. SFAS 157 applies to those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS 123(R) and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. The adoption of SFAS 157 did not have a material impact on the Company's financial condition, results of operations or cash flows. SFAS 157 provides a single definition of fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Effective January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Adoption of SFAS 159 did not have an impact on the Company's financial position, results of operations, or cash flows as the Company elected not to use the fair value measurement option on its financial instruments and other applicable items.

Revenue and Costs of Revenue

For arrangements with multiple deliverables, the Company allocates the total revenue to each deliverable based on the provisions of Staff Accounting Bulletin 104 ("SAB 104") *Revenue Recognition* and Emerging Issues Task Force (EITF) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* ("EITF 00-21"), and recognizes revenue for each separate element as the criteria are met. In the second quarter of 2007, the Company determined that installation met the criteria under SAB 104 and EITF Issue 00-21 for recognition as a separate element or unit of accounting. Revenue for system sales is recognized for the portion of sales price due upon delivery, provided that delivery has occurred, title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. The greater of the fair market value or the amount of the sales price due upon installation is recognized as revenue when the standard installation process is complete. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since such arrangements do not include an installation element or right of return privileges. If uncertainties exist regarding collectability, the Company recognizes revenue when those uncertainties are resolved. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multi-element arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual

product maintenance plans. The Company recognizes revenue from disposable device sales or accessories upon shipment and establishes an appropriate reserve for returns. The Company recognizes fees earned on the shipment of product to customers as revenue and recognizes costs incurred on the shipment of product to customers as cost of revenue.

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

Net Loss Per Common Share

Basic net loss per common share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing the loss for the period by the weighted average number of common and common equivalent shares outstanding during the period as described below.

The Company has deducted unearned restricted shares from the calculation of shares used in computing net loss per share, basic and diluted. The Company has excluded all outstanding options, stock appreciation rights and warrants from the calculation of diluted loss per common share because all such securities are anti-dilutive for all periods presented. The Company deducted a weighted average of 776,613 and 709,499 unearned restricted shares from the calculation of net loss per common share for the three and six months ended June 30, 2008, respectively. As of June 30, 3008, the Company had 4,398,883 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $7.64 per share and 572,246 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $7.70 per share.

Stock-Based Compensation

The Company accounts for its grants of stock options, stock appreciation rights and restricted shares and for its employee stock purchase plan in accordance with the provisions of FASB Statement No. 123(R), *Share-Based Payment* (“SFAS 123(R)”), using the modified prospective transition method. SFAS 123(R) requires the determination of the fair value of the share-based compensation at the grant date and the recognition of the related expense over the period in which the share-based compensation vests.

The Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights at the date of grant. The resulting compensation expense is recognized over the requisite service period, which is generally four years. Compensation expense is recognized only for those awards expected to vest, with forfeitures estimated based on the Company’s historical experience and future expectations. Restricted shares granted to employees are valued at the fair market value at the date of grant. The Company amortizes the amount to expense over the service period on a straight-line basis. 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.

Stock options and stock appreciation rights issued to certain non-employees, including individuals for scientific advisory services, are recorded at their fair value as determined in accordance with SFAS 123(R) and EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services*, and recognized over the service period. Deferred compensation for options granted to such non-employees is remeasured on a quarterly basis through the vesting or forfeiture date.

At June 30, 2008, the total compensation cost related to options, stock appreciation rights and non-vested stock granted to employees under the Company’s equity incentive plans that has not yet been recognized was approximately $9.0 million, net of estimated forfeitures of approximately $1.1 million. This cost will be amortized on a straight-line basis over the underlying estimated service periods, generally four years, and may be adjusted for subsequent changes in estimated forfeitures and anticipated vesting periods.

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 that are described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. At June 30, 2008, the Board of Directors has reserved a total of 5,559,925 shares of the Company’s common stock to provide for current and future grants under its various equity plans.

A summary of the option and stock appreciation rights activity for the six months ended June 30, 2008 is as follows:

	Number of Options/ SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2007	3,324,509	$0.25 - $14.84	$ 8.72
Granted	1,354,515	$4.00 - $ 6.86	$ 5.77
Exercised	(46,457)	$0.78 - $ 9.19	$ 6.96
Forfeited	(233,684)	$6.77 - $13.02	$ 12.26
Outstanding, June 30, 2008	4,398,883	$0.25 - $14.84	$ 7.64

A summary of the restricted share grant activity for the six months ended June 30, 2008 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding, December 31, 2007	721,415	$ 10.60
Granted	330,646	$ 5.25
Vested	(50,389)	$ 10.33
Forfeited	(110,616)	$ 11.70
Outstanding, June 30, 2008	891,056	$ 8.49

A summary of the restricted stock outstanding as of June 30, 2008 is as follows:

	Number of Shares
Time based restricted shares	428,852
Performance based restricted shares	462,204
Outstanding, June 30, 2008	891,056

Comprehensive Loss

Comprehensive income (loss) generally represents all changes in stockholders' equity except those resulting from investments by stockholders, and included the Company's unrealized income (loss) on marketable securities. Comprehensive income (loss) for the three months ended June 30, 2008 and 2007 was not material. Comprehensive income (loss) for the six months ended June 30, 2008 and 2007 included unrealized gain (loss) on available-for-sale investments of ($1,964) and ($1,732) respectively. Accumulated other comprehensive income (loss) at June 30, 2008 and 2007 was not material.

Investments

Investments consist of the following available-for-sale securities at fair value:

	June 30, 2008	December 31, 2007
Short-term investments		
Commercial paper	$ —	$6,133,863
Auction rate securities	—	500,315
Long-term investments		
Auction rate securities	469,392	—
Total investments	$469,392	$6,634,178

In accordance with SFAS 157, the following table represents the Company's fair value hierarchy for its financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of June 30, 2008:

	Level 1	Level 2	Level 3	Total
Money market (1)	$1,059,250	$ —	$ —	$1,059,250
Auction rate securities	—	—	469,392	469,392
Total	$1,059,250	$ —	$469,392	$1,528,642

(1) Included in cash equivalents

At June 30, 2008, the Company had invested $500,000 in a taxable auction rate security ("ARS"). The ARS held by the Company is a private placement security with a long-term stated maturity for which the interest rate is reset through a Dutch auction every 28 days. The Company's ARS was issued by South Carolina Student Loan Corporation and currently carries a AAA/Aaa rating. The ARS has not experienced any payment defaults and is insured by AMBAC. Until recently, the auctions have provided a liquid market for these securities as investors could readily sell their investments at auction.

Historically, the fair value of ARS investments has generally approximated par value due to the frequent resets through the auction process. With the liquidity issues experienced in global credit and capital markets, the Company has been unable to sell its ARS at auction during 2008, as the amount of securities submitted for sale exceeded the amount of purchase orders. Accordingly, the Company reviewed the estimated fair value of its investment in the ARS as of June 30, 2008 utilizing a discounted cash flow model using estimates for interest rates, timing and amount of cash flows and expected holding periods of the ARS. Based on this assessment of fair value, the Company determined there was a decline in the fair value of its ARS investments of approximately $32,000 which was deemed to be an "other-than-temporary" impairment charge in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and recorded a realized loss in the statement of operations. At June 30, 2008 the Company classified its ARS investment balance as a non-current investment on its balance sheet.

If uncertainties in the credit and capital markets continue, these markets deteriorate further or there are any ratings downgrades on this ARS we hold, the Company may be required to recognize an additional impairment. In addition, these securities may not provide the necessary liquidity as it could take until the final maturity of the underlying note (June 2034) to realize the investments' recorded value. The Company intends to liquidate these securities at par value at the earliest possible opportunity.

Inventory

Inventory consists of the following:

	June 30, 2008	December 31, 2007
Raw materials	$2,182,966	$2,394,846
Work in process	236,351	214,996
Finished goods	7,782,337	7,949,723
Reserve for obsolescence	(575,845)	(595,105)
Total inventory	$9,625,809	$9,964,460

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	June 30, 2008	December 31, 2007
Prepaid expenses	$1,233,864	$1,519,211
Deferred cost of revenue	1,315,510	1,176,109
Other assets	3,103,276	1,570,203
	5,652,650	4,265,523
Less: Long-term other assets	(760,029)	(844,321)
Total prepaid expenses and other current assets	$4,892,621	$3,421,202

Property and Equipment

Property and equipment consist of the following:

	June 30, 2008	December 31, 2007
Equipment	$ 9,944,530	$ 9,637,232
Equipment held for lease	430,127	303,412
Leasehold improvements	1,512,827	1,506,576
	11,887,484	11,447,220
Less: Accumulated depreciation	(5,528,914)	(4,435,457)
Net property and equipment	$ 6,358,570	$ 7,011,763

Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2008	December 31, 2007
Accrued salaries, bonus, and benefits	$4,256,503	$ 3,531,582
Accrued research and development	529,069	4,456,049
Accrued legal and other professional fees	608,160	824,448
Other	3,146,601	3,101,339
Total accrued liabilities	$8,540,333	$11,913,418

Credit Facilities

In February 2008, the Company entered into a Note and Warrant Purchase Agreement with two of its stockholders, pursuant to which those stockholders agreed to loan the Company up to an aggregate of $20 million. These funds can be drawn at the Company's election, are unsecured and subordinated to any bank debt, and are due at a maturity date in February 2009. The stockholders also agreed to guarantee advances made to the Company pursuant to the credit agreement with the Company's primary lending bank. The financing commitment from the stockholders is subject to a 90 day extension, solely at the Company's option, providing for an extended maturity date of May 2009. Warrants to purchase 572,246 shares of the Company's common stock at an exercise price of $6.99 were issued to the stockholders in exchange for the financing commitment. The warrants were exercisable immediately upon grant and expire five years from the date of grant. If the Company extends the financing commitment period or the maturity date, it would be required to issue five-year warrants to purchase an additional 143,062 shares of common stock at the same exercise price. The Company recorded the fair value of the warrants in the amount of $1.7 million to be amortized to interest expense over the one year commitment period through February 2009. The unamortized balance as of June 30, 2008 was approximately $1.1 million.

In conjunction with this transaction, the Company and its primary lending bank amended the revolving line of credit by increasing the line to $30 million subject to a borrowing base of qualifying accounts receivable and inventory, with up to $10 million available under the line supported by these guarantees. Under the revised facility the Company is required to maintain a minimum "tangible net worth" as defined in the agreement. As of June 30, 2008, the Company had $13.2 million outstanding under the revolving line of credit and had an unused line of approximately $16.8 million with current borrowing capacity, including amounts already drawn, of approximately $19.9 million. As such, the Company had the ability to borrow an additional $6.7 million under the revolving line of credit at June 30, 2008. As of June 30, 2008, the Company was in compliance with all covenants of the bank loan agreement.

As of June 30, the Company has $10 million remaining on its stockholder credit facility described above.

Debt

Debt outstanding consists of the following:

	June 30, 2008	December 31, 2007
Revolving credit agreement, due March 2009	$ 13,234,824	$5,000,000
November 2005 term note, due November 2008	138,889	305,555
June 2007 term note, due June 2010	1,333,333	1,666,667
Biosense Advance	5,933,475	—
Total debt	20,640,521	6,972,222
Less current maturities	(14,040,379)	(972,222)
Total long term debt	**$ 6,600,142**	**$6,000,000**

In June 2007, the Company entered into a term note due in June 2010 with its primary lender for $2,000,000, (June 2007 term note). The Company is required to make equal payments of principal and interest, at prime plus 1%, through June 2010.

The Revolving Credit Agreement and the term notes (collectively, the Credit Agreements) are secured by substantially all of the Company's assets. The Company is also required under the Credit Agreements to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

As of June 30, 2008, the Company had classified approximately $5.9 million of amounts owed to Biosense as long-term debt pursuant to the July 18, 2008 amendment further described under "Subsequent Event" below.

In July, 2008, the Company received $10 million in accordance with the agreement with Biosense Webster as further described under "Subsequent Event" below.

Stockholders' Equity

In March 2007, the Company completed an offering of 1,919,000 shares of its common stock at $10.50 per share. In conjunction with these transactions, the Company received approximately $20.1 million in net proceeds after deducting offering expenses.

Product Warranty Provisions

The Company's standard policy is to warrant all NIOBE® and ODYSSEY™ 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:

	June 30, 2008
Warranty accrual at December 31, 2007	$234,949
Warranty expense incurred	174,383
Payments made	(87,275)
Warranty accrual at June 30, 2008	$322,057

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.

Subsequent Event

On July 18, 2008, the Company and Biosense Webster, Inc. entered into an amendment to their existing agreements. Pursuant to the amendment, Biosense Webster agreed to pay to the Company $10.0 million as an advance on revenue share amounts that are currently owed or may be owed in the future by Biosense Webster to the Company pursuant to the revenue share provisions of the existing agreement. The Company and Biosense Webster also agreed that an aggregate of up to $8.0 million of certain agreed upon research and development expenses that are currently owed or may be owed in the future by the Company to Biosense Webster pursuant to the existing agreement (including approximately $6.7 million due as of June 30, 2008) will be deferred and will be due, together with any unrecouped portion of the $10.0 million revenue share advance, on the Final Payment Date (as defined below). Interest on the outstanding and unrecouped amounts of the revenue share advance and deferred research and development expenses will accrue at an interest rate of the prime rate plus 0.75%. Outstanding revenue share advances and deferred research and development expenses and accrued interest thereon will be recouped by Biosense Webster from time to time by deductions from revenue share amounts otherwise owed to the Company from Biosense Webster pursuant to the existing agreement (including approximately $1.5 million due as of June 30, 2008, which will be recouped immediately upon the advancement of funds as described above). The Company has the right to prepay any amounts due pursuant to the Amendment at any time without penalty.

All funds owed by the Company to Biosense Webster must be repaid on the sooner of December 31, 2011 or the date of an Accelerating Recoupment Event as defined below (the "Final Payment Date"). Commencing on May 15, 2010 the Company shall make quarterly payments (the "Supplemental Payments") to Biosense Webster equal to the difference between the aggregate revenue share payments recouped by Biosense from the Company (other than revenue share amounts attributable to Biosense Webster's sales of irrigated catheters) in such quarter and $1 million, until the earlier of (1) the date all funds owed by the Company to Biosense Webster pursuant to the Amendment are fully repaid or (2) the Final Payment Date. An Accelerating Recoupment Event means any of the following: (i) the closing of any equity-based registered public financing transaction or in the event of convertible debt, the conversion of such debt into equity (a "Financing") which raises at least $50 million for the Company; (ii) the failure of the Company to make any Supplemental Payment; or (iii) a change of control of the Company (as defined in the Amendment).

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2007. Operating results are not necessarily indicative of results that may occur in future periods.

This report includes various forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth in Item 1A "Risk Factors" and in our Annual Report on Form 10-K for the year ended December 31, 2007. Forward-looking statements discuss matters that are not historical facts and include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity and capital resources and results of operations. Such statements include, but are not limited to, statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," "projects," "can," "could," "may," "will," "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 were made. They give our expectations regarding the future, but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Stereotaxis designs, manufactures and markets an advanced cardiology instrument control system for use in a hospital's interventional surgical suite to enhance the treatment of arrhythmias and coronary artery disease. The NIOBE system is designed to enable physicians to complete more complex interventional procedures by providing image guided delivery of catheters and guidewires through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter or guidewire, resulting in improved navigation, efficient procedures and reduced x-ray exposure. In addition to the NIOBE system and its components, Stereotaxis also has developed the ODYSSEY information management system, which consolidates the multiple sources of diagnostic and imaging information found in the

interventional lab into a large-screen user interface with single mouse control, which can be connected via a private network line to other interventional labs or to a remote clinical call center. The core components of the NIOBE system and the ODYSSEY system have received regulatory clearance in the U.S., Canada, Europe and various other countries.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We review our estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements. For a complete listing of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2007.

Revenue Recognition

For arrangements with multiple deliverables, we allocate the total revenue to each deliverable based on the provisions of Staff Accounting Bulletin 104 ("SAB 104") *Revenue Recognition* and EITF Issue No. 00-21 ("EITF 00-21"), *Revenue Arrangements with Multiple Deliverables*, and recognize revenue for each separate element as the criteria are met. Under EITF 00-21, we are required to continually evaluate whether we have separate units of accounting for deliverables within certain contractual arrangements we have made with customers, specifically as it relates to the sale and installation of our magnetic navigation system. Prior to the quarter ended June 30, 2007, we had met the first criterion for separation of multiple elements under EITF 00-21, which was that the NIOBE system has stand-alone value but had not yet accumulated sufficient evidence to support the determination of fair value on the undelivered installation element. By the second quarter of 2007, we had accumulated sufficient experience to conclude that installation had been and could be performed by several independent vendors such that fair value could be determined. As such, we determined in the second quarter of 2007 that installation met the criteria under SAB 104 and EITF 00-21 for recognition as a separate element or unit of accounting and began to recognize revenue on the delivery and installation of the NIOBE system as two separate elements.

Under our revenue recognition policy, revenue for system sales is recognized for the portion of sales price due upon delivery, provided delivery has occurred, title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. The greater of fair market value or the amount of the sales price due upon installation is recognized as revenue when the standard installation process is complete. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since such arrangements do not include an installation element or right of return privileges. If uncertainties exist regarding collectability, we recognize revenue when those uncertainties are resolved. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multi-element arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans. We recognize revenue from disposable device sales or accessories upon shipment and an appropriate reserve for returns is established. The return reserve, which is applicable only to disposable devices, is estimated based on historical experience which is periodically reviewed and updated as necessary. In the past, changes in estimate have had only a de minimus affect on revenue recognized in the period. The Company believes that the estimate is not likely to change significantly in the future.

Results of Operations

Comparison of the Three Months Ended June 30, 2008 and 2007

Revenue. Revenue increased from $7.8 million for the three months ended June 30, 2007 to $10.7 million for the three months ended June 30, 2008, an increase of approximately 36%. Revenue from the sale of systems increased from $5.8 million to $7.9 million, an increase of approximately 37% because of an increase in the number of NIOBE systems delivered from five to eight. In addition, we sold four ODYSSEY systems during the 2008 period. Revenue from sales of disposable interventional devices, service and accessories increased to $2.8 million for the three months ended June 30, 2008 from $2.1 million for the three months ended June 30, 2007, an increase of approximately 34%. This increase was principally attributable to the increased base of installed systems. Average selling price for the 2008 reporting period decreased because we sold one NIOBE I legacy at a significantly lower price than our average selling price for a NIOBE II system as well as one contract which contained terms requiring us to defer a higher than normal portion of the total revenue until installation was complete.

Purchase orders and other commitments for our magnetic navigation system and integrated cath lab display were approximately $72 million at June 30, 2008. We do not include orders for disposables, service or other accessories in the backlog data. Backlog includes amounts withheld at the time of revenue recognition which will generally be included in systems revenue in the future when the related obligations are completed. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or cancelled, either by their express terms, as a result of negotiations, or by project changes or delays.

Cost of Revenue. Cost of revenue decreased from $4.3 million for the three months ended June 30, 2007 to $4.2 million for the three months ended June 30, 2008, a decrease of approximately 4%. Cost of sales for the 2007 period included a $1.9 million adjustment to the carrying value of the first generation NIOBE systems remaining in inventory. Cost of revenue for systems sold increased from $2.0 million for the three months ended June 30, 2007 to $3.9 million for the three months ended June 30, 2008, an increase of approximately 98% primarily due to the increased number of NIOBE and ODYSSEY systems sold.

Research and Development Expenses. Research and development expenses decreased from $7.1 million for the three months ended June 30, 2007 to $4.8 million for the three months ended June 30, 2008, a decrease of approximately 33%. The decrease was due principally to a decrease in development costs related to new product introductions.

Sales and Marketing Expenses. Sales and marketing expenses increased to $8.6 million for the three months ended June 30, 2008 from $7.0 million for the three months ended June 30, 2007, an increase of approximately 23%. The increase related primarily to increased compensation and related expenses associated with expanded sales operations and enhanced marketing programs.

General and Administrative Expenses. General and administrative expenses include our regulatory, training, clinical and general management expenses. General and administrative expenses increased to $5.3 million from $4.8 million for the three months ended June 30, 2008 and 2007, respectively, an increase of approximately 9%. The increase was due primarily to increased compensation and related costs associated with the expansion of our European operations and training.

Interest Income. Interest income decreased to $24,000 for the three months ended June 30, 2008 from $491,000 for the three months ended June 30, 2007, a decrease of approximately 95% due principally to lower invested balances.

Interest Expense. Interest expense increased to $625,000 for the three months ended June 30, 2008 from $63,000 for the three months ended June 30, 2007, primarily due to the amortization of warrants issued during 2008 related to the affiliate line of credit and higher average outstanding balances due on our loans during 2008.

Comparison of the Six Months Ended June 30, 2008 and 2007

Revenue. Revenue increased from $17.0 million for the six months ended June 30, 2007 to $17.7 million for the six months ended June 30, 2008, an increase of approximately 4%. Revenue from the sale of systems decreased from $13.0 million to $12.3 million, a decrease of approximately 5%. The number of units sold increased from 11 NIOBE systems sold during the 2007 reporting period to 12 NIOBE systems and six ODYSSEY systems sold during the 2008 reporting period which was offset by a decrease in the average selling price of a NIOBE system. Revenue from sales of disposable interventional devices, service and accessories increased to $5.4 million for the six months ended June 30, 2008 from $4.0 million for the six months ended June 30, 2007, an increase of approximately 35%. This increase was principally attributable to the increased base of installed systems.

Cost of Revenue. Cost of revenue decreased from $7.6 million for the six months ended June 30, 2007 to $6.6 million for the six months ended June 30, 2008, a decrease of approximately 13%. Cost of sales for the 2007 period included a $1.9 million adjustment to the carrying value of the first generation NIOBE systems remaining in inventory. Cost of revenue for systems sold increased from $4.5 million for the six months ended June 30, 2007 to $5.7 million for the six months ended June 30, 2008 primarily due to the increase in the number of NIOBE and ODYSSEY systems sold.

Research and Development Expenses. Research and development expenses decreased from $12.8 million for the six months ended June 30, 2007 to $9.5 million for the six months ended June 30, 2008, a decrease of approximately 26%. The decrease was due principally to a decrease in development costs related to new product introductions.

Sales and Marketing Expenses. Sales and marketing expenses increased to $16.3 million for the six months ended June 30, 2008 from $13.1 million for the six months ended June 30, 2007, an increase of approximately 25%. The increase related primarily to increased compensation and related expenses associated with expanded sales operations and expanded marketing programs.

General and Administrative Expenses. General and administrative expenses include our regulatory, training, clinical and general management expenses. General and administrative expenses increased to $10.7 million from $9.8 million for the six months ended June 30, 2008 and 2007, respectively, an increase of approximately 10%. The increase was due primarily to increased compensation and related costs related to the expansion of our European operations and training.

Interest Income. Interest income decreased to $132,000 for the six months ended June 30, 2008 from $874,000 for the six months ended June 30, 2007, a decrease of approximately 85% due principally to lower invested balances.

Interest Expense. Interest expense increased to $1.0 million for the six months ended June 30, 2008 from $142,000 for the six months ended June 30, 2007, primarily due to the amortization of warrants issued during 2008 related to the affiliate line of credit and higher average outstanding balances due on our loans during the first six months of 2008.

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, as well as investments. In addition to our cash and cash equivalent balances, we maintained $6.6 million of short-term investments at December 31, 2007, principally in commercial paper. At June 30, 2008, we had working capital of approximately $1.9 million, compared to $21.9 million at December 31, 2007 due principally to the use of cash and utilization of debt to fund our operations.

The following table summarizes our cash flow by operating, investing and financing activities for each of six month periods ended June 30, 2008 and 2007 (in thousands):

	Six Months Ended June 30,	
	2008	2007
Cash Flow (used in) Operating Activities	$(19,731)	$(22,738)
Cash Flow provided by Investing Activities	5,674	12,125
Cash Flow provided by Financing Activities	8,393	21,460

Net cash used in operating activities. We used approximately $19.7 million and $22.7 million of cash for operating activities during the six months ended June 30, 2008 and 2007, respectively, primarily as a result of operations during these periods. We used approximately $2.4 million to fund operating assets and liabilities during the six months ended June 30, 2007.

Net cash provided by (used in) investing activities. We generated approximately $5.7 million and $12.1 million of cash from investing activities during the six months ended June 30, 2008 and 2007 respectively, principally from the maturity of investments. We used approximately $0.5 million and $3.0 million of cash for the purchase of equipment during the six months ended June 30, 2008 and 2007, respectively.

Net cash provided by financing activities. We generated approximately $8.4 million and $21.5 million from financing activities during the six months ended June 30, 2008 and 2007, respectively. During the six months ended June 30, 2008 we drew $10 million under our revolving line and repaid scheduled amounts due under our older equipment loans. We generated approximately $21.0 million from the proceeds of our common stock offering in the first quarter of 2007.

In July, 2008, the Company received $10 million under the agreement with Biosense Webster as further described under “Subsequent Event” below.

Line of Credit

In February 2008 we entered into a Loan and Warrant Purchase Agreement with two of our stockholders providing for $20 million in loan availability. These funds can be drawn at our election, would be subordinated to any bank debt, would be

unsecured, and would be due at the maturity date of February 2009. The commitment may also be used to provide guarantees to our primary lending bank to support advances under the credit agreement with the bank. The financing commitment from the stockholders is subject to a 90 day extension, solely at our option, providing for an extended maturity date of May 2009. We issued warrants to purchase approximately 572,000 shares of the Company's common stock at an exercise price of $6.99 to the stockholders in exchange for the financing commitment. The warrants are exercisable immediately upon grant and expire five years from the date of grant. To the extent such warrants are exercised on a cash basis, we will receive proceeds from the exercise of such warrants; however, we will not receive the proceeds from the sales of the underlying shares.

In conjunction with this transaction, we entered into a loan modification agreement with our primary lender to increase the maximum borrowing capacity of our revolving line of credit from $25 million to $30 million subject to a borrowing base of qualifying accounts receivable and inventory, with up to $10 million available under the line supported by these guarantees. Under the revised facility we are required to maintain a minimum "tangible net worth" as defined in the agreement of at least $5 million at the end of any calendar quarter during the term of the agreement, with lesser amounts required at non-quarter month ends. The revolving line of credit under the loan agreement matures in March 2009 and the interest rate is calculated at the lender's prime rate plus either 0.25% or 0.75%, depending on a defined liquidity measure. The loan agreement is secured by substantially all of our assets and includes customary affirmative, negative and financial covenants. For example, we are restricted from incurring additional debt, disposing of or pledging our assets, entering into merger or acquisition agreements, making certain investments, allowing fundamental changes to our business, ownership, management or business locations, and from making certain payments in respect of stock or other ownership interests, such as dividends and stock repurchases. We are also required under the loan agreements to maintain our primary operating account and the majority of our cash and investment balances in accounts with the lender. As of June 30, 2008, we had $16.8 million outstanding under our revolving line of credit and had an unused line of approximately $16.8 million with borrowing capacity, including amounts already drawn, of approximately $19.9 million, based on qualifying receivables and inventory balances. As of June 30, 2008, we had aggregate outstanding balances of approximately $1.5 million under our two equipment loan agreements and were in compliance with all covenants of this agreement.

Shelf Registration

In August 2006, we filed a universal shelf registration statement for the issuance and sale from time to time to the public of up to $75 million in securities, including debt, preferred stock, common stock and warrants. The shelf registration was declared effective by the SEC in September 2006. In March 2007, we completed an offering of 1,919,000 shares of our common stock at $10.50 per share pursuant to the shelf registration. In conjunction with this transaction, we received approximately $20.1 million in net proceeds after deducting offering expenses. As a result, we have approximately $55 million of remaining availability under the shelf registration statement. In addition, we filed a registration statement relating to the exercise of warrants previously issued in various private financings. To the extent such warrants are exercised on a cash basis, we will receive proceeds from the exercise of such warrants; however, we will not receive the proceeds from any re-sales of the underlying shares.

Cash flow

We expect to have negative cash flow from operations for approximately the next 12 months. Throughout 2008, we expect to continue the development and commercialization of our existing products and our research and development programs and the advancement of new products into clinical development. We expect that our research and development expenditures will decrease in 2008 and our selling, general and administrative expenses will continue to increase in order to support our product commercialization efforts. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with existing cash resources that were primarily generated from the proceeds of our public offerings, private sales of our equity securities and from our revolving line of credit and equipment financing loans. In the future, we may finance cash needs through the sale of other equity securities, strategic collaboration agreements and debt financings. We cannot accurately predict the timing and amount of our utilization of capital, which will depend on a number of factors outside of our control.

Although our bank facility with our primary lender expires in March 2009, we currently anticipate being able to renew the facility on terms that are substantially similar to the current terms. While we believe our existing cash, cash equivalents and investments, funds received under the Biosense agreement in July 2008 and funds available and anticipated to be available from our current borrowing sources will be sufficient to fund our operating expenses and capital equipment requirements through the next 12 months, we cannot assure you that we will be able to renew our existing bank facility or will not otherwise require additional financing before that time. We also cannot assure you that any such renewal or other additional financing will be available on a timely basis on terms acceptable to us or at all, or that any such other financing will not be dilutive to our stockholders. If adequate funds are not available to us, we could be required to delay development or commercialization of new products, to license to third parties

the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves or to reduce the sales, marketing, customer support or other resources devoted to our products, any of which could have a material adverse effect on our business, financial condition and results of operations.

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 arise if we had engaged in these relationships.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to currency fluctuations. We operate mainly in the U.S., Europe and Asia and we expect to continue to sell our products both within and outside of the U.S. We expect to transact this business primarily in U.S. dollars and in Euros, although we may transact business in other currencies to a lesser extent. Future fluctuations in the value of these currencies may affect the price competitiveness of our products. In addition, because we have a relatively long installation cycle for our systems, we will be subject to risk of currency fluctuations between the time we record an account receivable and the time we collect payments, which could adversely affect our operating margins. We have not hedged exposures in foreign currencies or entered into any other derivative instruments. As a result, we will be exposed to some exchange risks for foreign currencies. For example, if the Euro currency exchange rate were to fluctuate by 10%, we believe that our revenues could be affected by as much as 2 to 3%.

We have exposure to market risk related to our investments, particularly auction rate securities. At June 30, 2008 we held approximately $500,000 in auction rate securities against which we have taken approximately $32,000 as an impairment charge during the six months ended June 30, 2008. Auction rate securities are private placement securities with long-term maturities for which the interest rates are reset through a Dutch auction each month. We invested only in auction rate securities with AAA/Aaa ratings at the time of purchase. Although the monthly auctions have historically provided a liquid market for these securities, the recent liquidity issues experienced in the auction rate securities market might make it impossible for us to liquidate our holdings or require that we sell the securities at a substantial loss or take an additional impairment charge.

We also have exposure to interest rate risk related to our investment portfolio and our borrowings. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our invested cash without significantly increasing the risk of loss.

Our interest income is sensitive to changes in the general level of U.S. interest rates, particularly since the majority of our investments are in short-term debt instruments. We invest our excess cash primarily in U.S. government securities and marketable debt securities of financial institutions and corporations with strong credit ratings. These instruments generally have maturities of two years or less when acquired. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions. Accordingly, we believe that while the instruments we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods covered by this report.

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.

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our Risk Factors are discussed in our Annual Report on Form 10-K for the year ended December 31, 2007. We have updated our risk factor below concerning our magnetic irrigated catheter in light of current developments.

The recently announced halting of procedures performed with our partnered magnetic irrigated catheter may negatively affect our results of operations.

On March 3, 2008, we announced that our catheter partner advised us that the external evaluation phase of the magnetic irrigated catheter launch had identified a relatively small number of catheters that exhibited signs of char or coagulum formation. Our partner advised us that these characteristics were inconsistent with the product specifications. Consequently, they temporarily halted procedures done with magnetic irrigated catheters and delayed full commercialization until this issue was resolved. After considerable remediation efforts, during week of July 7, 2008 our partner filed a PMA supplement with the U.S. Food and Drug Administration, immediately followed with a CE Mark filing with European regulators. While we are optimistic that, pending these regulatory approvals, we will be able to resume shipments of the irrigated catheter in Europe in the fourth quarter of 2008 and shortly thereafter in 2009 in the U.S., there can be no assurance as to the timing of such regulatory approvals or reintroduction, if at all, of the irrigated catheter into the market place. Any such delay in commercial re-launch would adversely affect our results of operations. Further, sales of our NIOBE System could be negatively affected as hospital decision-makers evaluate the status of this issue.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders held on May 29, 2008 the stockholders of Stereotaxis, Inc. elected David W. Benfer and Eric N. Prystowsky to the Board of Directors of the Company to terms expiring at the Annual Meeting of Stockholders in the year 2011. The following table sets forth the votes for each director:

	Votes For	Withheld
David W. Benfer	32,051,455	143,308
Eric N. Prystowsky	30,875,465	1,319298

After the meeting, our Board of Directors consisted of the individuals listed above plus Christopher Alafi, Ralph G. Dacey, Jr., Bevil J. Hogg, William M. Kelley, Abhijeet J. Lele, Robert J. Messey, Fred A. Middleton and William C. Mills III.

At the Annual Meeting of Stockholders, the stockholders approved an amendment to the Company's 2002 Stock Incentive Plan to increase the number of shares reserved for issuance thereunder by 1,500,000 shares. The proposal received 18,083,997 votes "for" ratification, 3,818,774 "against" ratification and 1,120,088 shares abstained.

At the Annual Meeting of Stockholders, the stockholders ratified the appointment of Ernst & Young, LLP as the Company's independent registered public accountants to examine the financial statements of the Company for the 2008 fiscal year. The proposal received 32,071,031 votes "for" ratification, 114,668 "against" ratification and 9,264 shares abstained.

Total shares eligible to vote at the Annual Meeting were 37,002,345.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: See Exhibit Index herein

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 8, 2008

By: /s/ Bevil J. Hogg
Bevil J. Hogg,
Chief Executive Officer

Date: August 8, 2008

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

EXHIBIT INDEX

Number	Description
3.1(1)	Restated Certificate of Incorporation of the Company
3.2(1)	Restated Bylaws of the Company
10.1	Sixth Loan Modification Agreement, dated June 25, 2008 between Silicon Valley Bank and the Registrant (filed herewith)
10.2(2)#	First Amendment to Employment Agreement, dated as of May 29, 2008, by and between the Registrant and Michael P. Kaminski
10.3#	Employment Agreement dated June 2, 2008 between Louis T. Ruggiero and the Registrant (filed herewith)
10.4#	2002 Non-Employee Directors' Stock Plan (Amended and Restated May 29, 2008) (filed herewith)
10.5#	Summary of Non-Employee Directors' Compensation (Revised effective May 2008) (filed herewith)
10.6#	Form of Incentive Stock Option Agreement under the 2002 Stock Incentive Plan (filed herewith).
10.7#	Form of Restricted Stock Agreement under the 2002 Stock Incentive Plan (filed herewith)
10.8#	Form of Performance Share Agreement under the 2002 Stock Incentive Plan (filed herewith)
10.9#	Form of Stock Appreciation Right Agreement under the 2002 Stock Incentive 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).

(1) This exhibit was previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (filed November 12, 2004) (File No. 000-50884), and is incorporated herein by reference.

(2) This exhibit was previously filed as an exhibit to the Registrant's Current Report on Form 8-K (filed June 3, 2008) (File No. 000-50884), and is incorporated herein by reference.

# Indicates management contract or compensatory plan

EXHIBIT 10.1

SIXTH LOAN MODIFICATION AGREEMENT

This Sixth Loan Modification Agreement (this "Loan Modification Agreement") is entered into as of June 25, 2008, by and between **SILICON VALLEY BANK**, a California-chartered bank, with a loan production office located at 230 W. Monroe, Suite 720, Chicago, Illinois 60606 ("Bank") and **STEREOTAXIS, INC.**, a Delaware corporation with its chief executive office located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108 ("Borrower").

1. DESCRIPTION OF EXISTING INDEBTEDNESS AND OBLIGATIONS. Among other indebtedness and obligations which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to a loan arrangement dated as of April 30, 2004, evidenced by, among other documents, a certain Loan and Security Agreement dated as of April 30, 2004, between Borrower and Bank, as amended by a First Loan Modification Agreement dated as of November 3, 2004, between Borrower and Bank, as amended by a Second Loan Modification Agreement dated as of November 8, 2005, between Borrower and Bank, as amended by a Third Loan Modification Agreement dated as of March 12, 2007, between Borrower and Bank, as amended by a Fourth Loan Modification Agreement dated as of December 26, 2007, between Borrower and Bank, and as further amended by a Fifth Loan Modification Agreement dated as of February 29, 2008, between Borrower and Bank (as amended, the "Loan Agreement"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Agreement.

2. DESCRIPTION OF COLLATERAL. Repayment of the Obligations is secured by the Collateral as described in the Loan Agreement (together with any other collateral security granted to Bank, the "Security Documents").

Hereinafter, the Security Documents, together with all other documents evidencing or securing the Obligations shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Loan Agreement.

1. The Loan Agreement shall be amended by deleting the following new provision appearing as Section 6.9 thereof:

"**6.9 Guarantor Liquidity**. At all times, Guarantor shall have Callable Capital in an aggregate amount of at least two (2) times Guarantor Obligations, tested on a quarterly basis."

and inserting in lieu thereof the following:

"**6.9 Sanderling Liquidity**. At all times, Sanderling Venture Partners VI Co-Investment Fund, L.P., shall have Callable Capital in an aggregate amount of at least two (2) times Guaranty Obligations (defined in the Guaranty), tested on a quarterly basis."

2. The Loan Agreement shall be amended by inserting the following new provision to appear as Section 6.10 thereof:

"**6.10 Alafi Liquidity**. Alafi Capital Company, LLC shall at all times maintain ownership in publicly traded securities acceptable to Bank in its sole and absolutely discretion with Wells Fargo Bank, valued at an aggregate amount of at least two and one-half (2.5) times the Guaranty Obligations (defined in the Guaranty), tested on a monthly basis.

3. The Loan Agreement shall be amended by inserting the following new definition to appear alphabetically in Section 13.1 thereof:

""**Guaranty**" are collectively, the unconditional limited guarantees, executed by the Guarantors dated as of June ___, 2008.

4. FEES. The Borrower shall reimburse Bank for all legal fees and expenses incurred in connection with this amendment to the Existing Loan Documents.

5. APPLICATION OF PAYMENTS AND PROCEEDS. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement. If an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

6. RATIFICATION OF NEGATIVE PLEDGE AGREEMENT. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and conditions of a certain Negative Pledge Agreement dated as of April 30, 2004, between Borrower and Bank, and acknowledges, confirms and agrees that said Negative Pledge Agreement, shall remain in full force and effect.

7. RATIFICATION OF PERFECTION CERTIFICATE. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated as of April 30, 2004, between Borrower and Bank, and acknowledges, confirms and agrees the disclosures and information Borrower provided to Bank in the Perfection Certificate has not changed, as of the date hereof.

8. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

9. RATIFICATION OF LOAN DOCUMENTS. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of all security or other collateral granted to the Bank, and confirms that the indebtedness secured thereby includes, without limitation, the Obligations.

10. NO DEFENSES OF BORROWER. Borrower hereby acknowledges and agrees that Borrower has no offsets, defenses, claims, or counterclaims against Bank with respect to the Obligations, or otherwise, and that if Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against Bank, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Borrower hereby RELEASES Bank from any liability thereunder.

11. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Obligations, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Obligations pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Obligations. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers of Existing Loan Documents, unless the party is expressly released by Bank in writing. No maker will be released by virtue of this Loan Modification Agreement.

12. COUNTERSIGNATURE. This Loan Modification Agreement shall become effective only when it shall have been executed by Borrower and Bank

[The remainder of this page is intentionally left blank]

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:

STEREOTAXIS, INC.

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

BANK:

SILICON VALLEY BANK

By: /s/ Adam Glick
Name: Adam Glick
Title: Relationship Manager

DIGITAL SOLUTIONS FOR INTERVENTIONAL MEDICINE

May 22, 2008

Lou Ruggiero
1880 E. Morten Avenue # 136
Phoenix, AZ 85020

Dear Lou:

I am pleased to extend you an offer to join Stereotaxis as Senior Vice President and Chief Sales Officer North America. This letter outlines the terms of your employment offer and is based on a June 1, 2008 start date.

This position will be designated as an officer of the Company and be based in Phoenix, AZ. You will not be required to relocate for this position. The Company will provide an office and all necessary equipment at its Phoenix facility. In addition, you will be provided an Executive Administrative Assistant based in St. Louis.

Your annualized base salary will be $300,000 payable semi-monthly. In addition, you will be eligible for a total bonus opportunity of 50% of your annual salary. This bonus opportunity will be divided into two plans (see both attached documents). The first will be based on North American business metrics including net new order dollars entered into backlog (Niobe and Odyssey), total revenue, gross margins, and control of fixed expenses. It will represent an uncapped opportunity of 30% of your annual base and will be paid on a quarterly basis. You will also be eligible to participate in the Corporate Bonus Plan with a bonus potential of up to 20% of your base salary based on the Company achieving specific corporate objectives. The Corporate Bonus is paid on an annual basis. Both bonus opportunities will be prorated for 2008.

You will also receive a $75,000 net signing bonus (grossed-up) payable upon hire. The payment will be processed in your first paycheck in accordance with the Company's regular payroll schedule. This bonus will be subject to recovery should you voluntarily resign within one year of employment.

In addition to the above compensation, you will also receive a monthly car allowance of $1,200.

I will recommend that the Board of Directors grant you options to purchase up to 200,000 shares of the Company's stock. These options will vest 25% after the first year and then monthly thereafter at the rate of 2.0833% per month such that all rights are available by the end of 4 years from the date of grant. The options will be treated as Incentive Stock Options to the extent allowed under the IRS Code. All shares shall be subject to the other terms and conditions set forth in the Company's stock option plan and the Incentive Stock Option Agreement (see attached agreement). Such grant is subject to the final approval of the Board of Directors. The Compensation Committee of the Board of Directors is scheduled to approve your grant at its May 28, 2008 meeting.

Along with this initial grant, you will be eligible for annual equity grants starting in 2009. You will receive an additional 40,000 options in February 2009 if you meet your 2008 North American business metric goals. Any awards beyond 2009 will be based on Company guidelines for your position and your performance. All grants are subject to Board approval.

You shall be entitled to the standard benefits (see attached benefit summary) made available by the Company from time to time including medical and dental insurance for you and your family (subject to employee contributions) and paid time off for vacation and sick time (PTO) of fifteen days per year accumulated at a rate of 1.25 days per month. You will have the option of participating in our medical plan effective June 1, 2008 or the Company will pay the cost of your COBRA payment of $750 per month through December 31, 2008 at which time you will begin participation in our medical plan if you so choose.

Stereotaxis is an “at-will” employer, which means that you or Stereotaxis may terminate your employment at any time, with or without cause and without notice. You will be required to execute the Company’s standard At-Will-Employment Agreement and Confidentiality and Non-compete Agreement, which includes provisions relating to arbitration of employment disputes. If you are terminated for other than cause you will receive a guarantee of 6 months salary continuation equal to your monthly base salary. If a change of control occurs or you relocate to St. Louis at the request of the Company and you are terminated for other than cause, you will receive a guarantee of 12 months salary continuation equal to your monthly base salary. Any period of salary continuation will include a continuation of employee benefits as well.

By signing this letter, you agree that you are not a party to any employment agreement, non-compete agreement or confidentiality agreement that might be inconsistent with your agreement with Stereotaxis. You must also furnish us with proof that you are authorized to work in the US.

Stereotaxis also approves and authorizes you the option to serve as an equity holder and compensated Advisor to the Board of Directors and CEO of BioVigilant Systems, Inc. on a part-time basis with the understanding that such relationship will not interfere with Stereotaxis work or responsibilities. This advisory role will end no later than December 31, 2008. Stereotaxis acknowledges that no conflict of interest exists.

Lou, we welcome you to Stereotaxis and are enthusiastic about working with you to build our company. This letter contains all terms and conditions of the Company’s offer of employment to you and any previous discussions, understandings or agreements are superseded by this letter. This offer is contingent upon your completion of the Company’s standard employment application and the Company’s satisfactory completion of its checks on your background. If the foregoing terms are acceptable, please indicate your agreement by signing this letter in the space provided below at your earliest convenience but not later than May 26, 2008.

Sincerely,

/s/ Mike Kaminski

President and COO

ACCEPTED and AGREED this 2nd day of June of 2008.

My starting date will be the __th day of _____, 2008.

/s/ Lou Ruggiero
Lou Ruggiero

AT-WILL EMPLOYMENT AGREEMENT

It is understood and agreed that the employment by Stereotaxis, Inc., a Delaware corporation (the "Company" or "Stereotaxis"), of the employee named below ("Employee") shall be subject to the terms and conditions of this At-Will Agreement ("Agreement").

1. Position; Base Salary; Incentive Compensation.

Employee shall serve as Senior Vice President and Chief Sales Officer, North America or in such other capacity or capacities as Stereotaxis may from time to time direct. Employee shall report to Mike Kaminski, President and COO or such other person as the Company may from time to time direct. Employee's supervisor shall schedule employee's hours of work and Employee's position with the Company is Exempt.

Employee shall be paid according to the terms of his offer letter, or as provided in the future by Employer from time to time in writing. Such payments shall be subject to applicable withholdings and deductions.

2. Vacation and Sick Leave Benefits.

Company-paid vacation and sick leave will be governed by the Employee Handbook.

3. Company Benefits.

While employed by the Company, Employee shall be entitled to receive the benefits of employment as the Company may offer from time to time. Employee agrees that as a condition of Employee's employment by the Company that Employee will be bound and subject to the terms and conditions of the Company's Employee Handbook. The Employee Handbook may be revised from time to time at the sole discretion of the Company with or without prior notice.

4. Attention to Duties; Conflict of Interest.

While employed by the Company, Employee shall devote Employee's full business time, energy and abilities exclusively to the business and interests of Stereotaxis, and shall perform all duties and services in a faithful and diligent manner and to the best of Employee's abilities. Employee shall not, without the Company's prior written consent, render to others, services of any kind for compensation, or engage in any other business activity that would materially interfere with the performance of Employee's duties under this Agreement. Employee represents that Employee has no other outstanding commitments inconsistent with any of the terms of this Agreement or the services to be rendered to Stereotaxis. While employed by the Company, Employee shall not, directly or indirectly, whether as a partner, employee, creditor, shareholder, or otherwise, promote, participate or engage in any activity or other business competitive with the Company's business. Employee shall not invest in any company or business, which competes in any manner with the Company, except that Employee may invest in companies whose securities are listed on the national securities exchanges, provided such investment amounts to less than one (1) per cent of the outstanding equity of the company.

5. Proprietary Information and Non-competition.

Employee agrees to be bound by the terms of the Confidentiality and Noncompete Agreement attached as Exhibit A and incorporated by this reference ("Confidentiality and Noncompete Agreement"), and by the rules of confidentiality and prohibitions against competition promulgated by Stereotaxis from time to time.

6. At-Will Employer.

The Company is an "at-will" employer. This means that the Company may terminate Employee's employment at any time, with or without cause, and that Employee may terminate Employee's employment at any time, with our without cause. Stereotaxis makes no promise that Employee's employment will continue for a set period of time, nor is there any promise that it will be terminated only under particular circumstances. No raise or bonus, if any, shall alter Employee's status as an "at-will" employee or create any implied contract of employment. Discussion of possible or potential benefits in future years is not an express or implied promise of continued employment. No manager, supervisor or officer of Stereotaxis has the authority to change Employee's status as an "at-will" employee. The "at-will" nature of the employment relationship with Employee can only be altered by a written agreement signed by each member of the Board of Directors of Stereotaxis. No position within Stereotaxis is considered permanent.

7. Binding Arbitration.

Any dispute, claim or controversy with respect to Employee's termination of employment with the Company (whether the termination of employment is voluntary or involuntary), and any dispute, claim or controversy with respect to incidents or events leading to such termination or the method or manner of such termination, and any question of arbitrability hereunder, shall be settled exclusively by arbitration.

Employee and Stereotaxis each waive their constitutional rights to have such matters determined by a jury. Instead of a jury trial, Stereotaxis and Employee shall choose an arbitrator. Arbitration is preferred because, among other reasons, it is quicker, less expensive and less formal than litigation in court. The provisions governing arbitration shall be described in detail in Stereotaxis's Employee Handbook.

The arbitrator shall not have the authority to alter, amend, modify, add to or eliminate any condition or provision of this Agreement, including, but not limited to, the "at-will" nature of the employment relationship. The arbitration shall be held in St. Louis, Missouri. The award of the arbitrator shall be final and binding on the parties. Judgment upon the arbitrator's award may be entered in any court, state or federal, having jurisdiction over the parties. If a written request for arbitration is not made within one (1) year of the date of the alleged wrong or violation, all remedies regarding such alleged wrong or violation shall be waived.

Should any court determine that any provision(s) of this Agreement to arbitrate is void or invalid, the parties specifically intend every other provision of this Agreement to arbitrate to remain enforceable and intact. The parties explicitly and definitely prefer arbitration to recourse to the courts, for the reasons described above, and have prescribed arbitration as their sole and exclusive method of dispute resolution.

8. No Inconsistent Obligations.

Employee represents that Employee is not aware of any obligations, legal or otherwise, inconsistent with the terms of this Agreement or Employee's undertakings under this Agreement.

9. Miscellaneous.

Stereotaxis may assign this Agreement and Employee's employment to an affiliated entity to which the operations it currently manages are transferred.

No promises or changes in Employee's status as an employee of the Company or any of the terms and conditions of this Agreement can be made unless they are made in writing and approved by the Board of Directors of Stereotaxis. This Agreement and the terms and conditions described in it cannot be changed orally or by any conduct of either Employee or Stereotaxis or any course of dealings between Employee, or another person and Stereotaxis.

Unless otherwise agreed upon in writing by the parties, Employee, after termination of any employment, shall not seek nor accept employment with the Company in the future and the Company is entitled to reject without cause any application for employment with the Company made by Employee, and not hire Employee. Employee agrees that Employee shall have no cause of action against the Company arising out of any such rejection.

This agreement and performance under it, and any suits or special proceedings brought under it, shall be construed in accordance with the laws of the United States of America and the State of Missouri and any arbitration, mediation or other proceeding arising hereunder shall be filed and adjudicated in St. Louis, Missouri.

If any term or condition, or any part of a term or condition, of this Agreement shall prove to be invalid, void or illegal, it shall in no way affect, impair or invalidate any of the other terms or conditions of this Agreement, which shall remain in full force and effect.

The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver of or acquiescence in or to such provision.

The Parties to this Agreement represent and acknowledge that in executing this Agreement they do not rely and have not relied upon any representation or statement made by the other party or the other party's agents, attorneys or representatives regarding the subject matter, basis, or effect of this Agreement or otherwise, other than those

specifically stated in this written Agreement. This Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any party. This Agreement shall be construed as if each party was its author and each party hereby adopts the language of this Agreement as if it were his, her or its own. The captions to this Agreement and its sections, subsections, tables and exhibits are inserted only for convenience and shall not be construed as part of this Agreement or as a limitation on or broadening of the scope of this Agreement or any section, subsection, table or exhibit.

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of 6/5/08.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Stereotaxis, Inc.

By: /s/ David Giffin
Name: David Giffin
Title: Vice President, Human Resources

Employee

Name: Lou Ruggiero

Signature: /s/ Lou Ruggiero

EXHIBIT A

CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement ("Agreement") is made and entered into this 2nd day of June, 2008, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Lou Ruggiero, ("Employee").

WHEREAS, Company is engaged in, among other things, the business of research, development, marketing and selling of medical devices and equipment. The Company is headquartered and its principal place of business is located in St. Louis, Missouri;

WHEREAS, Company has expended a great deal of time, money and effort to develop and maintain its proprietary Confidential and Trade Secret Information (as defined herein) which provides it with a significant competitive advantage;

WHEREAS, the success of Company depends to a substantial extent upon the protection of its Confidential and Trade Secret Information and customer goodwill by all of its employees;

WHEREAS, Employee desires to be employed, or to continue to be employed, by Company to provide managerial, administrative, technical and/or sales services for Company; to be eligible for opportunities for advancement within Company and/or compensation increases which otherwise would not be available to Employee; and to be given access to Confidential and Trade Secret Information of Company which is necessary for Employee to perform his or her job, but which Company would not make available to Employee but for Employee's signing and agreeing to abide by the terms of this Agreement as a condition of Employee's employment and continued employment with Company. Employee recognizes and acknowledges that Employee's position with Company has provided and/or will continue to provide Employee with access to Company's Confidential and Trade Secret Information;

WHEREAS, Company compensates its employees to, among other things, develop and preserve goodwill with its customers on Company's behalf and business information for Company's ownership and use;

WHEREAS, If Employee were to leave Company, Company, in all fairness, would need certain protections in order to prevent competitors of Company from gaining an unfair competitive advantage over Company and/or diverting goodwill from Company, and to prevent misuse or misappropriation by Employee of the Confidential and Trade Secret Information;

WHEREAS, Company desires to obtain the benefit of the services of Employee and Employee is willing to render such services on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the compensation and other benefits of Employee's employment by Company and the recitals, mutual covenants and agreements hereinafter set forth, Employee and Company agrees as follows:

1. Employment Services.

   1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

   1.2 "Company" means Stereotaxis, Inc. or one of its subsidiaries; whichever is Employee's employer. The "Subsidiary" means any corporation, joint venture or other business organization in which Stereotaxis, Inc. now or hereafter, directly or indirectly, owns or controls more than fifty percent (50%) interest.

2. Confidential and Trade Secret Information.

   2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

2.2 “Confidential and Trade Secret Information” includes any information pertaining to Company’s business which is not generally known in the medical devices and medical equipment industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information concerning relationships between Company and its employees or customers.

2.3 During Employee’s employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee’s assurances and promises contained herein not to put himself or herself in a position following Employee’s employment with Company in which the confidentiality of Company’s information might somehow be compromised. Accordingly, Employee agrees that during Employee’s employment with Company, and for a period of two years thereafter, regardless of how Employee’s termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company (“Competitive Work”), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee’s termination or was served at any time during Employee’s last six (6) months of employment by Company.

3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and

3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation involving Competitive Work.

4. Acknowledgment Regarding Restrictions.

Employee recognizes and agrees that the restraints contained in Section 3 are reasonable and enforceable in view of Company’s legitimate interests in protecting its Confidential and Trade Secret Information and customer goodwill. Employee understands that the post-employment restrictions contained herein will preclude, for a time, Employee’s employment with competitors of Company in the medical device and medical equipment industry. Employee understands that the restrictions of Section 3 are not limited geographically in view of Company’s nationwide operations and the Confidential and Trade Secret Information and customers to which Employee had access.

5. Inventions.

5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

5.2 Paragraph 5.1 shall not apply to any invention for which no equipment, supplies, facilities or Confidential and Trade Secret Information of Company was used and which was developed entirely on Employee's own time, unless (i) the invention relates to Company's business or to Company's actual or demonstrably-anticipated research or development, or (ii) the invention results from any work performed by Employee for Company.

6. Company Property.

Employee acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents relating to the Company obtained by or provided to Employee, or otherwise made, produced or compiled during the course of Employee's employment with Company regardless of the type of medium in which they are preserved, are the sole and exclusive property of Company and shall be surrendered to Company upon Employee's termination of employment and on demand at any time by Company.

7. Non-Waiver of Rights.

Company's failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by Employee of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of Company thereafter to enforce each and every provision in accordance with the terms of this Agreement.

8. Company's Right to Injunctive Relief.

In the event of a breach or threatened breach of any of Employee's duties and obligations under the terms and provisions of Sections 2, 3, 5, or 6 hereof, Company shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that may suffer), to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach. Employee hereby expressly acknowledges that the harm which might result to Company's business as a result of any noncompliance by Employee with any of the provisions of Sections 2, 3 or 5 would be largely irreparable. Employee specifically agrees that if there is a question as to the enforceability of any of the provisions of Sections 2, 3 or 5 hereof, Employee will not engage in any conduct inconsistent with or contrary to such Sections until after the question has been resolved by a final judgment of a court of competent jurisdiction.

9. Invalidity of Provisions.

If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void, but rather shall be limited only to the extent required by applicable law and enforced as to limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

10. Employee Representations.

Employee represents that the execution and delivery of the Agreement and Employee's employment with Company do not violate any previous employment agreement or other contractual obligation of Employee.

11. Company's Right to Recover Costs and Fees.

Employee agrees that if Employee breaches or threatens to breach this Agreement, Employee shall be liable for any attorneys' fees and costs incurred by the Company in enforcing its rights under this Agreement in the event that a court determines that Employee has breached this Agreement or if the Company obtains injunctive relief against the Employee and is successful on the merits of its claim against employee.

12. Employment at Will.

Employee acknowledges that employee is, and at all times will be, an employee-at-will of Company and nothing contained herein shall be construed to alter or affect such employee-at-will status.

13. Exit Interview.

To ensure a clear understanding of this Agreement, Employee agrees, at the time of termination of Employee's employment, to engage in an exit interview with Company at a time and place designated by Company and at Company's expense. Employee understands and agrees that during said exit interview, Employee may be required to confirm that Employee will comply with Employee's obligations under Sections 2, 3 and 5 of this Agreement. Company may elect, at its option, to conduct the exit interview by telephone.

14. Amendments.

No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto. This Agreement supersedes all prior agreements and understandings between Employee and Company to the extent that any such agreements or understandings conflict with the terms of this Agreement.

15. Assignments.

This Agreement shall be freely assignable by Company to, and shall inure to the benefit of, and be binding upon, Company, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by Company. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by Employee.

16. Choice of Forum and Governing Law.

In light of Company's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity and enforceability of this Agreement are resolved on a uniform basis, and Company's execution of, and the making of this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted exclusively in the state or federal courts in St. Louis County, Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, with regard for any conflict of law principles.

17. Headings.

Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections.

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EMPLOYEE IS HEREBY CERTIFYING THAT EMPLOYEE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EMPLOYEE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (D) UNDERSTANDS EMPLOYEE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

IN WITNESS WHEREOF, the parties hereof have caused this Agreement to be executed as of the day and year first above written.

Employee	Stereotaxis, Inc.
/s/ Lou Ruggiero	/s/ David Giffin
Lou Ruggiero	David Giffin, Vice President, Human Resources

STEREOTAXIS, INC.
2002 NON-EMPLOYEE DIRECTORS' STOCK PLAN
(Amended and Restated May 29, 2008)

I. Purpose.

The purpose of the Stereotaxis, Inc. 2002 Non-Employee Directors Stock Plan (the "Plan") is to strengthen the alignment of interests between non-employee Directors ("Participants") and the shareholders of Stereotaxis, Inc. (the "Company") through the increased ownership of shares of the Company's common stock. This will be accomplished by allowing Participants to elect voluntarily to convert a portion or all of their fees for services as a Director into common stock and by granting Participants non-qualified options to purchase shares of common stock ("Stock Options").

II. Administration.

1. The Plan shall be administered by a committee (the "Committee") appointed by of the Board of Directors of the Company (the "Board"), or, in the absence of any such Committee, the Board.

2. It shall be the duty of the Committee to administer the Plan in accordance with its provisions and to make such recommendations of amendments or otherwise as it deem necessary or appropriate. A decision by a majority of the Committee shall govern all actions of the Committee.

3. Subject to the express provisions of the Plan, the Committee shall have authority to allow Participants the right to elect to receive fees for services as a director in either cash or an equivalent amount of whole shares of Common Stock of the Company, or partly in cash and partly in whole shares of the Common Stock of the Company, subject to such conditions or restrictions, if any, as the Committee may determine. The Committee also has the authority to make all other determinations it deems necessary or advisable for administering the Plan.

4. The Committee may establish from time to time such regulations, provisions, and procedures within the terms of the Plan as, in its opinion, may be advisable in the administration of the Plan.

5. The Committee may designate the Secretary of the Company or other employees of the Company to assist the Committee in the administration of the Plan and may grant authority to such persons to execute documents on behalf of the Committee.

III. Participation.

Participation in the Plan shall be limited to all non-employee Directors of the Company.

IV. Limitation On Number Of Shares.

The total number of shares of Common Stock of the Company that may be awarded under Stock Options each year shall not be limited. The total number of shares of Common Stock of the Company that may be issued under the Plan shall initially be 300,000 shares, plus such aggregate number of shares otherwise available for grant under the Stereotaxis, Inc. 2002 Stock Incentive Plan at the time of any Stock Option award made hereunder.

V. Shares.

Shares of common stock to be awarded under the terms of the Plan shall be treasury shares or authorized but unissued shares.

VI. Stock Options.

1. Each Participant shall, on the date of the Annual Meeting of stockholders during such Participant's term,

automatically be granted a Stock Option to purchase a number of shares of Common Stock (which may include additional shares for the Chairman of the Board or other Participants as determined by the Board) (with such amount subject to adjustment as set forth in Article VII) as shall be determined by resolution of the Board from time to time, having an exercise price of one hundred percent (100%) of the fair market value (as determined in good faith by the Board) of the Common Stock on the date of grant. In addition, the Committee may grant other options to Participants from time to time.

2. The Stock Options shall have a term of ten (10) years from the date of grant, subject to earlier termination as provided herein, and shall be exercisable one (1) year from the date of grant (or such other date(s) as determined by the Committee), except in the case of death, in which case the Stock Options shall be immediately exercisable.

3. Stock Options are not transferable other than by will or by the laws of descent and distribution Legatees, distributees and duly appointed executors and administrators of the estate of a deceased Participant shall have the right to exercise such Stock Options at any time prior to the expiration date of the Stock Options.

4. If a Participant ceases to be a Director while holding unexercised Stock Options, such Director shall have up to one (1) year from the date of his or her termination of service in which to exercise any unexercised Stock Option(s), to the extent that the Director was entitled to exercise such Stock Option(s) at the date of his or her termination of service.

5. Upon the exercise of a Stock Option, payment in full of the exercise price shall be made by the Participant. The exercise price may be paid for by the Participant either in cash, shares of the Common Stock of the Company to be valued at their fair market value on the date of exercise, or a combination thereof.

6. For purposes of the Plan, a Change of Control means:

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

b. Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Board” and, as of the date hereof, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company’s 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-l 1 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

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

VII. Adjustments.

The amount of shares authorized to be issued annually under the Plan will be subject to appropriate adjustment in the event of future stock splits, stock dividends, or other changes in capitalization of the Company to prevent the dilution or enlargement of rights under the Plan. The number and kind of shares and exercise prices covered by outstanding Stock Options and the number of shares to be granted as Stock Options pursuant to Article VI, paragraph 1 shall be adjusted to give effect to any such stock splits, stock dividends, combination or reclassification of shares, recapitalization, merger, or similar event.

VIII. Transfer of shares.

The Committee may transfer Common Stock of the Company under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. The conditions and restrictions may vary from time to time and may be set forth in agreements between the Company and the Participant or in the awards of stock to them, all as the Committee determines.

IX. Additional Provisions.

1. The Board may, at any time, repeal the Plan or may amend it from time to time except that no such amendment may amend this paragraph, increase the annual aggregate number of shares subject to the Plan, or alter the persons eligible to participate in the Plan. The Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding awards are affected, notice thereof shall be given to the holders of such awards and such amendments shall not be applicable to such holder without his or her written consent. If the Plan is repealed in its entirety, all theretofore awarded shares subject to conditions or restrictions transferred pursuant to the Plan shall continue to be subject to such conditions or restrictions.

2. Every recipient of shares pursuant to the Plan shall be bound by the terms and provisions of the Plan and of the transfer of shares agreement referable thereto, and the acceptance of any transfer of shares pursuant to the Plan shall constitute a binding agreement between the recipient and the Company.

X. Choice Of Law.

The Plan and each option hereunder shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Recipients of options 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 related option.

XI. Duration Of Plan.

The Plan shall became effective as of March 25 2002.

Exhibit 10.5

STEREOTAXIS, INC.
Summary of Non-Employee Directors' Compensation
(Revised effective May 2008)

1. Board of Directors (Base Compensation):

Cash Compensation
- Annual Retainer
  - Directors - $18,000
  - Chairman - $24,000
- Per meeting fee - $1,500 (in-person), $500 (telephonic)

Stock Options or Other Equity Instrument
- Initial Grant - 30,000 to vest over 2 year period
- Annual Grant - 15,000 for Directors, 30,000 for Chairman

2. Committees of the Board (Additional Compensation):

Audit Committee

Annual Retainer
- Committee Members - $2,500
- Chairman and/or Designated Financial Expert - $7,500

Stock Options or Other Equity Instrument
- Annual Grant - 10,000 for Chairman and/or Designated Financial Expert 2,500 for other Committee Members

NOTE: if the Chairman and the Designated Financial Expert are the same individual, such individual would receive an annual retainer of $7,500 and an annual grant of 10,000 shares.

Compensation Committee

Annual Retainer
- Committee Members - $2,500
- Chairman - $5,000

Stock Options or Other Equity Instruments
- Annual Grant - 10,000 for Chairman, 2,500 for other Committee Members

Nominating and Corporate Governance Committee

Annual Retainer
- Committee Members - $2,500
- Chairman - $5,000

Stock Options or Other Equity Instruments

Annual Grant—5,000 for Chairman, 2,500 for other Committee Members

3. General

- All annual cash retainers are paid quarterly in advance.
- Per-meeting cash fees are paid after the meeting.
- All option awards have a term of 10 years.
- Initial grants of options to vest over a two-year period with 50% vesting after the first year and the remainder vesting monthly thereafter.
- All other option to grants to vest one year from the date of grant or on the date of the next annual stockholders meeting (whichever is earlier).
- All option award terms subject to Compensation Committee’s discretion as to terms.

Exhibit 10.6

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

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

WITNESSETH THAT:

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

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

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

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

2. Grant and Terms of Option. (a)Pursuant to action of the Committee, which action was taken on _____, 200_ ("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of _____ (_____) shares of the common stock of the Company, for a period of five (5) years from the Date of Grant, at the purchase price of $____ per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased prior to the first anniversary of the Date of Grant; that at any time during the term of this option on or after the first anniversary of the Date of Grant, Optionee may purchase up to 25% of the total number of shares to which this option relates; that as of the first day of each calendar month after the first anniversary of the Date of Grant during the term of this option, Optionee may purchase up to an additional 2.0833% of the total number of shares to which this option relates; so on the fourth anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee is involuntarily terminated for reasons other than Cause or terminates for Good Reason in contemplation of, on or within one (1) year after the date of, the Change of Control, Optionee may purchase 100% of the total number of shares to which this option relates. However, in no event may this option or any part thereof be exercised after the expiration of five (5) years from the Date of Grant. The purchase price of the shares subject to the option may be paid for (i) in cash, (ii) in the discretion of the Committee, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the Committee, by a combination of methods of payment specified in clauses (i) and (ii). In addition, Optionee may effect a "cashless exercise" of this option in which the option shares are sold through a broker and a portion of the proceeds to cover the exercise price is paid to the Company, or otherwise, all in accordance with the rules and procedures adopted by the Committee. Provided, however, that no shares of Common Stock may be tendered in exercise of this option if such shares were acquired by Optionee through the exercise of an Incentive Stock Option, unless (i) such shares have been held by Optionee for at least one year, and (ii) at least two years have elapsed since such Incentive Stock Option was granted.

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

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

(b) "Change of Control" shall mean:

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

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

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

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

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

(e) "Good Reason" shall mean":

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

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

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

4. Anti-Dilution Provisions. In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

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

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

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

7. Termination of Employment. Optionee must exercise the option prior to his termination of employment, except that if the employment of Optionee terminates without Cause Optionee may exercise this option, to the extent that he was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after five (5) years from the Date of Grant. If Optionee terminates employment on account of disability he may exercise such option to the extent he was entitled to exercise it at the date of such termination at any time within one (1) year of the termination of his employment but not after five (5) years from the Date of Grant. For this purpose Optionee shall be deemed to be disabled if he is

permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended ("Code"), which, as of the date hereof, shall mean that he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered disabled only if he furnishes such proof of disability as the Committee may require. The option hereby granted shall not be affected by any change of employment so long as Optionee continues to be an employee of the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the employ of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate his employment at any time.

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

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

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

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

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

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

STEREOTAXIS, INC.

By _____
Vice President

ATTEST:

_____
Secretary

_____
Optionee

Exhibit 10.7

RESTRICTED STOCK AGREEMENT
UNDER
STEREOTAXIS, INC. 2002 STOCK INCENTIVE PLAN

THIS AGREEMENT, made effective as of the __ day of _____, 20__, by and between Stereotaxis, Inc., a Delaware corporation (the "Company"), and _____ (the "Awardee").

WITNESSETH THAT:

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

WHEREAS, the Company desires to grant to Awardee a restricted stock award for _____ (_____) shares of its stock under the terms hereinafter set forth;

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

1. Award Subject to Plan. This award is made under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. Awardee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. Terms not defined herein shall have the meaning ascribed thereto in the Plan. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make awards of restricted stock.

2. Grant and Terms of Award. Pursuant to action of the Committee, which action was taken on June 16, 20005 ("Date of Award"), the Company awards to the Awardee _____ (_____) shares of the Common Stock of the Company, of the par value of $.001 per share ("Shares"); provided, however, that the Shares hereby awarded are subject to the risks of forfeiture described below and are nontransferable by the Awardee to the extent described below for a period commencing on the Date of Award and ending as follows ("Restriction Periods"):

During the period ending immediately before the date one year after the Date of Award, all Shares will be subject to forfeiture and nontransferable by the Awardee. On the date ending one year after the Date of Award, 25% of the Shares awarded will become transferable by the Awardee. On the date ending two years after the Date of Award, a cumulative 50% of the Shares awarded will become transferable by the Awardee. On the date ending three years after the Date of Award, a cumulative 75% of the Shares awarded will become transferable by the Awardee. On the date ending four years after the Date of Award, a cumulative 100% of the Shares awarded will become transferable by the Awardee. During the Restriction Periods, the nontransferable Shares shall bear a legend indicating their nontransferability. If the Awardee terminates service for any reason, including without limitation, upon death or Disability, during the Restriction Periods, the Awardee shall forfeit the Shares which remain nontransferable at that time If, at the end of the last Restriction Period, the Awardee is and has been continuously in the service of the Company since the Date of Award, all of the awarded Shares shall become fully vested and nonforfeitable. Notwithstanding the foregoing, if there is a Change of Control (as hereinafter defined) and Awardee is involuntarily terminated for reasons other than Cause or terminates for Good Reason on or within one (1) year after the date of the Change of Control, the total number of Shares to which this grant relates shall vest immediately and become nonforfeitable. Subject to the terms hereof and of the Plan, to the extent a Share is vested, it shall be transferable.

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

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

(b) "Change of Control" shall mean:

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

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

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

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

(d) "Company Stock" shall mean common stock of the Company.

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

(f) "Good Reason" shall mean":

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

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

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

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

5. Termination of Service. Awardee shall forfeit the Shares to the extent not vested prior to Awardee's termination of service. The Shares hereby granted shall not be affected by any change of service so long as Awardee continues to be a service provider to the Company or a subsidiary thereof. Nothing herein shall confer on Awardee the right to continue in the service of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate Awardee's service at any time.

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

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

Executed this ___ day of _____ 20__.

STEREOTAXIS, INC.

By: _____

_____

Awardee

PERFORMANCE SHARE AGREEMENT
UNDER
STEREOTAXIS, INC. 2002 STOCK INCENTIVE PLAN

THIS AGREEMENT, made effective as of the __ day of _____, 20__, by and between Stereotaxis, Inc., a Delaware corporation (the "Company"), and _____ (the "Awardee").

WITNESSETH THAT:

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

WHEREAS, the Company desires to grant to Awardee a performance share award for _____ (_____) shares of its stock under the terms hereinafter set forth ("Award");

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

1. Award Subject to Plan. This award is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. Terms not defined herein shall have the meaning ascribed thereto in the Plan. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of Performance Shares.

2. Grant and Terms of Award. Pursuant to action of the Committee, which action was taken on _____, 20__ ("Date of Award"), the Company awards to Awardee _____ (_____) shares of the Common Stock of the Company, of the par value of $.001 per share ("Shares" or "Performance Shares"); provided, however, that the Shares hereby awarded are subject to the risks of forfeiture described below and are nontransferable by the Awardee for a period commencing on the Date of Award and ending upon the later of (i) the date on which certain Performance Criteria set forth in **Exhibit A** to this Agreement have been achieved and (ii) one (1) year after the Date of Award (the "Restriction Periods"). During the Restriction Periods, the nontransferable Shares shall bear a legend indicating their nontransferability. Further, during the period ending immediately before the date one year after the Date of Award, all Shares will be subject to forfeiture and nontransferable by the Awardee. If the Awardee terminates service with the Company for any reason, including without limitation, upon death or Disability, prior to later of (i) the date on which the Performance Criteria with respect to the applicable portion of the Award have been achieved and (ii) one (1) year after the Date of Award, Awardee shall forfeit the Shares which remain nontransferable at that time. Notwithstanding the foregoing, if there is a Change of Control (as hereinafter defined) and Awardee is involuntarily terminated for reasons other than Cause or terminates for Good Reason on or within one (1) year after the date of the Change of Control, the total number of Shares to which this grant relates shall vest immediately and become nonforfeitable. Notwithstanding anything herein to the contrary, in the event that any of the Performance Criteria are not met within five (5) years after the Date of Award, any Shares remaining unvested and nontransferable under the terms of the Award will be forfeited by Awardee and returned to the Company. Subject to the terms hereof and of the Plan, to the extent a Share is vested, it shall be transferable.

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

(a) The Performance Criteria and the applicable vesting percentages related to achievement of each Performance Criteria are set forth in Exhibit A to this Agreement.

(b) "Cause" shall mean Awardee's fraud or willful misconduct as determined by the Committee.

(c) "Change of Control" shall mean:

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

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

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

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

(e) "Company Stock" shall mean common stock of the Company.

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

(g) "Good Reason" shall mean":

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

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

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

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

5. Termination of Service. Awardee shall forfeit the Shares to the extent not vested prior to Awardee's termination of service. The Shares hereby granted shall not be affected by any change of service so long as Awardee continues to be a service provider to the Company or a subsidiary thereof. Nothing herein shall confer on Awardee the right to continue in the service of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate Awardee's service at any time.

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

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

Executed this ___ day of _____, 200_

STEREOTAXIS, INC.

By: _____

ATTEST: _____

Secretary

AWARDEE

_____

EXHIBIT A

PERFORMANCE SHARE AWARD

PERFORMANCE CRITERIA

This Exhibit A, Performance Criteria, sets forth the performance measures required to achieve vesting of the Performance Shares awarded under the Performance Share Agreement this __ day of _____, 200_, in the percentages described below, between the Company and _____ ("Awardee").

With respect to the Performance Shares granted to Awardee, subject to all provisions of the Performance Share Agreement, including this Exhibit A, the following Performance Criteria must be met by the Company in order for the respective portion of Shares to vest and become transferable. Until the date on which such criteria are met, if at all, the related Shares will remain unvested and nontransferable.

Performance Criteria	Percentage of Award Vesting and Becoming Transferable
Additional Criteria	
Determination of Vesting	

Exhibit 10.9

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

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

WITNESSETH THAT:

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

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

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

1. Award Subject to Plan. This SAR is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. Terms not defined herein shall have the meaning ascribed thereto in the Plan. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of SARs.

2. Grant and Terms of SARs. Pursuant to action of the Committee, which action was taken on _____, 20__ ("Date of Grant"), the Company grants to Optionee _____ Stock Appreciation Rights related to the increase in value of the equivalent number of Shares underlying this grant. The exercise price of these SARs is equal to $_____ per SAR, which amount shall in no event be less than the fair market value of the underlying Shares on the Date of Grant ("Exercise Price"). Upon exercise of a SAR, the Optionee will receive, in Shares, the equivalent value equal to a) the closing price on the date of such exercise ("Exercise Date") of a Share minus the Exercise Price, the net difference being multiplied by b) the number of SARs being exercised on such Exercise Date. The number of Shares to be received shall be equal to the value so calculated divided by the closing price of the Shares on the Exercise Date. The term of this Agreement shall begin on the Date of Grant and end on the date that is five (5) years after the Date of Grant, and these SARs shall be exercisable for a period of five (5) years from the Date of Grant; provided, however, that the right to exercise such SARs shall be, and is hereby, restricted so that (i) no SARs may be exercised prior to the first annual anniversary of the Date of Grant; (ii) at any time during the term of this Agreement on or after the first annual anniversary of the Date of Grant, Optionee may exercise up to 25% of the total number of SARs to which this grant relates; and (iii) as of the first day of each calendar month after the first annual anniversary of the Date of Grant during the term of this Agreement, Optionee may exercise up to an additional 2.0833% of the total number of SARs to which this grant relates; so that on the fourth annual anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to exercise the entire number of SARs to which this grant relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee is involuntarily terminated for reasons other than Cause or terminates for Good Reason on or within one (1) year after the date of the Change of Control, Optionee may exercise 100% of the total number of SARs to which this grant relates. However, in no event may this grant or any part thereof be exercised after the expiration of five (5) years from the Date of Grant.

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

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

(b) "Change of Control" shall mean:

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

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

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

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

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

(e) "Good Reason" shall mean":

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

(ii) The assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change of Control or any action by the Company or any of its subsidiaries which results in a diminution in such position, authority, duties or

responsibilities, excluding for this purpose an action taken by the Company or one of its subsidiaries, to which Optionee objects in writing by notice to the Company within 10 business days after Optionee receives actual notice of such action, which is remedied by the Company or one of its subsidiaries promptly but in any event no later than 5 business days after Optionee provided such notice; or

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

4. Anti-Dilution Provisions. In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of SARs and underlying Shares covered by this Agreement and the price thereof shall be adjusted, to the same proportionate number of SARs and underlying Shares and price as in this original Agreement.

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

6. Termination of Service. Optionee must exercise the SARs prior to Optionee's termination of service, except that if the service of Optionee terminates without Cause (as hereinafter defined) Optionee may exercise the SARs, to the extent that Optionee was entitled to exercise them at the date of such termination of service, at any time within six (6) months after such termination, but not after five (5) years from the Date of Grant. For purposes of this paragraph only, "Cause" shall mean Optionee's fraud or willful misconduct as determined by the Committee. If Optionee terminates service on account of Disability, Optionee may exercise such SARs to the extent Optionee was entitled to exercise them at the date of such termination, at any time within one (1) year of the termination of service, but not after five (5) years from the Date of Grant. The SARs hereby granted shall not be affected by any change of service so long as Optionee continues to be a service provider to the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the service of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate Optionee's service at any time.

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

8. Shares Issued on Exercise of SARs. It is the intention of the Company that on any exercise of these SARs it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof; provided that, the Company shall withhold sufficient shares to satisfy the Company's obligation to withhold for tax requirements in respect of such payment if Optionee is at the time of vesting subject to the Company's policies regarding restrictions on trading within specified trading "windows", and the Company may, in its sole discretion, so withhold if Optionee is not subject to such restrictions upon Optionee's request. In the event that the Company withholds shares as contemplated in this Section, the Optionee shall receive a net number of shares equal to the shares to which the Optionee is otherwise entitled hereunder upon exercise, less the number of shares withheld by the Company hereunder. In the event that the Company determines not to withhold shares for an Optionee who is not subject to the trading restrictions prior to the payment on exercise,

the Optionee must pay, or make arrangements acceptable to the Company for the payment of, any and all tax withholding that in the opinion of the Company is required by law. Such arrangements for payment of withholding may include, for example, directing an appropriate broker to sell such number of shares as necessary to result in a cash amount equal to the withholding requirements.

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

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

Executed this ___ day of _____, 20__.

STEREOTAXIS, INC.

By _____

ATTEST:

_____
Secretary

_____
Optionee

Exhibit 31.1

Certification of Principal Executive Officer

I, Bevil J. Hogg, 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 8, 2008

/s/ BEVIL J. HOGG

Bevil J. Hogg
Chief Executive Officer
Stereotaxis, Inc.
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, James M. Stolze, 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 8, 2008

/s/ JAMES M. STOLZE

James M. Stolze
Vice President and Chief Financial Officer
Stereotaxis, Inc.
(Principal Financial Officer)

Exhibit 32.1

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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bevil J. Hogg, 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:

(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 8, 2008

/s/ BEVIL J. HOGG

Bevil J. Hogg
Chief Executive Officer
Stereotaxis, Inc.

Exhibit 32.2

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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Stolze, Vice President and 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:

(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 8, 2008

/s/ JAMES M. STOLZE

James M. Stolze
Vice President and Chief Financial Officer
Stereotaxis, Inc.