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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 000-50884

STEREOTAXIS, INC.

(Exact name of Registrant as Specified in its Charter)

DELAWARE	**94-3120386**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

4320 Forest Park Avenue, Suite 100
St. Louis, MO 63108
(Address of Principal Executive Offices including Zip Code)

(314) 678-6100
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, $.001 Par Value
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ☒

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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales prices on the NASDAQ Global Market on June 30, 2011) was approximately $161 million.

The number of outstanding shares of the registrant's common stock on February 29, 2012 was 56,289,853.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

STEREOTAXIS, INC.

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PART I

ITEM 1. BUSINESS

In this report, "Stereotaxis," the "Company," "Registrant," "we," "us," and "our" refer to Stereotaxis, Inc. and its wholly-owned subsidiaries. *Niobe*®, *Epoch*™, *Odyssey*™, *Odyssey Cinema*™, *Cardiodrive*®, *Cronus*®, *Assert*®, *PowerAssert* ™, *Titan*®, *Pegasus* ™, *Navigant*™, *Vdrive*™, *V-CAS*™, *V-loop*™, *Vdrive Duo*™, *QuikCAS*™ are trademarks of Stereotaxis, Inc. All other trademarks that may appear in this report are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, including the sections entitled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements. These statements relate to, among other things:

- our business strategy;
- our value proposition;
- our ability to fund operations;
- our ability to convert backlog to revenue;
- the timing and prospects for regulatory approval of our additional disposable interventional devices;
- the success of our business partnerships and strategic alliances;
- our estimates regarding our capital requirements;
- the ability of physicians to perform certain medical procedures with our products safely, effectively and efficiently;
- the adoption of our products by hospitals and physicians;
- the market opportunity for our products, including expected demand for our products;
- our plans for hiring additional personnel; and
- any of our other plans, objectives, expectations and intentions contained in this annual report that are not historical facts.

These statements relate to future events or future financial performance, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue", or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. These statements are only predictions.

Factors that may cause our actual results to differ materially from our forward-looking statements include, among others, changes in general economic and business conditions and the risks and other factors set forth in "Item 1A—Risk Factors" and elsewhere in this annual report on Form 10-K.

Our actual results may be materially different from what we expect. We undertake no duty to update these forward-looking statements after the date of this annual report, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

OVERVIEW

We design, manufacture and market the *Epoch* Solution, which is an advanced remote robotic navigation system for use in a hospital's interventional surgical suite, or "interventional lab", that we believe revolutionizes the treatment of arrhythmias and coronary artery disease by enabling enhanced safety, efficiency and efficacy for catheter-based, or interventional, procedures. The *Epoch* Solution is comprised of the *Niobe* ES Robotic Magnetic Navigation System ("*Niobe* ES system"), *Odyssey* Information Management Solution ("*Odyssey* Solution"), and the *Vdrive* Robotic Navigation System. We believe that our technology represents an important advance in the ongoing trend toward fully digitized, integrated and automated interventional labs and provides substantial, clinically important improvements and cost efficiencies over manual interventional methods, which often result in long and unpredictable procedure times with suboptimal therapeutic outcomes. We believe that our technology represents an important advance supporting efficient and effective information management and physician collaboration. The core elements of our technology, especially the *Niobe* ES system, are protected by an extensive patent portfolio, as well as substantial know-how and trade secrets.

Our *Niobe* ES system is the latest generation of the *Niobe* Robotic Magnetic Navigation System ("*Niobe* system"), which allows physicians to more effectively navigate proprietary catheters, guidewires and other delivery devices, both our own and those we are co-developing through strategic alliances, through the blood vessels and chambers of the heart to treatment sites in order to effect treatment. This is achieved using computer-controlled, externally applied magnetic fields that precisely and directly govern the motion of the internal, or working, tip of the catheter, guidewire or other interventional devices. We believe that our *Niobe* ES system represents a revolutionary technology in the interventional lab, bringing precise remote digital instrument control and programmability to the interventional lab, and has the potential to become the standard of care for a broad range of complex cardiology procedures. *Niobe* system revenue represented 19%, 40%, and 54% of revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

The *Niobe* system is designed primarily for use by interventional electrophysiologists in the treatment of abnormal heart rhythms known as arrhythmias and approximately 3% of usage is by interventional cardiologists in the treatment of coronary artery disease. To date the significant majority of the Stereotaxis installations worldwide are intended for use in electrophysiology. The *Niobe* system is designed to be installed in both new and replacement interventional labs worldwide. Current and potential purchasers of our *Niobe* system include leading research and academic hospitals as well as community and regional medical centers around the world.

Stereotaxis has also developed the *Odyssey* Solution which provides an innovative enterprise solution for integrating, recording and networking interventional lab information within hospitals and around the world. The *Odyssey* Solution consists of several lab solutions including *Odyssey* Vision to consolidate all of the lab information from multiple sources, freeing doctors from managing complex interfaces during patient therapy for optimal procedural and clinical efficiency. In addition, we offer two lower cost alternatives which consolidate the lab information without providing a large display and an interface for connecting partner large display systems—known as *Odyssey* Link and *Odyssey* Interface, respectively. The *Odyssey* Solution also includes a remote procedure viewing and recording capability in a basic *Odyssey Cinema* LT or premium *Odyssey Cinema* Studio offering ("*Odyssey Cinema* system"). The *Odyssey Cinema* system is an innovative solution delivering synchronized content targeted to improve care, enhance performance, increase referrals and market services. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the Internet from anywhere with sufficient bandwidth. The *Odyssey Cinema* Studio offering includes a production console, Studio, to facilitate Internet broadcasting, collaboration and presentation editing. The Studio console leverages a global *Odyssey* Network enabling hospitals to broadcast to anyone or collaborate between hospitals that use the *Odyssey* system. The *Odyssey* Solution may be acquired either as part of the *Epoch* Solution or on a stand-alone basis for installation in interventional labs and other locations where clinicians desire improved clinical workflows and related efficiencies. *Odyssey* system revenue represented 18%, 18%, and 10% of revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

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

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

Not all products have and/or require regulatory clearance in all of the markets we serve. Please refer to “Regulatory Approval” in Item 1 for a description of our regulatory clearance, licensing, and/or approvals we currently have or are pursuing.

As of December 31, 2011, we had approximately $20 million of backlog, consisting of outstanding purchase orders and other commitments for these systems. We had backlog of approximately $43 million and $37 million as of December 31, 2010 and 2009, respectively, using the same active backlog criteria. Of the December 31, 2011 backlog, we expect approximately 82% to be recognized as revenue over the course of 2012. There can be no assurance that we will recognize such 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. These orders and commitments may be revised, modified or canceled, either by their express terms, as a result of negotiations or by project changes or delays. In addition, the sales cycle for the *Niobe* system is lengthy and generally involves construction or renovation activities at customer sites. Consequently, revenues and/or orders resulting from sales of our *Niobe* system can vary significantly from one reporting period to the next.

We have alliances with Siemens AG Medical Solutions, Philips Medical Systems and Biosense Webster, a subsidiary of Johnson & Johnson. Through these alliances, we integrate our *Niobe* system with Siemens’ and Philips’ market-leading digital imaging and Biosense Webster’s 3D catheter location sensing technology. The Biosense alliance also provides development of disposable interventional devices, coordination of marketing and sales efforts in order to continue to introduce new enhancements around the *Niobe* system, and non-exclusive commercialization of the *Odyssey* Solution to Biosense customers in the electrophysiology field. The Siemens and Philips alliances provide for coordination of our sales and marketing efforts with those of our alliance partners to facilitate co-placement of integrated systems. In addition, Siemens provides worldwide service for certain of our integrated systems. Sales to Siemens accounted for 5% of total net revenue for the year ended December 31, 2011.

BACKGROUND

We have focused our clinical and commercial efforts on applications of the *Epoch* Solution in electrophysiology procedures for the treatment of arrhythmias and in complex interventional cardiology procedures for the treatment of coronary artery disease.

The rhythmic beating of the heart results from the generation and transmission of electrical impulses. When these electrical impulses are mistimed or uncoordinated, the heart fails to function properly, resulting in complications that can range from fatigue to stroke or death. Over 4.3 million people in the U.S. currently suffer from the resulting abnormal heart rhythms, which are known as arrhythmias. Electrophysiology is a fast-growing clinical specialty focused on the treatment of cardiac arrhythmias which can occur in any chamber of the heart.

Electrophysiologists typically treat patients suffering from cardiac arrhythmias with a combination of drug therapy and/or interventional catheter ablation of cardiac tissue to interrupt aberrant electrical signals. Reimbursement for interventional catheter ablation has been stable in most markets with increasing governmental awareness of the impact of the disease state upon national healthcare programs.

Interventional cardiology and electrophysiology procedures have proven to be very effective at treating arrhythmias and coronary artery disease at sites accessible through the vasculature without the patient trauma, complications, recovery times and cost generally associated with open-heart surgery. With the advent of advanced imaging techniques and sophisticated catheter and wire-based devices and techniques, the number of potential patients who can benefit from non-surgical interventional procedures has grown. However, we believe major challenges associated with manual approaches to interventional cardiology and electrophysiology persist. In interventional cardiology, these challenges include difficulty in navigating the disposable interventional device through tortuous vasculature and crossing certain types of complex lesions to deliver balloons or stents to effect treatment. As a result, numerous patients who could be candidates for an interventional approach continue to be referred to bypass surgery. In electrophysiology, challenges include precisely navigating the tip of the mapping and ablation catheter to the treatment site on the heart wall and maintaining tissue contact throughout the cardiac cycle to effect treatment, and, for atrial fibrillation, performing complex ablations within the left atrium of the heart. A major limitation is the manual dexterity required to perform complex ablations. As a result, large numbers of patients are referred to palliative drug therapy that can have harmful side effects.

We believe the *Epoch* Solution represents a revolutionary step compared to manual techniques in the trend toward highly effective, but less invasive, cardiac procedures. As the first technology to permit direct, computerized control of the working tip of a disposable interventional device, the *Niobe* system enables physicians to perform cardiac procedures interventionally that historically would have been very difficult or impossible to perform in this way and has the potential to significantly improve both the efficiency and efficacy of these treatments. We believe the *Vdrive* Robotic Navigation System will provide physicians with the ability to navigate and control diagnostic catheters and sheaths from the procedure room, which will facilitate the performance of procedures remotely while further improving efficiency and efficacy of the procedure. We believe that the *Odyssey* Solution will provide physicians the ability to enhance procedure workflow, more effectively manage their interventional procedures, collaborate with other physicians, broadcast their clinical expertise and provide the capability to record and review segments or entire procedures to facilitate quality improvement.

CURRENT CHALLENGES IN INTERVENTIONAL MEDICINE

Although great strides have been made in manual device technology and in related manual interventional techniques, significant challenges remain that reduce interventional productivity and limit both the number of complex procedures and the types of diseases that can be treated manually. These challenges primarily involve the inherent mechanical limitations of manual instrument control and the lack of integration of the information systems used by physicians in the interventional lab as well as a significant amount of training and experience required to ensure proficiency. As a result, many complex cases in electrophysiology are treated with palliative drug therapy, and many complex procedures in interventional cardiology are still referred to highly invasive bypass surgery.

Limitations of Instrument Control

Manually controlled catheters, guidewires and other delivery devices, even in the hands of the most skilled specialist, have inherent instrument control limitations. In traditional interventional procedures, the device is manually manipulated by the physician who twists and pushes the external end of the instrument in an iterative process to thread the instrument through often tortuous blood vessels or into the chambers of the heart to the treatment site.

Lack of Integration of Information Systems

While sophisticated imaging, mapping and location-sensing systems have provided visualization for interventional procedures and allowed interventional physicians to treat more complex conditions, the substantial lack of integration of these information systems requires the physician to mentally integrate and process large quantities of information from different sources in real time during an interventional procedure. For example, a physician ablating heart tissue to eliminate an arrhythmia will often be required to mentally integrate information from a number of sources, including:

- real-time x-ray fluoroscopy and/or ultrasound images;
- a real-time location-sensing system providing the 3D location of the catheter tip;
- a pre-operative map of the electrical activity or anatomy of the patient's heart;
- real-time recording of electrical activity of the heart; and
- temperature feedback from an ablation catheter.

Each of these systems displays data differently, requiring physicians to continuously reorient themselves to the different formats and displays as they shift their focus from one data source to the next while at the same time manually controlling the interventional instrument. Also, each of these information systems can require a separate user interface, which further reduces the efficiency of the procedure.

THE STEREOTAXIS VALUE PROPOSITION

The *Epoch* Solution addresses the current challenges in the interventional lab by providing precise computerized control of the working tip of the interventional instrument and by integrating this control with the visualization technology and information systems used during interventional cardiology and electrophysiology procedures, on a cost-justified basis.

We believe that our systems will:

- *Expand the market by enhancing the treatment of more complex cases and potentially enabling new treatments for major diseases*. Treatment of a number of major diseases, including atrial fibrillation, ventricular tachycardia, cardiac chronic total occlusions, and critical limb ischemia due to chronic total occlusions of peripheral arteries, is highly problematic using conventional wire and/or catheter-based techniques. Additionally, many patients with multi-vessel disease and certain complex arrhythmias, such as atrial fibrillation and ventricular tachycardia, are often referred to other more invasive or less curative therapies because of the difficulty in precisely and safely controlling the working tip of disposable interventional devices used to treat these complex cases interventionally. Because our robotic technology provides precise, computerized control of the working tip of disposable interventional devices, we believe that it will potentially enable difficult total occlusions, atrial fibrillation, and ventricular tachycardia to be treated interventionally on a much broader scale than today.
- *Improve outcomes by optimizing therapy.* Difficulty in controlling the working tip of disposable interventional devices can lead to sub-optimal results in many procedures. Additionally, the precise control of multiple complex diagnostic and therapeutic devices by a single physician can lead to better outcomes for the patient. Precise instrument control is necessary for treating a number of cardiac conditions. To treat arrhythmias, precise placement of an ablation catheter against a beating inner heart wall is necessary. For coronary artery disease, precise and correct navigation and placement of expensive stents also have a significant impact on procedure costs and outcomes. We believe our robotic technology can enhance procedure results by improving navigation of disposable interventional devices to treatment sites, and by effecting more precise, safe, treatments once these sites are reached.

- *Improve clinical workflow and information management.* The *Odyssey* Solution will improve clinical workflow and information management efficiency by integrating and synchronizing the multiple sources of diagnostic and imaging information found in the interventional labs into a large-screen user interface with single mouse control via the *Odyssey* Vision system. *Odyssey Cinema* Studio is an information management solution which enables hospitals to view live and recorded procedures throughout hospital networks and while traveling abroad. This product also includes a Studio console to facilitate collaboration, broadcasting and presentation editing. An *Odyssey* Broadcast and *Odyssey* Connect network service is available to enable collaboration between hospitals using the *Odyssey* system and Internet broadcasting around the world.
- *Enhance hospital efficiency by reducing and standardizing procedure times, disposables utilization and staffing needs.* Interventional procedure times currently range from several minutes to many hours as physicians often engage in repetitive, "trial and error" maneuvers due to difficulties with manually controlling the working tip of disposable interventional devices. By reducing both navigation time and the time needed to carry out therapy at the target site, we believe that our robotic technology can reduce complex procedure times compared to manual procedures. We believe the *Niobe* system can also reduce the variability in procedure times compared to manual methods. Greater standardization of procedure times allows for more efficient scheduling of interventional cases including staff requirements. We also believe that additional cost savings from robotics result from decreased use of multiple catheters, guidewires and contrast media in procedures compared with manual methods further enhancing the rate of return to hospitals.
- *Enhance physician skill levels in order to improve the efficacy of complex cardiology procedures*. Training required for physicians to safely and effectively carry out manual interventional procedures typically takes years, over and above the training required to become a specialist in cardiology. This has led to a shortage of physicians who are skilled in performing more complex procedures. We believe that our robotic technology can allow procedures that previously required the highest levels of manual dexterity and skill to be performed effectively by a broader range of interventional physicians, with more standardized outcomes. In addition, interventional physicians can learn to use robotic systems in a relatively short period of time. The *Niobe* system can also be programmed to carry out sequences of complex navigation automatically further enhancing ease of use. We believe the *Odyssey* Solution can allow advanced training online thereby accelerating learning.
- *Improve patient and physician safety*. The *Niobe* system has been used in more than 45,000 procedures and the incidence of all reported major adverse cardiac events associated with the use of the system for all procedures is approximately 0.1%. This represents what we believe to be a clinically significant improvement in major complication rates over conventional procedures, which can range as high as 2-6% for complex ablations, and significantly higher for new physicians and fellows. Additionally, during conventional catheter-based procedures, each of the physicians who stand by the patient table to manually control the catheter, the nursing staff assisting with the procedure, and the patient are exposed to the potentially harmful x-ray radiation from the fluoroscopy field. This exposure can be minimized by reducing procedure times. Reducing procedure times is also beneficial to the patient because of the direct correlation between complication rates and procedure length. Our robotic technology can further improve physician safety and reduce physician fatigue by enabling them to conduct procedures remotely from an adjacent control room, which reduces their exposure to harmful radiation, and the orthopedic burden of wearing lead.
- *Help hospitals recruit physicians and attract patients*. Due to the clinical benefits of the *Epoch* Solution, we believe hospitals will realize significant operational benefits when recruiting physicians to work in a more safe procedure environment, while attracting patients who desire to have safer procedures that lead to better long term outcomes.

OUR PRODUCTS

Niobe® ES Robotic Magnetic Navigation System

Our proprietary *Niobe* ES robotic system provides the physician with precise remote digital instrument control through user friendly "point and click" computer mouse control, in combination with sophisticated image integration and 3D reconstruction. It can be operated either from beside the patient table, as in traditional interventional procedures, or from a room adjacent to the patient and outside the x-ray fluoroscopy field. The *Niobe* ES robotic system allows the operator to navigate disposable interventional devices to the treatment site through complex paths in the blood vessels and chambers of the heart to deliver treatment by using computer controlled, externally applied magnetic fields to directly govern the motion of the working tip of these devices, each of which has a magnetically sensitive tip that predictably responds to magnetic fields generated by our system. Because the working tip of the disposable interventional device is directly controlled by these external magnetic fields, the physician has the same degree of control regardless of the number or type of turns, or the distance traveled by the working tip to arrive at its position in the blood vessels or chambers of the heart. This results in highly precise digital control of the working tip of the disposable interventional device while still giving the physician the option to manually advance the device.

Through our alliances with Siemens, Philips and Biosense Webster, this precise digital instrument control has been integrated with the visualization and information systems used during electrophysiology procedures in order to provide the physician with a fully-integrated and automated information and instrument control system. We have integrated our *Niobe* ES robotic system with Siemens' and with Philips' digital x-ray fluoroscopy systems. In addition, we have integrated the *Niobe* ES robotic system with Biosense Webster's 3D catheter location sensing technology to provide accurate real-time information as to the 3D location of the working tip of the instrument, and with Biosense Webster's ablation tip technology. The combination of these technologies was fully launched in 2005.

The components of the *Niobe* ES robotic system are identified and described below:

Niobe® Robotic Magnetic Navigation System. Our *Niobe* Robotic Magnetic Navigation System utilizes two permanent magnets mounted on articulating and pivoting arms that are enclosed within a stationary housing, with one magnet on either side of the patient table. These magnets generate magnetic navigation fields that are less than 10% of the strength of fields typically generated by MRI equipment and therefore require significantly less shielding, and cause significantly less interference, than MRI equipment. The *Niobe* ES robotic system is indicated for use in cardiac, peripheral and neurovascular applications.

Cardiodrive® Automated Catheter Advancement System. As the physician conducts the procedure from the adjacent control room, the *Cardiodrive* or *QuikCAS* automated catheter advancement systems are used to remotely advance and retract the electrophysiology catheter in the patient's heart while the *Niobe* magnets precisely steer the working tip of the device.

Odyssey™ Solution

The *Odyssey* Solution offers a fully integrated, real-time information solution to manage, control, record and share procedures across networks or around the world. We believe that the *Odyssey* Solution enhances the physician workflow in interventional labs through a consolidated user interface of multiple systems on a single display to enable greater focus on the case and improve the efficiency of the lab. Through the use of a single mouse and keyboard, the *Odyssey* Solution allows the user to command multiple systems in the lab from a single point of control. In addition, the *Odyssey* Solution acquires a real-time, remote view of the lab capturing synchronized procedure data for review of important events during cases. The *Odyssey* Solution enables physicians to access recorded cases and create snapshots following procedures for enhanced clinical reporting, auditing and presentation. The *Odyssey* Solution enables physicians to establish a comprehensive master archive of procedures performed in the lab providing an excellent tool for training new staff on the standard practices.

The *Odyssey* Solution further enables procedures to be observed remotely around the world with high speed Internet access over a hospital VPN even wirelessly using a standard laptop or Windows tablet computer. In addition, physicians are able to utilize the Studio console to deliver Internet broadcasts to drive referrals, collaborate with other *Odyssey* hospitals to share best practices and efficiently build presentations saving considerable time.

***Vdrive*™ Robotic Navigation System**

The *Vdrive* Robotic Navigation System reaches further into the evolution of robotic navigation technologies than any platform before it. More than a robotic catheter manipulator, the *Vdrive* Robotic Navigation System and *Niobe* ES robotic system provide independent remote manipulation of diagnostic catheters and magnetic ablation catheters in a single interface. The *Vdrive* Robotic Navigation System provides breakthrough navigation and stability for diagnostic and ablation devices designed with key features to assist in the delivery of better ablations. Important features include complementing the *Niobe* ES control of catheters for fully remote procedures; enabling fully remote, single operator workflow; and providing robotic control of diagnostic devices independent of magnetic navigation. The *Vdrive Duo* system is an optional expansion of the *Vdrive* hardware that allows control of the *V-loop* device and either *V-CAS* or *V-CAS* Deflect devices in the same procedure, with a single user interface.

Disposables and Other Accessories

Our *Niobe* system is designed to use a toolkit of proprietary disposable interventional devices. The toolkit currently consists of:

- our *Cardiodrive* or *QuikCAS* automated catheter advancement disposables designed to provide precise remote advancement of proprietary electrophysiology catheters;
- our suite of *Cronus*, *Assert*, *Titan* and *Pegasus* coronary guidewires designed for use in interventional cardiology procedures for the introduction and placement of over-the-wire therapeutic devices, such as stents and angioplasty balloons; and
- Biosense Webster's CARTO® RMT navigation and ablation system, CELSIUS® RMT, NAVISTAR® RMT, NAVISTAR® RMT DS, NAVISTAR® RMT THERMOCOOL® and CELSIUS® RMT THERMOCOOL® Irrigated Tip Diagnostic/Ablation Steerable Tip Catheters co-developed by Biosense Webster and Stereotaxis, as described below.

We believe that we can adapt many of the applicable disposable interventional devices for use with our system by using our proprietary technology to add an inexpensive micro-magnet at their working tip. This micro-magnet is activated by an external magnetic field, which allows interventional devices with tip dimensions as small as 14 thousandths (0.014) of an inch to be oriented and positioned in a predictable and controllable fashion. We believe this approach to bringing digital control to disposable interventional devices using embedded magnets can simplify the overall design of these devices because mechanical controls are no longer required.

In addition to the *Vdrive* and *Vdrive Duo* systems, we also manufacture and market various disposable components which can be manipulated by these systems. These include:

- our *V-CAS* catheter advancement system that controls both the magnetic catheter body and a standard fixed-curve sheath;
- our *V-loop* circular catheter manipulator, which allows the user to control certain circular mapping catheters, such as Biosense Webster's LASSO®2515 or LASSO®2515 NAV Circular Mapping Catheter, and advance, retract, rotate, deflect and adjust loop radius – all without leaving the control room; and
- our *V-CAS* Deflect fully integrated catheter advancement system with a robotic deflectable sheath for maximum integration and versatility, allowing users to advance and retract the magnetic catheter body at angles up to 270°.

Regulatory Approval

We began commercial shipments of our *Niobe* system in 2003, following U.S. and European regulatory clearance of its core components. We have received regulatory clearance, licensing and/or CE Mark approvals necessary for us to market the *Niobe* Robotic Magnetic Navigation System, the *Cardiodrive* automated catheter advancement system, and various disposable interventional devices in the U.S., Canada, Europe, China, and various other countries.

We have received regulatory clearance, licensing and/or CE Mark approvals necessary for us to market the *Odyssey* Solution in the U.S., Canada, European Union and some other countries and we are in the process of obtaining necessary approvals for extending our markets in other countries.

We have received the CE Mark that allows us to market the *Vdrive Duo*, *V-loop*, *V-CAS* and the *V-CAS* Deflect devices in Europe. In addition, we have received licensing to market the *V-loop* and *V-CAS* devices in Canada. We are in the process of obtaining the necessary clearance for the *V-loop* device in the United States.

We have received Food and Drug Administration ("FDA") clearance and the CE Mark necessary for us to market our suite of *Cronus*, *Assert*, *Titan* and *Pegasus* coronary and RF *PowerAssert* Peripheral guidewires in the U.S. and Europe. We continue to seek approvals and clearances to market our products as appropriate.

Biosense Webster has received FDA approval, Chinese SFDA approval, and CE Mark for the CARTO® RMT navigation system for use with the *Niobe* system, the 4mm CELSIUS® RMT Diagnostic/Ablation Steerable Tip Catheter, the 4mm NAVISTAR® RMT Diagnostic/Ablation Steerable Tip Catheter, the 8mm Navistar RMT DS Diagnostic/Ablation Steerable Tip Catheter, and the 3.5mm NAVISTAR® RMT THERMOCOOL® Irrigated Tip Catheter. In addition, Biosense Webster has received FDA approval and CE Mark for the 3.5mm CELSIUS® RMT THERMOCOOL® Irrigated Tip Catheter. We will continue to co-develop catheters that can be navigated with our system, both with and without Biosense Webster's 3D catheter location sensing technology. In addition, we can utilize technology which allows our system to recognize specific disposable interventional devices in order to prevent unauthorized use of our system. See "Strategic Alliances – Disposable Devices Alliance" below for a description of our arrangements with Biosense Webster.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Our total U.S. revenue was $23.9 million, $28.8 million, and $22.3 million for the years ended December 31, 2011, 2010, and 2009, respectively. Our total international revenue was $18.0 million, $25.2 million and $28.8 million for the years ended December 31, 2011, 2010, and 2009, respectively.

CLINICAL APPLICATIONS

We have focused our clinical and commercial efforts on applications of the *Epoch* Solution primarily in electrophysiology procedures for the treatment of arrhythmias and secondarily in complex interventional cardiology procedures for the treatment of coronary artery disease. Our system potentially has broad applicability in other areas, such as structural heart repair, interventional neurosurgery, interventional neuroradiology, peripheral vascular, renal denervation, pulmonology, urology, gynecology and gastrointestinal medicine, and our patent portfolio has been structured to permit expansion into these areas.

Electrophysiology

The rhythmic beating of the heart results from the transmission of electrical impulses. When these electrical impulses are mistimed or uncoordinated, the heart fails to function properly, resulting in symptoms that can range from fatigue to stroke or death. Over 4.3 million people in the U.S. currently suffer from the resulting abnormal heart rhythms, which are known as arrhythmias. The most common arrhythmia in adults is atrial fibrillation. This chaotic electrical activity of the top chambers of the heart is estimated to be present in over two million people in

the United States and over five million people worldwide. The incidence is expected to continue to rise as the population ages and life expectancy continues to increase. Atrial fibrillation is a major physical and economic burden. This arrhythmia is associated with stroke, heart failure, and adverse symptoms causing patients to be very motivated to seek treatment. The combination of symptoms, prevalence and co-morbidities make atrial fibrillation a major economic factor in healthcare. We believe payors are very interested in therapies that may reduce the financial impact of this disease.

Drug therapies for arrhythmias often fail to adequately control the arrhythmia and may have significant side effects. Consequently, physicians have increasingly sought more permanent, non-pharmacological, solutions for arrhythmias. The most common interventional treatment for arrhythmias, and in particular tachyarrhythmias, where the patient's heart rate is too high or irregular, is an ablation procedure in which the diseased tissue giving rise to the arrhythmia is isolated or destroyed. Prior to performing an electrophysiology ablation, a physician typically performs a diagnostic procedure in which the electrical signal patterns of the heart wall are "mapped" to identify the heart tissue generating the aberrant electrical signals. Following the mapping procedure, the physician may then use an ablation catheter to eliminate the aberrant signal or signal path, restoring the heart to its normal rhythm. In cases where an ablation is anticipated, physicians will choose an ablation catheter and perform both the mapping and ablation with the same catheter. In February 2009 the FDA approved the Biosense Webster NAVISTAR® THERMOCOOL® irrigated catheter to be labeled for the treatment of atrial fibrillation. This is the first device approved by the FDA to be labeled for the interventional treatment of this arrhythmia. We believe this important milestone will accelerate acceptance of ablations for the treatment of atrial fibrillation.

We believe more than 3,000 interventional labs around the world are currently capable of conducting electrophysiology procedures. Approximately 500,000 electrophysiology procedures are performed annually worldwide, and procedure growth rate is 9% annually.

We believe the *Epoch* Solution is particularly well-suited for those electrophysiology procedures which are time consuming or which can only be performed by highly experienced physicians. These procedures include:

- General Mapping and Ablations. For the more routine mapping and ablation procedures, our system offers the unique benefit of precise catheter movement and consistent heart wall contact. Additionally, the system can control the procedure and direct catheter movement from the control room, saving the physician time and helping to avoid unnecessary exposure to high doses of radiation.
- Atrial Fibrillation. The most commonly diagnosed abnormal heart rhythm, atrial fibrillation, is a particular type of arrhythmia characterized by rapid, disorganized contractions of the heart's upper chambers, the atria, which lead to ineffective heart pumping and blood flow and can be a major risk factor for stroke. The number of potential patients for manual catheter-based procedures for atrial fibrillation has been limited because the procedures are extremely complex and are performed by only the most highly skilled electrophysiologists. They also typically have much longer procedure times than general ablation cases and the success rates have been lower and more variable. We believe that our system can allow these procedures to be performed by a broader range of electrophysiologists and, by automating some of the more complex catheter maneuvers, can standardize and reduce procedure times and significantly improve outcomes.
- Ventricular Tachycardia. Ventricular tachycardia is a malignant, potentially lethal arrhythmia that is extremely difficult and time consuming to treat by catheter ablation because of the mechanical force of a conventional catheter against the heart wall. The magnetic catheter has been characterized as the ideal tool for this application. These arrhythmias can often be modified or interrupted by the pressure of a conventional catheter making it very difficult to identify the appropriate location for the ablation, whereas magnetic catheters produce fewer extra beats and provide for easier and more efficient mapping of the diseased tissue. Successful ablation of ventricular tachycardia can extend the useful life of an implantable defibrillator, reduce shocks to the patient, reduce the need for antiarrhythmic drugs or, in some cases, obviate the need for an expensive implantable device and its associated follow-up.

We believe that our system can address the current challenges in electrophysiology by permitting the physician to remotely navigate disposable interventional devices from a control room outside the x-ray field. Additionally, we believe that our system allows for more predictable and efficient navigation of these devices to the treatment site, including the left atrium for atrial fibrillation procedures, and enables appropriate contact force to be maintained to efficiently apply energy on the wall of the beating heart. We also believe that our system will significantly lower the skill barriers required for physicians to perform complex electrophysiology procedures and, additionally, improve interventional lab efficiency and reduce disposable interventional device utilization.

Interventional Cardiology

More than half a million people die annually from coronary artery disease, a condition in which the formation of plaque in the coronary arteries obstructs the supply of blood to the heart, making this the leading cause of death in the U.S. Despite various attempts to reduce risk factors, each year over one million patients undergo interventional procedures in an attempt to open blocked vessels and another one half million patients undergo open heart surgery to bypass blocked coronary arteries.

Blockages within a coronary artery, often called lesions, are categorized by degree of obstruction as partial occlusions, non-chronic total occlusions and chronic total occlusions. Lesions are also categorized by the degree of difficulty with which they can be opened as simple or complex. Complex lesions, such as chronic total occlusions, longer lesions, and lesions located within smaller diameter vessels, are often very difficult or time consuming to open with manual interventional techniques.

We believe well over 10,000 interventional labs worldwide are currently capable of conducting interventional cardiology. Approximately 4 million interventional cardiology procedures are performed annually in the U.S. alone. We estimate that approximately 10-15% of these interventional cardiology procedures currently being performed are complex and therefore require longer procedure times and may have sub-optimal outcomes. We believe that our system can substantially benefit this subset of complex interventional cardiology procedures.

Interventional Neuroradiology, Neurosurgery and Other Interventional Applications

Physicians used a predecessor to our *Niobe* system to conduct a number of procedures for the treatment of brain aneurysms, a condition in which a portion of a blood vessel wall balloons and which can result in debilitating or fatal bleeding and strokes. The *Niobe* system also has a range of potential applications in minimally invasive neurosurgery, including biopsies and the treatment of tumors, treatment of vascular malformations and fetal interventions.

STRATEGIC ALLIANCES

We have entered into strategic alliances with technology leaders in the global interventional market, including Siemens, Philips, and Biosense Webster, that we believe aid us in commercializing our *Niobe* system. We believe our two imaging partners, Siemens and Philips, have a significant percentage of the installed base of imaging systems worldwide.

We believe that these strategic alliance arrangements are favorable to Stereotaxis because they:

- provide for the integration of our system with market leading digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices;
- allow us to leverage the sales, distribution, service and maintenance expertise of our strategic alliances; and
- enable operational flexibility by not requiring us to provide any the parties in our strategic alliances with a right of first refusal in the event that another party wants to acquire us or with board representation where a strategic alliance has made a debt or equity investment in us.

Imaging Alliances

Siemens Alliance. We have successfully integrated our *Niobe* system with Siemens' digital fluoroscopy system to provide advanced interventional lab visualization and instrument control through user-friendly computerized interfaces. We also coordinate our sales efforts with Siemens to co-place integrated systems at leading hospital sites in the U.S., Europe and in Asia. Under this alliance and under a separate services agreement, Siemens provides equipment maintenance and support services for our products directly to our customers. We have also entered into a separate development agreement for the Japanese market under which Siemens will coordinate regulatory approval and distribute, install and service our *Niobe* systems, whether integrated with the x-ray system of Siemens, or other third parties, in Japan. We have also entered into a software distribution agreement with Siemens under which we have the right to sublicense Siemens' 3D pre-operative image navigation software as part of our advanced user interface for the *Niobe* ES system.

In December 2010, Siemens Healthcare was named a non-exclusive, global reseller starting in the U.S., EU and Canada for Stereotaxis' *Odyssey* Interface with Cinema. Siemens can promote and sell *Odyssey* Interface with Cinema connected to Siemens large display labs, delivering a fully integrated, real-time information management solution. The combined offering enables consolidated information from Siemens large display labs to be remotely viewed live or played back after procedures from a comprehensive case archive enhancing staff training and patient care.

Philips Alliance. We have successfully integrated our *Niobe* system with Philips' digital x-ray fluoroscopy system. We also have an agreement under which we coordinate our sales and marketing efforts with Philips in order to co-place our integrated systems in addition to collaborating on the development of new solutions and sharing engineering and development costs.

Disposables Devices Alliance

Biosense Webster Alliance. We entered into an alliance in May 2002 pursuant to which we agreed to integrate Biosense Webster's advanced 3D catheter location sensing technology, which we believe has the leading market position in this important field of visualization for electrophysiology procedures, with our instrument control system, and to jointly develop associated location sensing electrophysiology mapping and ablation catheters that are navigable with the *Niobe* system. We believe that these integrated products will provide physicians with the elements required for effective complex electrophysiology procedures: highly accurate information as to the exact location of the catheter in the body and highly precise control over the working tip of the catheter. We also agreed to coordinate our sales force efforts with Biosense Webster in order to place Biosense CARTO® RMT systems and our *Niobe* systems that, together with the co-developed catheters, comprise the full integration of our instrument control and 3D location sensing technologies in the interventional lab. We expanded this alliance in November 2003 to include the parallel integration of our instrument control technology with Biosense Webster's full line of non-location sensing mapping and ablation catheters that are relevant to our targeted applications in electrophysiology. Under an amendment to this agreement in 2008, Biosense Webster advanced us $10 million and allowed us to defer up to $8 million of payments due to Biosense Webster for research and development related to jointly developed products. These amounts plus interest accrued thereon had been repaid as of December 31, 2011.

The co-developed catheters are manufactured and distributed by Biosense Webster, and both of the parties agreed to contribute to the resources required for their development. We are entitled to royalty payments from Biosense Webster, payable quarterly based on a profit formula for sales of the co-developed catheters. These royalties are used to make payments under the debt agreement with Cowen Healthcare Royalty Partners II, L.P. as discussed in Item 7. Under the alliance with Biosense Webster, we agreed to certain restrictions on our ability to co-develop and distribute catheters competitive with those we are developing with Biosense Webster and we granted Biosense Webster certain notice and discussion rights for product development activities we undertake relating to localization and magnetically enabling interventional disposable devices in cardiology fields outside of electrophysiology and mapping.

Either party may terminate this alliance in certain specified “change of control” situations, although the termination would not be effective until one year after the change of control and then would be subject to a wind-down period during which Biosense Webster would continue to supply co-developed catheters to us or to our customers for three years (or, for non-location sensing mapping and ablation catheters, until our first sale of a competitive product after a change of control, if earlier than three years). If we terminate the agreement under this provision, we must pay a termination fee to Biosense Webster equal to 5% of the total equity value of Stereotaxis in the change of control transaction, up to a maximum of $10 million. If a change of control of the Company occurs after Biosense Webster has received approval from the U.S. FDA for atrial fibrillation indication for the NAVISTAR® RMT THERMOCOOL® catheter, the Company would be required to pay an additional $10 million fee to Biosense Webster, and termination of the agreement by either party would not be effective until two years after the change of control. We also agreed to notify Biosense Webster if we reasonably believe that we are engaged in substantive discussions with respect to the sale of the Company or substantially all of our assets.

In January 2011, we executed an amendment, effective December 2010, to our agreement with Biosense Webster to extend the development and distribution alliance related to certain catheters that have been developed under previous collaboration activities between the Company and Biosense Webster on an exclusive basis until December 15, 2015 and thereafter on a nonexclusive basis until December 31, 2018. Biosense Webster’s rights to distribute such products in Japan is extended on an exclusive basis to the later of December 31, 2017 or five years after the date of approval of the applicable product for sale in Japan and on a nonexclusive basis to the later of December 31, 2020 or eight years after the date of approval of the applicable product for sale in Japan. Additionally, both companies agreed to expand the product offering covered by the agreement to include a next generation irrigated magnetic catheter, which will integrate technological advancements from both companies.

In May 2011, the Company entered into a new agreement, under which the Company has granted Biosense Webster global, non-exclusive rights to resell Stereotaxis’ *Odyssey* products, including *Odyssey* Vision and *Odyssey Cinema* systems.

RESEARCH AND DEVELOPMENT

We have assembled an experienced group of engineers and physicists with recognized expertise in magnetics, software, control algorithms, systems integration and disposable interventional device modeling and design.

Our research and development efforts are focused in the following areas:

- continuing to enhance our existing *Niobe*, *Odyssey*, and *Vdrive* systems through ongoing product and software development; and
- designing new proprietary disposable interventional devices for use with our system.

Our research and development team collaborates with our strategic partners, Siemens, Philips, and Biosense Webster, to integrate our *Niobe* system’s open architecture platform with key imaging, location sensing and information systems in the interventional lab. We have also collaborated with a number of highly regarded interventional physicians in key clinical areas and have entered into agreements with a number of universities and research institutions, which serve to increase our access to world class physicians and scientists and to expand our name recognition in the medical community. Our research and development expenses for the years ending December 31, 2011, 2010, and 2009, were $12.9 million, $12.2 million, and $14.3 million, respectively.

CUSTOMER SERVICE AND SUPPORT

Stereotaxis provides worldwide maintenance and support services to our customers for our integrated products with the assistance of certain strategically-based representatives. By utilizing these relationships, we provide direct, on-site technical support activities, including call center, customer support engineers and service

parts logistics and delivery. In certain situations, we use these third parties as a single point of contact for the customer, which allows us to focus on providing installation, training, and back-up technical support.

Our back-up technical support includes a combination of on-line, telephone and on-site technical assistance services 24 hours a day, seven days a week. We have also hired service and support engineers with networking and medical equipment expertise, and have outsourced a portion of our installation and support services. We offer several different levels of support to our customers, including basic hardware and software maintenance, extended product maintenance, and rapid response capability for both parts and service.

We have established a call center in our St. Louis facilities, which provides real-time clinical and technical support to our customers worldwide.

MANUFACTURING

Niobe, *Odyssey*, and *Vdrive* Systems

Our manufacturing strategy for our *Niobe* and *Odyssey* systems is to sub-contract the manufacture of major subassemblies of our system to maximize manufacturing flexibility and lower fixed costs. Our current manufacturing strategy for *Vdrive* systems is to build all subassemblies in-house. We maintain quality control for all of our systems by completing final system assembly and inspection in-house.

Disposable Interventional Devices

Our manufacturing strategy for disposable interventional devices is to outsource their manufacture through subcontracting and through our alliance with Biosense Webster and to expand partnerships for other interventional devices. We work closely with our contract manufacturers and have strong relationships with component suppliers. We have entered into manufacturing agreements to provide high volume capability for devices other than catheters.

Software

The software components of the *Niobe* and *Odyssey* systems, including control and application software, are developed both internally and with integrated modules we purchase or license. We perform final testing of software products in-house prior to their commercial release.

General

Our manufacturing facilities operate under processes that meet the FDA's requirements under the Quality System Regulation, or QSR. 2011 FDA Establishment Inspections of our Maple Grove, Minnesota and Phoenix, Arizona facilities noted no observations. Our ISO registrar and European notified body has audited our facilities annually since 2001 and found the facilities to be in compliance with requirements. The initial ISO 9001 certification was issued in January 2002 and the most recent ISO 13485 certificate in 2009.

SALES AND MARKETING

We market our products in the U.S and internationally through a direct sales force of senior sales specialists, distributors and sales agents, supported by account managers and clinical specialists who provide training, clinical support, and other services to our customers. In addition, our strategic alliances form an important part of our sales and marketing strategy. We leverage the sales forces of our imaging partners to co-market integrated systems on a worldwide basis. This approach allows us to maximize our leads and knowledge of the market opportunities while using our resources to sell directly to the customer. Under the terms of our agreement, Biosense Webster exclusively distributes magnetically enabled electrophysiology mapping and ablation catheters, co-developed pursuant to our alliance with them.

Our sales and marketing efforts include three important elements: (1) selling *Niobe*, *Odyssey,* and *Vdrive* systems directly and through co-marketing agreements with our imaging partners, Siemens and Philips and through distributors; (2) leveraging our installed base of systems to drive recurring sales of disposable interventional devices, software and service; and (3) increasing the market penetration of *Odyssey* systems in standard labs.

REIMBURSEMENT

We believe that substantially all of the procedures, whether commercial or in clinical trials, conducted in the U.S. with the *Niobe*® system have been reimbursed to date. We expect that third-party payors will reimburse, under existing billing codes, procedures in which our line of guidewires, as well as our line of ablation catheters and those on which we are collaborating with Biosense Webster, are used. We expect healthcare facilities in the U.S. to bill various third-party payors, such as Medicare, Medicaid, other government programs and private insurers, for services performed with our products. We believe that procedures performed using our products, or targeted for use by products that do not yet have regulatory clearance or approval, are generally already reimbursable under government programs and most private plans. Accordingly, we believe providers in the U.S. will generally not be required to obtain new billing authorizations or codes in order to be compensated for performing medically necessary procedures using our products on insured patients. We cannot assure you that reimbursement policies of third-party payors will not change in the future with respect to some or all of the procedures using the *Niobe* system.

In countries outside the United States, reimbursement is obtained from various sources, including governmental authorities, private health insurance plans, and labor unions. In most foreign countries, private insurance systems may also offer payments for some therapies. Additionally, health maintenance organizations are emerging in certain European countries. In the European Union, we believe that substantially all of the procedures, whether commercial or in clinical trials, conducted with the Niobe® system have been reimbursed to date. In other foreign countries, we may need to seek international reimbursement approvals, and we do not know if these required approvals will be obtained in a timely manner or at all.

See “Item 1A—Risk Factors” for a discussion of various risks associated with reimbursement from third-party payors.

INTELLECTUAL PROPERTY

Our strategy is to patent the technology, inventions and improvements that we consider important to the development of our business. As a result, we have an extensive patent portfolio that we believe protects the fundamental scope of our technology, including our magnet technology, navigational methods, procedures, systems, disposable interventional devices and our 3D integration technology. As of December 31, 2011, we had 109 issued U.S. patents, 2 co-owned U.S. patents and 5 licensed-in U.S. patents. In addition, we had 60 pending U.S. patent applications and 3 co-owned U.S. patent applications. As of December 31, 2011 we had 20 issued foreign patents, 2 pending Patent Cooperation Treaty application and 29 owned Foreign Patent Applications. We also have a number of invention disclosures under consideration and several applications that are being prepared for filing.

The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. One or more of the above patent applications may be denied. In addition, our issued patents may be challenged, based on prior art circumvented or otherwise not provide protection for the products we develop. Furthermore, we may not be able to obtain patent licenses from third parties required for the development of new products for use with our system. We also note that U.S. patents and patent applications may be subject to interference proceedings and U.S. patents may be subject to reexamination proceedings in the U.S. Patent and Trademark Office (and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office), which proceedings could result in either loss

of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination and opposition proceedings may be costly. In the event that we seek to enforce any of our owned or exclusively licensed patents against an infringing party, it is likely that the party defending the claim will seek to invalidate the patents we assert, which, if successful could result in the entire loss of our patent or the relevant portion of our patent and not just with respect to that particular infringer. Any litigation to enforce or defend our patents rights, even if we were to prevail, could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations.

It would be technically difficult and costly to reverse engineer our *Niobe* system, which contains numerous complex algorithms that control our disposable devices inside the magnetic fields generated by the *Niobe* system. We further believe that our patent portfolio is broad enough in scope to enable us to obtain legal relief if any entity not licensed by us attempted to market disposable devices that can be navigated by the *Niobe* system. We can also utilize security keys, such as embedded smart chips or associated software that could allow our system to recognize specific disposable interventional devices in order to prevent unauthorized use of our system.

We have also developed substantial know-how in magnet design, magnet physics and magnetic instrument control that was developed in connection with the development of the *Niobe* system, which we maintain as trade secrets. This know-how centers around our proprietary magnet design, which is a critical aspect of our ability to design, manufacture and install a cost-effective Magnetic Navigation System that is small enough to be installed in a standard interventional lab. Our *Odyssey* Solution contains numerous complex algorithms and proprietary software and hardware configurations, and requires substantial knowledge to design and assemble, which we maintain as trade secrets. These proprietary software and hardware, some of which is owned by Stereotaxis, and some of which is licensed to Stereotaxis, is a material aspect of the ability to design, manufacture and install a cost-effective and efficient information integration, storage, and delivery platform.

We seek to protect our proprietary information by requiring our employees, consultants, contractors, outside parties and other advisers who are engaged in development work for us to execute nondisclosure and assignment of invention agreements upon commencement of their employment or engagement, through which we seek to protect our intellectual property. These agreements to protect our unpatented technology provide only limited and possibly inadequate protection of our rights. Third parties may therefore be able to use our unpatented technology, reducing our ability to compete. In addition, employees, consultants and other parties to these agreements may breach them and adequate remedies may not be available to us for their breaches. Many of our employees were previously employed at universities or other medical device companies, including potential competitors. We could in the future be subject to claims that these employees or we have used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert the attention of management and key personnel from our business operations. We also generally seek confidentiality agreements from third parties that receive our confidential data or materials.

Intellectual property risks and uncertainties are further discussed in “Item 1A—Risk Factors” in this annual report.

COMPETITION

The markets for medical devices are intensely competitive and are characterized by rapid technological advances, frequent new product introductions, evolving industry standards and price erosion.

We consider the primary competition to our *Niobe* system to be existing manual catheter-based interventional techniques and surgical procedures. To our knowledge, we are the only company that has

commercialized remote, digital and direct control of the working tip of both catheters and guidewires for interventional use. Our success depends in part on convincing hospitals and physicians to convert existing interventional procedures to computer-assisted procedures.

We also face competition from companies that are developing new approaches and products for use in interventional procedures, including robotic approaches that are directly competitive with our technology. Some of these companies may have an established presence in the field of interventional cardiology, including the major imaging, capital equipment and disposables companies that are currently selling products in the interventional lab. We are aware of one public company that has commercialized a catheter delivery system which has been cleared by the FDA for mapping procedures only. In addition, we are aware of one private company with an electro-magnetic catheter delivery system that has received CE Mark approval in Europe. We also face competition from companies who currently market or are developing drugs, gene or cellular therapies to treat the conditions for which our products are intended.

We face direct competition to certain products in our *Odyssey* Solution, such as the *Odyssey* Vision. These competitor products primarily compete with individual components of our *Odyssey* Solution. We expect to continue to face competitive pressure in this market in the future, based on the rapid pace of advancements with this technology.

We believe that the primary competitive factors in the market we address are capability, safety, efficacy, ease of use, price, quality, reliability and effective sales, support, training and service. The length of time required for products to be developed and to receive regulatory and reimbursement approval is also an important competitive factor. See “Item 1A—Risk Factors” for a discussion of other competitive risks facing our business.

GOVERNMENT REGULATION

The healthcare industry, and thus our business, is subject to extensive federal, state, local and other national and international regulation. Some of the pertinent laws have not been definitively interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. In addition, these laws and their interpretations are subject to change.

Both federal and state governmental agencies continue to subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. As indicated by work plans and reports issued by these agencies, the federal government will continue to scrutinize, among other things, the billing practices of healthcare providers and the marketing of healthcare products. The federal government also has increased funding in recent years to fight healthcare fraud, and various agencies, such as the U.S. Department of Justice, the Office of Inspector General of the Department of Health and Human Services, or OIG, and state Medicaid fraud control units, are coordinating their enforcement efforts.

We believe that we have structured our business operations and relationships with our customers, consultants, agents, and distributors to comply with all applicable legal requirements. However, it is possible that governmental entities or other third parties could interpret these laws differently and assert otherwise. We discuss below the statutes and regulations that are most relevant to our business and most frequently cited in enforcement actions.

U.S. Food and Drug Administration Regulation

The FDA strictly regulates the medical devices we produce under the authority of the Federal Food, Drug and Cosmetic Act (FD&C Act), the regulations promulgated under the FD&C Act, and other federal and state statutes and regulations. The FD&C Act governs, among other things, the pre-clinical and clinical testing, design, manufacture, safety, efficacy, labeling, storage, record keeping, post market surveillance, reporting and advertising and promotion of medical devices.

Our medical devices are categorized under the statutory framework described in the FD&C Act. This framework is a risk-based system which classifies medical devices into three classes from lowest risk (Class I) to highest risk (Class III). In general, Class I and II devices are either exempt from the need for FDA clearance or cleared for marketing through a premarket notification, or 510(k), process. Our Class II devices subject to 510(k) requirements provide diagnostic information or are considered to be general tools, such as our *Niobe* system and our suite of guidewires, which have utility in a variety of interventional procedures. Our Class III therapeutic devices are subject to the premarket approval, or PMA, process. If clinical data are needed to support clearance, approval or a marketing application for our devices, generally, an investigational device exemption, or IDE, is assembled and submitted to the FDA. The FDA reviews and must approve the IDE before the study can begin. In addition, the study must be approved by an Institutional Review Board covering each clinical site involved in the study. When all approvals are obtained, we initiate a clinical study to evaluate the device. Following completion of the study, we collect, analyze and present the data in an appropriate submission to the FDA (i.e. in support of either a 510(k) or PMA).

Under the 510(k) process, the FDA determines whether or not the device is “substantially equivalent” to a previously marketed predicate device. In making this determination, the FDA compares the new device to the predicate device and if the two devices are “substantially equivalent” in intended use, safety, and effectiveness, the device may be cleared for marketing and introduction into domestic commerce. The 510(k) process underwent a significant review in 2011, including an exhaustive report filed by the Institute of Medicine (IOM). It is anticipated that this review may elicit significant changes in the 510(k) process moving forward. In the interim, the uncertainty surrounding the key elements of the 510(k) process has significantly increased the degree of difficulty in predicting regulatory pathways and timelines for all medical device companies.

Under the PMA process, the FDA examines detailed data relating to the safety and effectiveness of the device. This information includes design, development, manufacture, labeling, advertising, pre-clinical testing, and clinical study data. Prior to approving the PMA, the FDA generally will conduct an inspection of the facilities producing the device and one or more clinical sites where the study was conducted. The Establishment Inspection evaluates the Company’s readiness to commercially produce and distribute the device, including an evaluation of compliance under the Quality System Regulation (QSR). Under certain circumstances, the FDA may convene an advisory panel meeting to seek review of the data presented in the PMA. If the FDA’s evaluation is favorable, the PMA is approved, and the device can be marketed in the U.S. The FDA may approve the PMA with conditions, such as post-market surveillance requirements.

Further, we are subject to, at any time, periodic and routine inspection by FDA to ensure product compliance with the QSR quality standards. Companies deemed non-compliant with the QSR in part or in full may receive a Warning Letter and/or be subject to other enforcement actions.

We evaluate changes made to our products following 510(k) clearance or PMA approval for significance and if appropriate, make a subsequent submission to the FDA. In the case of a significant change being made to a 510(k) device, we submit a new 510(k). For a PMA device, we will either need approval through a PMA supplement or will need to notify the FDA.

For our 510(k) devices, we design the submission to cover multiple models or variations in order to minimize the number of submissions. For our PMA devices, we often rely upon the PMA approvals of our strategic partners to utilize the PMA supplement regulatory path rather than pursue an original PMA. Because of the differences in the amount of data and numbers of patients in clinical trials, a PMA supplement process is often much simpler than that required for approval of an original PMA.

International Regulation

In order for us to market our products in other countries, we must obtain regulatory approvals and comply with extensive safety and quality regulations in other countries. These regulations, including the requirements for

approvals or clearance and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval in any country in which we plan to market our products may limit our ability to generate revenue and harm our business.

The primary regulatory environment in Europe is that of the European Union, which consists of 27 countries encompassing most of the major countries in Europe. The European Union requires that manufacturers of medical products obtain the right to affix the CE Mark to their products before selling them in member countries of the European Union. The CE Mark is an international symbol of adherence to quality assurance standards and compliance with applicable medical device directives. In order to obtain the right to affix the CE Mark to products, a manufacturer must obtain certification that its processes meet certain quality standards. Compliance with the Medical Device Directive, as certified by a recognized European Notified Body, permits the manufacturer to affix the CE Mark on its products and commercially distribute those products throughout the European Union.

If we modify existing products or develop new products in the future, including new devices, we will need to apply for permission to affix the CE Mark to such products. We will be subject to regulatory audits, currently conducted annually, in order to maintain any CE Mark permissions we have already obtained.

Anti-Kickback Statute

The federal healthcare program Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or furnishing or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. The definition of “remuneration” has been broadly interpreted to include anything of value, including for example gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash and waivers of payments. Several courts have interpreted the statute’s intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. Penalties for violations include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs.

Many states have adopted laws similar to the federal Anti-Kickback Statute. Some of these state prohibitions apply to referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.

Government officials have focused their enforcement efforts on marketing of healthcare services and products, among other activities, and recently have brought cases against sales personnel who allegedly offered unlawful inducements to potential or existing customers in an attempt to procure their business. As part of our compliance program, we have established a formal Clinical Compliance Committee and appointed a Clinical Compliance Officer to help ensure compliance with the Anti-Kickback Statute and similar state laws and we train our employees on our healthcare compliance policies. However, we cannot rule out the possibility that the government or other third parties could interpret these laws differently and assert otherwise.

Beginning upon ratification of the final regulation in 2012, under the Physician Payment Sunshine Act we must track and report (starting Q1, 2013) to the federal government all “transfers of value” between Stereotaxis and US physicians and/or teaching hospitals and other relevant healthcare professionals.

HIPAA and Other Privacy Laws

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, created two federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors.

A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines or imprisonment.

In addition to creating the two new federal healthcare crimes, HIPAA also establishes uniform standards governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of individually identifiable health information maintained or transmitted by healthcare providers, health plans and healthcare clearinghouses. Two standards have been promulgated under HIPAA: the Standards for Privacy of Individually Identifiable Health Information, which restrict the use and disclosure of certain individually identifiable health information, and the Standards for Electronic Transactions, which establish standards for common healthcare transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures. In addition, the Security Standards require covered entities to implement certain security measures to safeguard certain electronic health information. In parallel with HIPAA, Stereotaxis acknowledges that it is also subject to the Privacy and Security Standards as those Standards are applicable to it under HITECH, the Health Information Technology for Economic and Clinical Health Act, which is Title XIII of the American Recovery and Reinvestment Act.

In addition to federal regulations issued under HIPAA, some states and foreign countries have enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA. In those cases, it may be necessary to modify our operations and procedures to comply with the more stringent state and foreign laws, which may entail significant and costly changes for us. We believe that we are in compliance with such state and applicable foreign laws and regulations. However, if we fail to comply with applicable state or foreign laws and regulations, we could be subject to additional sanctions.

Federal False Claims Act

Another trend affecting the healthcare industry is the increased use of the federal False Claims Act and, in particular, actions under the False Claims Act's "whistleblower" or "qui tam" provisions. Those provisions allow a private individual to bring actions on behalf of the government alleging that the defendant has defrauded the federal government. The government must decide whether to intervene in the lawsuit and to become the primary prosecutor. If it declines to do so, the individual may choose to pursue the case alone, although the government must be kept apprised of the progress of the lawsuit. Whether or not the federal government intervenes in the case, it will receive the majority of any recovery. If the individual's litigation is successful, the individual is entitled to no less than 15%, but no more than 30%, of whatever amount the government recovers. In recent years, the number of suits brought against healthcare providers by private individuals has increased dramatically. In addition, various states have enacted laws modeled after the federal False Claims Act.

When an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties from $5,500 to $11,000 for each separate false claim. There are many potential bases for liability under the federal False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. Although simple negligence should not give rise to liability, submitting a claim with reckless disregard or deliberate ignorance of its truth or falsity could result in substantial civil liability. The False Claims Act has been used to assert liability on the basis of inadequate care, improper referrals, and improper use of Medicare numbers when detailing the provider of services, in addition to the more predictable allegations as to misrepresentations with respect to the services rendered. We are unable to predict whether we could be subject to actions under the False Claims Act, or the impact of such actions. However, the costs of defending claims under the False Claims Act, as well as sanctions imposed under the Act, could significantly affect our financial performance.

Certificate of Need Laws

In approximately two-thirds of the states, a certificate of need or similar regulatory approval is required prior to the acquisition of high-cost capital items or various types of advanced medical equipment, such as our *Niobe* system. At present, many of the states in which we sell *Niobe* systems have laws that require institutions located in those states to obtain a certificate of need in connection with the purchase of our system, and some of our purchase orders are conditioned upon our customer's receipt of necessary certificate of need approval. Certificate of need laws were enacted to contain rising health care costs, prevent the unnecessary duplication of health resources, and increase patient access for health services. In practice, certificate of need laws have prevented hospitals and other providers who have been unable to obtain a certificate of need from acquiring new equipment or offering new services. A further increase in the number of states regulating our business through certificate of need or similar programs could adversely affect us. Moreover, some states may have additional requirements. For example, we understand that California's certificate of need law also incorporates seismic safety requirements which must be met before a hospital can acquire our *Niobe* system.

Employees

As of December 31, 2011, we had 171 employees, 31 of whom were engaged directly in research and development, 76 in sales and marketing activities, 27 in manufacturing and service, 8 in regulatory, clinical affairs and quality activities, 5 in training activities and 24 in general administrative and accounting activities. A significant majority of our employees is not covered by a collective bargaining agreement, and we consider our relationship with our employees to be good.

Availability of Information

We make certain filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, available free of charge in the Investor Relations section of our website, *http://www.stereotaxis.com*, as soon as reasonably practicable after they are filed with the SEC. The filings are also available through the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Further, these filings are available on the Internet at http://www.sec.gov. Information contained on our website is not part of this report and such information is not incorporated by reference into this report.

ITEM 1A. RISK FACTORS

The following uncertainties and factors, among others, could affect future performance and cause actual results to differ materially from those expressed or implied by forward looking statements.

We may not generate cash from operations or be able to raise the necessary capital to continue operations.

We will require additional funds to meet our operational, working capital and capital expenditure needs in the future. We cannot be certain that we will be able to obtain additional funds on favorable terms or at all. If we cannot raise capital on acceptable terms, we will not be able to, among other things:

- service our debt obligations and meet our financial covenants;
- maintain customer and vendor relationships;
- hire, train and retain employees;
- maintain or expand our operations;
- enhance our existing products or develop new ones; or
- respond to competitive pressures.

Our failure to do any of these things could result in lower revenue and adversely affect our financial condition and results of operations, and we may have to curtail or cease operations.

Our auditors have expressed substantial doubt regarding our ability to continue as a going concern. If we are unable to continue as a going concern, we may be required to substantially revise our business plan or cease operations.

As of December 31, 2011, we had cash and cash equivalents of $14.0 million and a working capital deficit of $6.6 million. We incurred net losses of $32.0 million, $19.9 million, and $27.5 million in 2011, 2010 and 2009, respectively. As a result, our auditors have expressed substantial doubt about our ability to continue as a going concern. We cannot assure you that we will be able to obtain sufficient funds from our operating or financing activities to support our continued operations. If we cannot continue as a going concern, we may need to substantially revise our business plan or cease operations, which may reduce or negate the value of your investment. In addition, receiving an opinion from our auditors that expresses doubt about our ability to continue as a going concern may impair our ability to raise new capital, obtain new customers, and hire and retain employees.

We may not be able to comply with debt covenants and may have to repay outstanding indebtedness.

We have financed our operations through equity transactions and bank and other borrowings. A portion of our existing indebtedness currently matures on March 31, 2012. In addition, our current loan agreements contain financial and other covenants. If we are unable to renew our loan agreement prior to March 31, 2012 or if we violate our covenants, we could be required to repay our existing indebtedness. We could be unable to make these payments, which could lead to insolvency. Even if we are able to make these payments, it will lead to the lack of availability for additional borrowings under our bank loan agreement due to our borrowing capacity. There can be no assurance that we will be able to maintain compliance with these covenants or that we could replace this source of liquidity if these covenants were to be violated and our loans were forced to be repaid.

Hospital decision-makers may not purchase our *Niobe*®, *Odyssey*™, or *Vdrive*™ systems or may think that such systems are too expensive.

To achieve and grow sales, hospitals must purchase our products, and in particular, our *Niobe* system. The *Niobe* system is a novel device, and hospitals and physicians are traditionally slow to adopt new products and treatment practices. In addition, hospitals may delay their purchase or installation decision for the *Niobe* system

based on the disposable interventional devices that have received regulatory clearance or approval. Moreover, the *Niobe* system is an expensive piece of capital equipment, representing a significant portion of the cost of a new or replacement interventional lab. Although priced significantly below a *Niobe* system, the *Odyssey* and *Vdrive* systems are still expensive products. If hospitals do not widely adopt our systems, or if they decide that they are too expensive, we may never become profitable. Any failure to sell as many systems as our business plan requires could also have a seriously detrimental impact on our results of operations, financial condition, and cash flow.

If we are unable to fulfill our current purchase orders and other commitments on a timely basis or at all, we may not be able to achieve future sales growth.

Our backlog, which consists of purchase orders and other commitments, is considered by some investors to be a significant indicator of future performance. Consequently, negative changes to this backlog or its failure to grow commensurate with expectations could negatively impact our future operating results or our share price. Our backlog includes those outstanding purchase orders and other commitments that management believes will result in recognition of revenue upon delivery or installation of our systems. We cannot assure you 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. System installation is by its nature subject to the interventional lab construction or renovation process which comprises multiple stages, all of which are outside of our control. Although the actual installation of our *Niobe* system requires only a few weeks, and can be accomplished by either our staff or by subcontractors, successful installation of our system can be subjected to delays related to the overall construction or renovation process. If we experience any failures or delays in completing the installation of these systems, our reputation would suffer and we may not be able to sell additional systems. We have experienced situations in which our purchase orders and other commitments did not result in recognizing revenue from placement of a system with a customer. In addition to construction delays, there are risks that an institution will attempt to cancel a purchase order as a result of subsequent project review by the institution or the departure from the institution of physicians or physician groups who have expressed an interest in the *Epoch* Solution.

In 2011, we experienced a significant decrease in our backlog. These, or similar events, have occurred in the past and are likely to occur in the future, causing delays in revenue recognition or even removal of orders and other commitments from our backlog. Such events would have a negative effect on our revenue and results of operations.

We will likely experience long and variable sales and installation cycles, which could result in substantial fluctuations in our quarterly results of operations.

We anticipate that our *Niobe* system will continue to have a lengthy sales cycle because it consists of a relatively expensive piece of capital equipment, the purchase of which requires the approval of senior management at hospitals, inclusion in the hospitals' interventional lab budget process for capital expenditures, and, in some instances, a certificate of need from the state or other regulatory approval. In addition, historically the majority of our *Niobe* and *Odyssey* systems have been delivered less than one year after the receipt of a purchase order from a hospital, with the timing being dependant on the construction cycle for the new or replacement interventional suite in which the equipment will be installed. In some cases, this time frame has been extended further because the interventional suite construction is part of a larger construction project at the customer site (typically the construction of a new building), which may occur with our existing and future purchase orders. We cannot assure you that the time from purchase order to delivery for systems to be delivered in the future will be consistent with our historical experience. Moreover, the global economic slowdown may cause our customers to further delay construction or significant capital purchases, which could further lengthen our sales cycle. This may contribute to substantial fluctuations in our quarterly operating results. As a result, in future quarters our operating results could fall below the expectations of securities analysts or investors, in which event our stock price would likely decrease.

The rate of technological innovation of the *Odyssey*™ Solution might not keep pace with the rest of the market.

The rate of innovation for the market in which the *Odyssey* Solution competes is fast-paced and requires significant resources and innovation. The technology surrounding these products is still in its growth stages and if a larger competitor with significant capital entered the market, it could be difficult for us to maintain our advantages associated with being an early developer of this technology. In addition, connectivity with other devices in the electrophysiology lab is a key driver of value for the *Odyssey* Solution. If the Company is not able to continue to commit sufficient resources to ensure that its products are compatible with other products within the electrophysiology lab, this could have a negative impact on *Odyssey* system revenue.

General economic conditions could materially adversely impact us.

Our operating performance is dependent upon economic conditions in the United States and in other countries in which we operate. The recent economic downturn or the lack of a robust recovery in the United States and in other countries in which we sell our products may cause customers to delay purchasing or installation decisions or cancel existing orders. The *Niobe*, *Odyssey* and *Vdrive* systems are typically purchased as part of a larger overall capital project and an economic downturn or the lack of a robust recovery might make it more difficult for our customers, including distributors, to obtain adequate financing to support the project or to obtain requisite approvals. Any delay in purchasing decisions or cancellation of purchasing commitments may result in a decrease in our revenues. A credit crisis could further affect our business if key suppliers are unable to obtain financing to manufacture our products or become insolvent and we are unable to manufacture product to meet customer demand. If conditions become more severe or continue longer than we anticipate, we may experience a material negative decrease on the demand for our products which may, in turn, have a material adverse effect on our revenue, profitability, financial condition, ability to raise additional capital and the market price of our stock.

Physicians may not use our products if they do not believe they are safe, efficient and effective.

We believe that physicians will not use our products unless they determine that the *Niobe* and *Vdrive* systems provide a safe, effective and preferable alternative to interventional methods in general use today. If longer-term patient studies or clinical experience indicate that treatment with our system or products is less effective, less efficient or less safe than our current data suggest, our sales would be harmed, and we could be subject to significant liability. Further, unsatisfactory patient outcomes or patient injury could cause negative publicity for our products, particularly in the early phases of product introduction. In addition, physicians may be slow to adopt our products if they perceive liability risks arising from the use of these new products. It is also possible that as our products become more widely used, latent defects could be identified, creating negative publicity and liability problems for us and adversely affecting demand for our products. If physicians do not use our products, we likely will not become profitable or generate sufficient cash to survive as a going concern.

Our collaborations with Siemens, Philips, Biosense Webster or other parties may fail, or we may not be able to enter into additional alliances or collaborations in the future.

We have collaborated with and are continuing to collaborate with Siemens, Philips, Biosense Webster and other parties to integrate our instrument control technology with their respective imaging products or disposable interventional devices and to co-develop additional disposable interventional devices for use with our *Niobe* system. A significant portion of our revenue from system sales is derived from these integrated products. In addition, Siemens provides post-installation maintenance and support services to our customers for our integrated systems.

Our product commercialization plans could be disrupted, leading to lower than expected revenue and a material and adverse impact on our results of operations and cash flow, if:

- any of our collaboration partners delays or fails in the integration of its technology with our *Niobe* system as planned;

- any of our collaboration partners fails to develop or commercialize the integrated products in a timely manner;
- any of our collaboration partners do not co-market and co-promote our integrated products diligently or do not provide maintenance and support services as we expect; or
- we become involved in disputes with one or more of our collaboration partners regarding our collaborations.

Siemens, Philips and Biosense Webster, as well as some of our other collaborators, are large, global organizations with diverse product lines and interests that may diverge from our interests in commercializing our products. Accordingly, our collaborators may not devote adequate resources to our products, or may experience financial difficulties, change their business strategy or undergo a business combination that may affect their willingness or ability to fulfill their obligations to us.

The failure of one or more of our collaborations could have a material adverse effect on our financial condition, results of operations and cash flow. In addition, if we are unable to enter into additional collaborations in the future, or if these collaborations fail, our ability to develop and commercialize products could be impacted negatively and our revenue could be adversely affected.

The complexity associated with selling, marketing, and distributing products could impair our ability to increase revenue.

We currently market our products in the U.S., Europe and the rest of the world through a direct sales force of sales specialists, distributors and sales agents, supported by account managers and clinical specialists who provide training, clinical support, and other services to our customers. If we are unable to effectively utilize our existing sales force or increase our existing sales force in the foreseeable future, we may be unable to generate the revenue we have projected in our business plan. Factors that may inhibit our sales and marketing efforts include:

- our inability to recruit and retain adequate numbers of qualified sales and marketing personnel;
- our inability to accurately forecast future product sales and utilize resources accordingly;
- the inability of sales personnel to obtain access to or persuade adequate numbers of hospitals and physicians to purchase and use our products; and
- unforeseen costs associated with maintaining and expanding an independent sales and marketing organization.

In addition, if we fail to effectively use distributors or contract sales agents for distribution of our products where appropriate, our revenue and profitability would be adversely affected.

Our marketing strategy is dependent on collaboration with physician "thought leaders."

Our research and development efforts and our marketing strategy depend heavily on obtaining support, physician training assistance, and collaboration from highly regarded physicians at leading commercial and research hospitals, particularly in the U.S. and Europe. If we are unable to gain and/or maintain such support, training services, and collaboration or if the reputation or standing of these physicians is impaired or otherwise adversely affected, our ability to market our products and, as a result, our financial condition, results of operations and cash flow could be materially and adversely affected.

We may not be able to rapidly train physicians in numbers sufficient to generate adequate demand for our products.

In order for physicians to learn to use the *Niobe* system, they must attend structured training sessions in order to familiarize themselves with a sophisticated user interface. Continued market acceptance could be

delayed by lack of physician willingness to attend training sessions, by the time required to complete this training, or by state or institutional restrictions on our ability to provide training. An inability to train a sufficient number of physicians to generate adequate demand for our products could have a material adverse impact on our financial condition and cash flow.

Customers may choose to purchase competing products and not ours.

Our products must compete with established manual interventional methods. These methods are widely accepted in the medical community, have a long history of use and do not require the purchase of an additional expensive piece of capital equipment. In addition, many of the medical conditions that can be treated using our products can also be treated with existing pharmaceuticals or other medical devices and procedures. Many of these alternative treatments are widely accepted in the medical community and have a long history of use.

We also face competition from companies that are developing drugs or other medical devices or procedures to treat the conditions for which our products are intended. The medical device and pharmaceutical industries make significant investments in research and development, and innovation is rapid and continuous. Other companies in the medical device industry continue to develop new devices and technologies for manual intervention methods. We are aware of one public company that has commercialized a catheter delivery system which has been cleared by the FDA for mapping procedures only. In addition, we are aware of one private company with an electro-magnetic catheter delivery system that has received CE Mark approval in Europe. We also face competition from companies who currently market or are developing drugs, gene or cellular therapies to treat the conditions for which our products are intended. If these or other new products or technologies emerge that provide the same or superior benefits as our products at equal or lesser cost, it could render our products obsolete or unmarketable. In addition, the presence of other competitors may cause potential customers to delay their purchasing decisions, resulting in a longer than expected sales cycle, even if they do not choose our competitors' products. We cannot be certain that physicians will use our products to replace or supplement established treatments or that our products will be competitive with current or future products and technologies.

Many of our other competitors also have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger base of customers than we do. In addition, as the markets for medical devices develop, additional competitors could enter the market. We cannot assure you that we will be able to compete successfully against existing or new competitors. Our revenue would be reduced or eliminated if our competitors develop and market products that are more effective and less expensive than our products.

If the magnetic fields generated by our system are not compatible with, or interfere with, other widely used equipment in the interventional labs, sales of our products would be negatively affected.

Our *Niobe* system generates magnetic fields that directly govern the motion of the internal, or working, tip of disposable interventional devices. If other equipment in the interventional labs or elsewhere in a hospital is incompatible with the magnetic fields generated by our system, or if our system interferes with such equipment, we may be required to install additional shielding, which may be expensive and which may not solve the problem. If magnetic interference becomes a significant issue at targeted institutions, it would increase our installation costs at those institutions and could limit the number of hospitals that would be willing to purchase and install our systems, either of which would adversely affect our financial condition, results of operations and cash flow.

The use of our products could result in product liability claims that could be expensive, divert management's attention, and harm our reputation and business.

Our business exposes us to significant risks of product liability claims. The medical device industry has historically been litigious, and we could face product liability claims if the use of our products were to cause injury or death. The coverage limits of our product liability insurance policies may not be adequate to cover

future claims, and we may be unable to maintain product liability insurance in the future at satisfactory rates or adequate amounts. A product liability claim, regardless of its merit or eventual outcome, could divert management's attention, result in significant legal defense costs, significant harm to our reputation and a decline in revenue.

Our costs could substantially increase if we receive a significant number of warranty claims.

We generally warrant each of our products against defects in materials and workmanship for a period of 12 months following the installation of our system. If product returns or warranty claims increase, we could incur unanticipated additional expenditures for parts and service. In addition, our reputation and goodwill in the interventional lab market could be damaged. Unforeseen warranty exposure in excess of our established reserves for liabilities associated with product warranties could materially and adversely affect our financial condition, results of operations and cash flow.

We have incurred substantial losses in the past and may not be profitable in the future.

We have incurred substantial net losses since inception, and we expect to incur substantial net losses into 2012 as we continue the commercialization of our products. We are still in the process of realizing the full potential of the commercialization of our technology, and will need to continue to make improvements to that technology. Moreover, the extent of our future losses and the timing of profitability are highly uncertain, and we may never achieve profitable operations. If we require more time than we expect to generate significant revenue and achieve profitability, we may not be able to continue our operations. Our failure to achieve profitability could negatively impact the market price of our common stock. Even if we do become profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis. Furthermore, even if we achieve significant revenue, we may choose to pursue a strategy of increasing market penetration and presence or expand or accelerate new product development or clinical research activities at the expense of profitability.

Our reliance on contract manufacturers and on suppliers, and in some cases, a single supplier, could harm our ability to meet demand for our products in a timely manner or within budget.

We depend on contract manufacturers to produce and assemble certain of the components of our systems and other products such as our guidewires and electrophysiology catheter advancement devices. We also depend on various third party suppliers for the magnets we use in our *Niobe* system and certain components of our *Odyssey* Solution and *Vdrive* system. In addition, some of the components necessary for the assembly of our products are currently provided to us by a single supplier, including the magnets for our *Niobe* system and certain components of our *Odyssey* Solution, and we generally do not maintain large volumes of inventory. Our reliance on these third parties involves a number of risks, including, among other things, the risk that:

- we may not be able to control the quality and cost of our system or respond to unanticipated changes and increases in customer orders;
- we may lose access to critical services, materials, or components, resulting in an interruption in the manufacture, assembly and shipment of our systems; and
- we may not be able to find new or alternative components for our use or reconfigure our system and manufacturing processes in a timely manner if the components necessary for our system become unavailable.

If any of these risks materialize, it could significantly increase our costs and impair product delivery.

Lead times for materials and components ordered by us and our contract manufacturers vary and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. We and our contract manufacturers acquire materials, complete standard subassemblies and assemble fully configured systems based on sales forecasts. If orders do not match forecasts, our contract manufacturers and we may have excess or inadequate inventory of materials and components.

In addition, if these manufacturers or suppliers stop providing us with the components or services necessary for the operation of our business, we may not be able to identify alternate sources in a timely fashion. Any transition to alternate manufacturers or suppliers would likely result in operational problems and increased expenses and could delay the shipment of, or limit our ability to provide, our products. We cannot assure you that we would be able to enter into agreements with new manufacturers or suppliers on commercially reasonable terms or at all. Additionally, obtaining components from a new supplier may require a new or supplemental filing with applicable regulatory authorities and clearance or approval of the filing before we could resume product sales. Any disruptions in product flow may harm our ability to generate revenue, lead to customer dissatisfaction, damage our reputation and result in additional costs or cancellation of orders by our customers.

We also rely on Biosense Webster and other parties to manufacture a number of disposable interventional devices for use with our *Niobe* system. If these parties cannot manufacture sufficient quantities of disposable interventional devices to meet customer demand, or if their manufacturing processes are disrupted, our revenue and profitability would be adversely affected.

Risks associated with international manufacturing and trade could negatively impact the availability and cost of our products because materials used to manufacture our magnets, one of our key system components, are sourced from overseas.

We purchase the permanent magnets for our *Niobe* system from a manufacturer that uses material produced in Japan, and we anticipate that certain of the production work for these magnets will be performed for this manufacturer in China. In addition, our subcontractor purchases magnets for our disposable interventional devices directly from a manufacturer in Japan. Any event causing a significant increase in price or a disruption of imports, including the imposition of import restrictions, could adversely affect our business. The flow of components from our vendors could also be adversely affected by financial or political instability in any of the countries in which the goods we purchase are manufactured, if the instability affects the production or export of product components from those countries. Trade restrictions in the form of tariffs or quotas, or both, could also affect the importation of those product components and could increase the cost and reduce the supply of products available to us. In addition, decreases in the value of the U.S. dollar against foreign currencies could increase the cost of products we purchase from overseas vendors.

We may encounter problems at our manufacturing facilities or those of our subcontractors or otherwise experience manufacturing delays that could result in lost revenue.

We subcontract the manufacture and assembly of components of our *Niobe*, *Odyssey*, and *Vdrive* systems, and all of our disposable devices. The products we design may not satisfy all of the performance requirements of our customers and we may need to improve or modify the design or ask our subcontractors to modify their production process in order to do so. In addition, we or our subcontractors may experience quality problems, substantial costs and unexpected delays related to efforts to upgrade and expand manufacturing, assembly and testing capabilities. If we incur delays due to quality problems or other unexpected events, our revenue may be impacted.

We may be unable to protect our technology from use by third parties.

Our commercial success will depend in part on obtaining patent and other intellectual property right protection for the technologies contained in our products and on successfully defending these rights against third party challenges. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. We cannot assure you that we will obtain the patent protection we seek, that any protection we do obtain will be found valid and enforceable if challenged or that it will confer any significant commercial advantage. U.S. patents and patent applications may also be subject to interference proceedings and U.S. patents may be subject to re-examination proceedings in the U.S. Patent and Trademark Office, and foreign patents may be subject to opposition or comparable proceedings in the

corresponding foreign patent office, which proceedings could result in either loss of the patent or denial of the patent application or loss, or reduction in the scope of one or more of the claims of, the patent or patent application. In addition, such interference, re-examination, and opposition proceedings may be costly. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future, or those we may license from third parties may not result in patents being issued and certain foreign patent applications for medical related devices and methods may be found unpatentable. If issued, they may not provide us with proprietary protection or competitive advantages against competitors with similar technology.

Some of our technology was developed in conjunction with third parties, and thus there is a risk that a third party may claim rights in our intellectual property. Outside the U.S., we rely on third-party payment services for the payment of foreign patent annuities and other fees. Non-payment or delay in payment of such fees, whether intentional or unintentional, may result in loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties (for example, the patent owner has failed to "work" the invention in that country, or the third party has patented improvements). In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. We also cannot assure you that we will be able to develop additional patentable technologies. If we fail to obtain adequate patent protection for our technology, or if any protection we obtain becomes limited or invalidated, others may be able to make and sell competing products, impairing our competitive position.

Our trade secrets, nondisclosure agreements and other contractual provisions to protect unpatented technology provide only limited and possibly inadequate protection of our rights. As a result, third parties may be able to use our unpatented technology, and our ability to compete in the market would be reduced. In addition, employees, consultants and others who participate in developing our products or in commercial relationships with us may breach their agreements with us regarding our intellectual property, and we may not have adequate remedies for the breach.

Our competitors may independently develop similar or alternative technologies or products that are equal or superior to our technology and products without infringing any of our patent or other intellectual property rights, or may design around our proprietary technologies. Our competitors may acquire similar or even the same technology components that are utilized in our current offering eroding some differentiation in the marketplace. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent, as do the laws of the U.S., particularly in the field of medical products and procedures.

Third parties may assert that we are infringing their intellectual property rights.

Successfully commercializing our products will depend in part on not infringing patents held by third parties. It is possible that one or more of our products, including those that we have developed in conjunction with third parties, infringes existing patents. We may also be liable for patent infringement by third parties whose products we use or combine with our own and for which we have no right to indemnification. In addition, because patent applications are maintained under conditions of confidentiality and can take many years to issue, there may be applications now pending of which we are unaware and which may later result in issued patents that our products infringe. Determining whether a product infringes a patent involves complex legal and factual issues and may not become clear until finally determined by a court in litigation. Our competitors may assert that our products infringe patents held by them. Moreover, as the number of competitors in our market grows the possibility of a patent infringement claim against us increases. If we were not successful in obtaining a license or redesigning our products, we could be subject to litigation. If we lose in this kind of litigation, a court could require us to pay substantial damages or prohibit us from using technologies essential to our products covered by third-party patents. An inability to use technologies essential to our products would have a material adverse effect on our financial condition, results of operations and cash flow and could undermine our ability to continue operating as a going concern.

Expensive intellectual property litigation is frequent in the medical device industry.

Infringement actions, validity challenges and other intellectual property claims and proceedings, whether with or without merit, can be expensive and time-consuming and would divert management's attention from our business. We have incurred, and expect to continue to incur, substantial costs in obtaining patents and may have to incur substantial costs defending our proprietary rights. Incurring such costs could have a material adverse effect on our financial condition, results of operations and cash flow.

We may not be able to maintain all the licenses or rights from third parties necessary for the development, manufacture, or marketing of new and existing products.

As we develop additional products and improve or maintain existing products, we may find it advisable or necessary to seek licenses or otherwise make payments in exchange for rights from third parties who hold patents covering certain technology. If we cannot obtain or maintain the desired licenses or rights for any of our products, we could be forced to try to design around those patents at additional cost or abandon the product altogether, which could adversely affect revenue and results of operations. If we have to abandon a product, our ability to develop and grow our business in new directions and markets would be adversely affected. If we do not maintain licenses or exclusivity with suppliers of certain components of our *Odyssey* Solution, competitors may enter the market, negatively impacting our ability to develop and commercialize *Odyssey* Solution.

Our products and related technologies can be applied in different medical applications, and we may fail to focus on the most profitable areas.

The *Niobe* system is designed to have the potential for expanded applications beyond electrophysiology and interventional cardiology, including congestive heart failure, structural heart repair, interventional neurosurgery, interventional neuroradiology, peripheral vascular, pulmonology, urology, gynecology and gastrointestinal medicine. We continue to develop the *Odyssey* Solution and *Vdrive* system for interventional labs that have a *Niobe* system installed as well as those standard interventional labs that do not have a *Niobe* system installed. However, we have limited financial and managerial resources and therefore may be required to focus on products in selected industries and sites and to forego efforts with regard to other products and industries. Our decisions may not produce viable commercial products and may divert our resources from more profitable market opportunities. Moreover, we may devote resources to developing products in these additional areas but may be unable to justify the value proposition or otherwise develop a commercial market for products we develop in these areas, if any. In that case, the return on investment in these additional areas may be limited, which could negatively affect our results of operations.

We may be subject to damages resulting from claims that our employees or we have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees were previously employed at hospitals, universities or other medical device companies, including our competitors or potential competitors. We could in the future be subject to claims that these employees or we have used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. Incurring such costs could have a material adverse effect on our financial condition, results of operations and cash flow.

If we or the parties in our strategic alliances fail to obtain or maintain necessary FDA clearances or approvals for our medical device products, or if such clearances or approvals are delayed, we will be unable to continue to commercially distribute and market our products.

Our products are medical devices that are subject to extensive regulation in the U.S. and in foreign countries where we do business. Unless an exemption applies, each medical device that we wish to market in the U.S. must

be designated as Class I, exempt from premarket approval or notification or first receive either a 510(k) clearance or a pre-market approval, or PMA, from the U.S. FDA pursuant to the Federal Food, Drug, and Cosmetic Act. The FDA's 510(k) clearance process usually takes from four to 12 months, but it can take longer. The process of obtaining PMA approval is much more costly, lengthy, and uncertain, generally taking from one to three years or even longer. Although we have 510(k) clearance for many of our products, including disposable interventional devices, and we are able to market these products commercially in the U.S., our business model relies significantly on revenue from disposable interventional devices, some of which may not achieve FDA clearance or approval. We cannot assure you that any of our devices will not be required to undergo the lengthier and more burdensome PMA process. We cannot commercially market any disposable interventional devices in the U.S. until the necessary clearances or approvals from the FDA have been received. In addition, we are working with third parties to co-develop disposable products. In some cases, these companies are responsible for obtaining appropriate regulatory clearance or approval to market these disposable devices. If these clearances or approvals are not received or are substantially delayed or if we are not able to offer a sufficient array of approved disposable interventional devices, we may not be able to successfully market our system to as many institutions as we currently expect, which could have a material adverse impact on our financial condition, results of operations and cash flow.

Furthermore, obtaining 510(k) clearances, PMAs or PMA supplement approvals, from the FDA could result in unexpected and significant costs for us and consume management's time and other resources. The FDA could ask us to supplement our submissions, collect non-clinical data, conduct clinical trials or engage in other time-consuming actions, or it could simply deny our applications. In addition, even if we obtain a 510(k) clearance or PMA or PMA supplement approval, the clearance or approval could be revoked or other restrictions imposed if post-market data demonstrates safety issues or lack of effectiveness. We cannot predict with certainty how, or when, the FDA will act on our marketing applications. If we are unable to obtain the necessary regulatory approvals, our financial condition and cash flow may be adversely affected. Also, a failure to obtain approvals may limit our ability to grow domestically and internationally.

In August 2010, the FDA's Center for Devices and Radiological Health (CDRH) released preliminary reports from the 510(k) Working Group and the Task Force on the Utilization of Science in Regulatory Decision Making. The 510(k) process underwent a significant review in 2011, including an exhaustive report filed by the Institute of Medicine (IOM). It is anticipated that this review may elicit significant changes in the 510(k) process moving forward. In the interim, the uncertainty surrounding the key elements of the 510(k) process has significantly increased the degree of difficulty in predicting regulatory pathways and timelines for all medical device companies. The 510(k) reform process has slowed and may continue to impede FDA reviews, which could have a negative impact on our business and our ability to bring new products to market.

If our strategic alliances elect not to or we fail to obtain regulatory approvals in other countries for products under development, we will not be able to commercialize these products in those countries.

In order to market our products outside of the U.S., we and our strategic partners or distributors must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the U.S. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects described above regarding FDA approval in the U.S. In addition, we are relying on our strategic alliances in some instances to assist us in this regulatory approval process in countries outside the U.S. and Europe, for example, in Japan.

We may fail to comply with continuing regulatory requirements of the FDA and other authorities and become subject to substantial penalties.

Even after product clearance or approval, we must comply with continuing regulation by the FDA and other authorities, including the FDA's Quality System Regulation, or QSR, requirements, labeling and promotional requirements and medical device adverse event and other reporting requirements. Any failure to comply with continuing regulation by the FDA or other authorities could result in enforcement action that may include suspension or withdrawal of regulatory approvals, recalling products, ceasing product manufacture and/or marketing, seizure and detention of products, paying significant fines and penalties, criminal prosecution and similar actions that could limit product sales, delay product shipment and harm our profitability. Congress could amend the Federal Food, Drug, and Cosmetic Act, and the FDA could modify its regulations promulgated under this law in a way to make ongoing regulatory compliance more burdensome and difficult.

Additionally, any modification to an FDA 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance. Modifications to a PMA approved device or its labeling may require either a new PMA or PMA supplement approval, which could be a costly and lengthy process. In addition, if we are unable to obtain on-label approval for key applications, we may face product market adoption barriers that we cannot overcome. In the future, we may modify our products after they have received clearance or approval, and we may determine that new clearance or approval is unnecessary. We cannot assure you that the FDA would agree with any of our decisions not to seek new clearance or approval. If the FDA requires us to seek clearance or approval for any modification, we could be subject to enforcement sanctions and we also may be required to cease marketing or recall the modified product until we obtain FDA clearance or approval which could also limit product sales, delay product shipment and harm our profitability.

In many foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. Many of these regulations are similar to those of the FDA or other U.S. regulations. In addition, in many countries the national health or social security organizations require our products to be qualified before procedures performed using our products become eligible for reimbursement. Failure to receive or delays in the receipt of, relevant foreign qualifications could have a material adverse effect on our business, financial condition and results of operations. Due to the movement toward harmonization of standards in the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country-by-country regulatory system to a European Union-wide single regulatory system. We cannot predict the timing of this harmonization and its effect on us. Adapting our business to changing regulatory systems could have a material adverse effect on our business, financial condition, and results of operations. If we fail to comply with applicable foreign regulatory requirements, we may be subject to fines, suspension, or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

In addition, we are subject to the U.S. Foreign Corrupt Practices Act, anti-bribery, antitrust and anti-competition laws, and similar laws in foreign countries. Any violation of these laws by our distributors or agents or by us could create a substantial liability for us and also cause a loss of reputation in the market. From time to time, we may face audits or investigations by one or more government agencies, compliance with which could be costly and time-consuming, and could divert our management and key personnel from our business operations. An adverse outcome under any such investigation or audit could subject us to fines or other penalties, which could adversely affect our business and financial results.

Our suppliers, subcontractors, or we may fail to comply with the FDA quality system regulation.

Our manufacturing processes must comply with the FDA's quality system regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging and shipping of our products. The FDA enforces the QSR through inspections. We cannot assure you that we or

our suppliers or subcontractors would pass such an inspection. If we or our suppliers or subcontractors fail to remain in compliance with the FDA or EN 13485:2003 standards, we or they may be required to cease all or part of our operations for some period of time until we or they can demonstrate that appropriate steps have been taken to comply with such standards or face other enforcement action, such as a public warning letter. We cannot be certain that our facilities or those of our suppliers or subcontractors will comply with the FDA or EN 13485:2003 standards in future audits by regulatory authorities. Failure to pass such an inspection could force a shutdown of manufacturing operations, a recall of our products or the imposition of other enforcement sanctions, which would significantly harm our revenue and profitability. Further, we cannot assure you that our key component suppliers are or will continue to be in compliance with applicable regulatory requirements and quality standards and will not encounter any manufacturing difficulties. Any failure to comply with the FDA's QSR or EN 13485:2003 by us or our suppliers could significantly harm our available inventory and product sales.

Software errors or other defects may be discovered in our products.

Our products incorporate many components, including sophisticated computer software. Complex software frequently contains errors, especially when first introduced. Because our products are designed to be used to perform complex interventional procedures, we expect that physicians and hospitals will have an increased sensitivity to the potential for software defects. We cannot assure you that our software or other components will not experience errors or performance problems in the future. If we experience software errors or performance problems, we would likely also experience:

- loss of revenue;
- delay in market acceptance of our products;
- damage to our reputation;
- additional regulatory filings;
- product recalls;
- increased service or warranty costs; and/or
- product liability claims relating to the software defects.

If we fail to comply with health care regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

While we do not control referrals of health care services or bill directly to Medicare, Medicaid or other third-party payors, many health care laws and regulations apply to our business. We are subject to health care fraud and patient privacy regulation by the federal government, the states in which we conduct our business, and internationally. The regulations that may affect our ability to operate include:

- the federal healthcare program Anti-Kickback Law, which prohibits, among other things, persons from soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal health care programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, and which may apply to entities like us if we provide coding and billing advice to customers;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which prohibits executing a scheme to defraud any health care benefit program or making false statements relating to health care matters and which also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and the applicable Privacy and Security Standards of HITECH, the Health Information Technology for Economic and Clinical Health Act, which is Title XIII of the American Recovery and Reinvestment Act;

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state laws governing the privacy of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts;
- federal self-referral laws, such as the Stark Anti-Referral Law, which prohibits a physician from making a referral to a provider of certain health services with which the physician or the physician's family member has a financial interest; and
- regulations pertaining to receipt of CE mark for our products marketed outside of the United States and submission to periodic regulatory audits in order to maintain these regulatory approvals.

If our operations are found to be in violation of any of the laws described above or any other governmental laws or regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, loss of reimbursement for our products under federal or state government health programs such as Medicare and Medicaid and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment, or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expense and divert our management's attention from the operation of our business. Moreover, to achieve compliance with applicable federal and state privacy, security, and electronic transaction laws, we may be required to modify our operations with respect to the handling of patient information. Implementing these modifications may prove costly. At this time, we are not able to determine the full consequences to us, including the total cost of compliance, of these various federal and state laws.

Healthcare policy changes, including legislation enacted in 2010, may have a material adverse effect on us.

In response to perceived increases in health care costs in recent years, there have been and continue to be proposals by the Obama administration, members of Congress, state governments, regulators and third-party payors to control these costs and, more generally, to reform the U.S. healthcare system.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act (PPACA). The law imposes a tax on medical device manufacturers and producers equal to 2.3% of the sales price for all sales beginning January 1, 2013. This excise tax applies to the majority of our products sold within the United States.

On August 2, 2011, the U.S. President signed into law the Budget Control Act of 2011, which created the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee was charged with identifying a reduction of at least $1.2 trillion for the years 2013 through 2021. The Committee did not achieve this target by the imposed deadline, triggering the legislation's automatic reduction to several government programs. Included in the automatic reduction are aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013.

The taxes imposed by the PPACA, the expansion in the government's role in the U.S. healthcare industry, and other potential healthcare policy changes at the federal and state level in the future could have a material, negative impact on our results of operations and our cash flows.

The application of state certificate of need regulations and compliance by our customers with federal and state licensing or other international requirements could substantially limit our ability to sell our products and grow our business.

Some states require health care providers to obtain a certificate of need or similar regulatory approval prior to the acquisition of high-cost capital items such as our *Niobe*, *Odyssey*, or *Vdrive* systems. In many cases, a

limited number of these certificates are available. As a result of this limited availability, hospitals and other health care providers may be unable to obtain a certificate of need for the purchase of our systems. Further, our sales and installation cycle for the *Niobe* system is typically longer in certificate of need states due to the time it takes our customers to obtain the required approvals. In addition, our customers must meet various federal and state regulatory and/or accreditation requirements in order to receive payments from government-sponsored health care programs such as Medicare and Medicaid, receive full reimbursement from third party payors, and maintain their customers. Our international customers may be required to meet similar or other requirements. Any lapse by our customers in maintaining appropriate licensure, certification or accreditation, or the failure of our customers to satisfy the other necessary requirements under government-sponsored health care programs or other requirements could cause our sales to decline.

Hospitals or physicians may be unable to obtain reimbursement from third-party payors for procedures using the *Niobe*® or *Vdrive*™ systems, or reimbursement for procedures may be insufficient to recoup the costs of purchasing our products.

We expect that U.S. hospitals will continue to bill various third-party payors, such as Medicare, Medicaid and other government programs and private insurance plans, for procedures performed with our products, including the costs of the disposable interventional devices used in these procedures. If in the future our disposable interventional devices do not fall within U.S. reimbursement categories and our procedures are not reimbursed, or if the reimbursement is insufficient to cover the costs of purchasing our system and related disposable interventional devices, the adoption of our systems and products would be significantly slowed or halted, and we may be unable to generate sufficient sales to support our business. Our success in international markets also depends upon the eligibility of our products for reimbursement through government-sponsored health care payment systems and third-party payors. In both the U.S. and foreign markets, health care cost-containment efforts are prevalent and are expected to continue. These efforts could reduce levels of reimbursement available for procedures involving our products and, therefore, reduce overall demand for our products as well. A failure to generate sufficient sales could have a material adverse impact on our financial condition, results of operations and cash flow.

We may lose our key personnel or fail to attract and retain additional personnel.

We are highly dependent on the principal members of our management, scientific and sales staff. To pursue our plans and accommodate planned growth, we may choose to hire additional personnel. Attracting and retaining qualified personnel will be critical to our success, and competition for qualified personnel is intense. We may not be able to attract and retain personnel on acceptable terms given the competition for qualified personnel among technology and healthcare companies and universities. The loss of personnel or our inability to attract and retain other qualified personnel could harm our business and our ability to compete. In addition, the loss of members of our scientific staff may significantly delay or prevent product development and other business objectives. A loss of key sales personnel could result in a reduction of revenue.

Our growth will place a significant strain on our resources, and if we fail to manage our growth, our ability to develop, market, and sell our products will be harmed.

Our business plan contemplates a period of substantial growth and business activity. This growth and activity will likely result in new and increased responsibilities for management personnel and place significant strain upon our operating and financial systems and resources. To accommodate our growth and compete effectively, we will be required to improve our information systems, create additional procedures and controls and expand, train, motivate and manage our work force. We cannot be certain that our personnel, systems, procedures, and controls will be adequate to support our future operations. Any failure to effectively manage our growth could impede our ability to successfully develop market and sell our products.

We face currency and other risks associated with international operations.

We intend to continue to devote significant efforts to marketing our systems and products outside of the U.S. This strategy will expose us to numerous risks associated with international operations, which could adversely affect our results of operations and financial condition, including the following:

- currency fluctuations that could impact the demand for our products or result in currency exchange losses;
- export restrictions, tariff and trade regulations and foreign tax laws;
- customs duties, export quotas or other trade restrictions;
- economic and political instability; and
- shipping delays.

In addition, contracts may be difficult to enforce and receivables difficult to collect through a foreign country's legal system.

Our continuing ability to use Form S-3 may be limited.

In addition, as of the date of the filing of this Form 10-K, our public float is below $75 million. As a result, we are limited in our ability to file new shelf registration statements on SEC Form S-3 and/or to fully use the remaining capacity on our existing registration statements on SEC Form S-3. We have relied significantly on shelf registration statements on SEC Form S-3 for most of our financings in recent years, so any such limitations may harm our ability to raise the capital we need. In addition, if we are unable to remain compliant with our bank financing covenants, or if we are not able to timely file and make effective registration statements prior to the dates required under the federal securities laws, we would be ineligible to use Form S-3 for a 12-month period. Under those circumstances, until we are again eligible to use Form S-3, we would be required to use a registration statement on Form S-1 to register securities with the SEC or issue such securities in a private placement, which could increase the cost of raising capital.

Risks Related To Our Common Stock

Our principal stockholders continue to own a large percentage of our voting stock, and they have the ability to substantially influence matters requiring stockholder approval.

Our executive officers, directors and individuals or entities affiliated with them beneficially own or control a substantial percentage of the outstanding shares of our common stock. Accordingly, these executive officers, directors and their affiliates, acting as a group, will have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. These stockholders may also delay or prevent a change of control, even if such a change of control would benefit our other stockholders. This significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

If we fail to continue to meet all applicable Nasdaq Global Market requirements and Nasdaq determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, impair the value of your investment and harm our business.

Our common stock is currently listed on the Nasdaq Global Market. In order to maintain that listing, we must satisfy minimum financial and other requirements. On January 20, 2012, we received notice from the Nasdaq Listing Qualifications Department that our common stock had not met the $1.00 per share minimum bid price requirement for 30 consecutive business days and that, if we were unable to demonstrate compliance with

this requirement during the applicable grace periods, our common stock would be delisted after that time. The closing bid price of our common stock on the Nasdaq Global Market was $0.77 on February 29, 2012, and has been below $1.00 each trading day since December 6, 2011. As a result, we may be subject to a delisting of our common stock from the Nasdaq Global Market if we do not take steps to prevent our common stock from dropping below the minimum bid price requirement. We may seek stockholder approval to effect a reverse stock split for this purpose. However, a reverse stock split may not prevent the common stock from dropping back down below the Nasdaq minimum per share price requirement in the future. It is also possible that we would otherwise fail to satisfy another Nasdaq requirement for continued listing of our common stock. If we fail to continue to meet all applicable Nasdaq Global Market requirements in the future and Nasdaq determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, adversely affect our ability to obtain financing for the continuation of our operations and harm our business. This delisting could also impair the value of your investment.

Future issuances of our securities could dilute current stockholders' ownership.

A number of shares of our common stock are subject to stock options, stock appreciation rights and warrants. We may also decide to raise additional funds through public or private debt or equity financing to fund our operations. We cannot predict the effect, if any, that future sales of debt, our common stock, other equity securities or securities convertible into our common stock or other equity securities or the availability of any of the foregoing for future sale, will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options, stock appreciation rights or the conversion of any convertible securities outstanding now or in the future), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings to fund the development and growth of our business. In addition, the terms of our loan agreement prohibit us from declaring dividends without the prior consent of our lender. As a result, capital appreciation, if any, of our common stock will be an investor's sole source of gain for the foreseeable future.

Our certificate of incorporation and bylaws, Delaware law and one of our alliance agreements contain provisions that could discourage a takeover.

Our certificate of incorporation and bylaws and Delaware law contain provisions that might enable our management to resist a takeover. These provisions may:

- discourage, delay or prevent a change in the control of our company or a change in our management;
- adversely affect the voting power of holders of common stock; and
- limit the price that investors might be willing to pay in the future for shares of our common stock.

In addition, our alliance agreement with Biosense Webster and our debt agreement with Cowen Healthcare Royalty Partners II, L.P. contain provisions that may similarly discourage a takeover and negatively affect our share price as described above.

Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the new SEC regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act, and NASDAQ Global Market rules have in the past created uncertainty for public companies. We continue to

evaluate and monitor developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional compliance costs we may incur or the timing of such costs. These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by courts and regulatory and governing bodies. This could result in uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Maintaining appropriate standards of corporate governance and public disclosure may result in increased general and administrative expense and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, if we fail to comply with new or changed laws, regulations and standards, regulatory authorities may initiate legal proceedings against us and our business and reputation may be harmed.

Our future operating results may be below securities analysts' or investors' expectations, which could cause our stock price to decline.

The revenue and income potential of our products and our business model are unproven, and we may be unable to generate significant revenue or grow at the rate expected by securities analysts or investors. In addition, our costs may be higher than we, securities analysts, or investors expect. If we fail to generate sufficient revenue or our costs are higher than we expect, our results of operations will suffer, which in turn could cause our stock price to decline. Our results of operations will depend upon numerous factors, including:

- demand for our products;
- the performance of third-party contract manufacturers and component suppliers;
- our ability to develop sales and marketing capabilities;
- the success of our collaborations with Siemens, Philips and Biosense Webster and others;
- our ability to develop, introduce and market new or enhanced versions of our products on a timely basis;
- our ability to obtain regulatory clearances or approvals for our new products; and
- our ability to obtain and protect proprietary rights.

Our operating results in any particular period may not be a reliable indication of our future performance. In some future quarters, our operating results may be below the expectations of securities analysts or investors. If this occurs, the price of our common stock will likely decline.

We expect that the price of our common stock could fluctuate substantially, possibly resulting in class action securities litigation.

Our common stock is traded on the NASDAQ Global Market and trading volume may be limited or sporadic. The market price of our common stock has experienced, and may continue to experience, substantial volatility. During 2011, our common stock traded between $0.81 and $4.24 per share, on trading volume ranging from approximately 25,000 to 5.5 million shares per day. The market price of our common stock will be affected by a number of factors, including:

- actual or anticipated variations in our results of operations or those of our competitors;
- the receipt or denial of regulatory approvals;
- announcements of new products, technological innovations or product advancements by us or our competitors;
- developments with respect to patents and other intellectual property rights;
- changes in earnings estimates or recommendations by securities analysts or our failure to achieve analyst earnings estimates;

- developments in our industry; and
- participants in the market for our common stock may take short positions with respect to our common stock.

These factors, as well as general economic, credit, political and market conditions, may materially adversely affect the market price of our common stock. As with the stock of many other public companies, the market price of our common stock has been particularly volatile during the recent period of upheaval in the capital markets and world economy. This excessive volatility may continue for an extended period of time following the filing date of this report. Furthermore, the stock prices of many companies in the medical device industry have experienced wide fluctuations that have often been unrelated to the operating performance of these companies. Volatility in the price of our common stock on the NASDAQ Global Market may depress the trading price of our common stock, which could, among other things, allow a potential acquirer of the Company to purchase a significant amount of our common stock at low prices.

We and certain of our current and former executive officers and directors, are defendants in a federal securities class action lawsuit and a federal shareholder derivative lawsuit. These lawsuits are described in Part I Item 3 “Legal Proceedings” in this Annual Report on Form 10-K. Our attention may be diverted from our ordinary business operations by these lawsuits and we may incur significant expenses associated with the defense of these lawsuits (including substantial fees of lawyers and other professional advisors and potential obligations to indemnify officers and directors and our underwriters who may be parties to such action). Depending on the outcome of these lawsuits, we may be required to pay material damages and fines, consent to injunctions on future conduct, or suffer other penalties, remedies or sanctions. The ultimate resolution of these matters could have a material adverse effect on our results of operations, financial condition, liquidity, our ability to meet our debt obligations and, consequently, negatively impact the trading price of our common stock. In addition, the volatility of our stock price could lead to similar class action securities litigation being filed against us in the future, which could result in substantial costs and a diversion of our management resources, which could significantly harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have not received any written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2011 fiscal year and that remain unresolved.

ITEM 2. PROPERTIES

Our primary company facilities are located in St. Louis, Missouri where we lease approximately 65,000 square feet of office and 12,000 square feet of demonstration and assembly space. This space is leased under an agreement through 2018. We lease approximately 3,900 square feet of office space in Maple Grove, Minnesota, under a lease agreement through October 31, 2013.

In addition, we have leased office space in Phoenix, Arizona; Senoia, Georgia; Amsterdam, The Netherlands; and in Beijing, China. These locations are leased through June 30, 2012, February 28, 2015, August 31, 2012, and December 19, 2012, respectively.

ITEM 3. LEGAL PROCEEDINGS

On October 7, 2011, a purported class action complaint was filed against the Company, one of the Company’s current executive officers and a past executive officer in the U.S. District Court for the Eastern District of Missouri by Kevin Pound, a purported shareholder of the Company. The complaint alleges that, during the period from February 28, 2011 through August 9, 2011, the Company and certain of its officers made materially false and misleading statements regarding the Company’s financial condition and future business prospects, in violation of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. The

complaint seeks unspecified damages, costs, attorneys' fees and equitable/injunctive relief. On December 29, 2011, the court granted an unopposed motion appointing Local 522 Pension Fund as lead plaintiff in the action. The Company has not yet formally responded to the complaint. The Company believes the complaint is without merit and intends to vigorously defend against it. However, litigation is inherently uncertain and it is too early in this proceeding to predict the outcome of this lawsuit or to reasonably estimate possible losses, if any, related thereto. In addition, the Company has obligations, under certain circumstances, to indemnify the individual defendants with respect to claims asserted against them and otherwise to the fullest extent permitted under Delaware law and the Company's bylaws and certificate of incorporation.

On December 2, 2011, a purported shareholder derivative complaint was filed in the U.S. District Court for the Eastern District of Missouri by Carl Zorn, a purported shareholder of the Company, against the directors of the Company and the Company as a nominal defendant. The complaint in this action alleges that the individual defendants breached their fiduciary duties to the Company, engaged in gross mismanagement and caused waste of corporate assets of the Company by allowing the Company and certain of its officers to make the same allegedly false and misleading statements regarding the Company's financial condition and future business prospects that are at issue in the purported class action. The complaint seeks unspecified damages, restitution and other equitable relief, as well as costs and attorneys' fees. The Company has not yet formally responded to the complaint and the parties intend to stay this action pending resolution of a motion to dismiss expected to be filed in the securities class action. The Company believes the complaint is without merit and intends to vigorously defend against it. However, litigation is inherently uncertain and it is too early in this proceeding to predict the outcome of this lawsuit or to reasonably estimate possible losses, if any, related thereto. In addition, the Company has obligations, under certain circumstances, to indemnify the individual defendants with respect to claims asserted against them and otherwise to the fullest extent permitted under Delaware law and the Company's bylaws and certificate of incorporation.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

Our common stock has been traded on the NASDAQ Global Market under the symbol "STXS" since August 12, 2004. The following table sets forth the high and low sales prices of our common stock for the periods indicated and reported by NASDAQ.

	High	Low
Year Ended December 31, 2011		
First Quarter	$4.05	$5.24
Second Quarter	4.24	2.88
Third Quarter	3.63	0.88
Fourth Quarter	1.32	0.81
Year Ended December 31, 2010		
First Quarter	$6.02	$3.85
Second Quarter	5.25	3.30
Third Quarter	4.49	3.00
Fourth Quarter	4.22	3.34

As of February 29, 2012, there were approximately 315 stockholders of record of our common stock, although we believe that there is a significantly larger number of beneficial owners of our common stock.

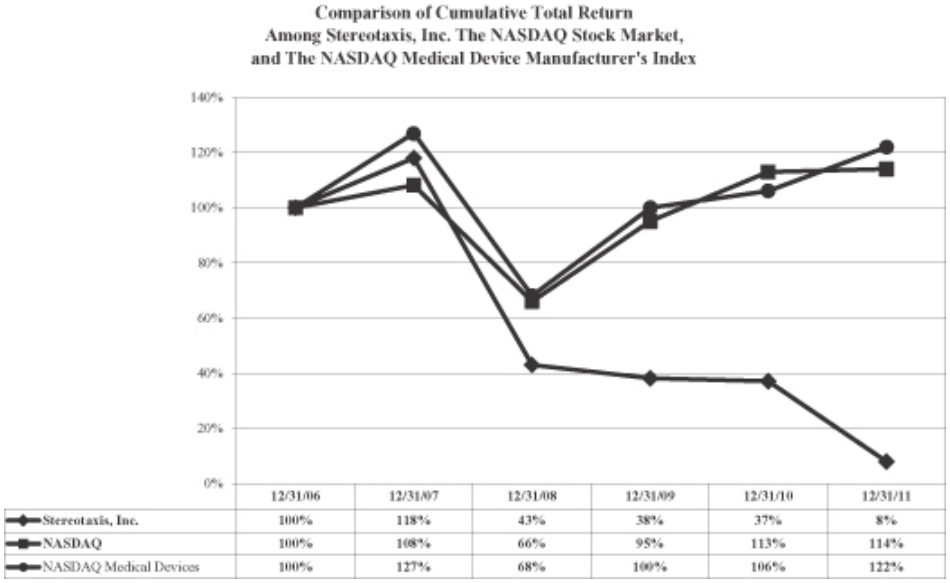
DIVIDEND POLICY

We have never declared or paid any cash dividends. We currently expect to retain earnings for use in the operation and expansion of our business, and therefore do not anticipate paying any cash dividends for the next several years. In addition, the terms of our loan agreement prohibit us from declaring dividends without the prior consent of our lender.

The information required by this item regarding equity compensation is incorporated by reference to the information set forth in Item 12 of this Annual Report on Form 10-K.

STOCK PRICE PERFORMANCE GRAPH

The following graph shows the total stockholder return from December 31, 2006 through December 31, 2011 for a $100 investment in Stereotaxis, Inc., the NASDAQ Composite (U.S.) Index and the NASDAQ Medical Device Index. All values assume reinvestment of the full amount of all dividends although dividends have never been declared on Stereotaxis' common stock. The stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.



	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Stereotaxis, Inc.	100%	118%	43%	38%	37%	8%
NASDAQ	100%	108%	66%	95%	113%	114%
NASDAQ Medical Devices	100%	127%	68%	100%	106%	122%

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data has been derived from, and should be read in conjunction with our financial statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report. The selected data in this section is not intended to replace the financial statements. Historical results are not indicative of the results to be expected in the future.

	Year Ended December 31, 2011				
	2011	2010	2009	2008	2007
Consolidated Statements of Operations Data:					
Revenue	$ 41,987,432	$ 54,051,237	$ 51,149,555	$ 40,365,173	$ 39,298,809
Cost of revenue	12,498,081	15,564,687	17,021,633	14,177,790	15,346,220
Gross margin	29,489,351	38,486,550	34,127,922	26,187,383	23,952,589
Operating costs and expenses:					
Research and development	12,886,488	12,244,163	14,260,854	17,422,828	25,471,809
Sales and marketing	31,635,415	30,178,818	28,694,540	28,660,663	29,021,117
General and administrative	16,908,656	15,022,689	15,010,490	21,121,164	18,701,726
Total operating expenses	61,430,559	57,445,670	57,965,884	67,204,655	73,194,652
Operating loss	(31,941,208)	(18,959,120)	(23,837,962)	(41,017,272)	(49,242,063)
Interest and other income (expense), net [1]	(89,967)	(964,367)	(3,656,495)	(2,868,702)	1,120,549
Net loss	$ (32,031,175)	$ (19,923,487)	$ (27,494,457)	$ (43,885,974)	$ (48,121,514)
Basic and diluted net loss per common share	$ (0.58)	$ (0.39)	$ (0.63)	$ (1.20)	$ (1.34)
Shares used in computing basic and diluted net loss per common share	54,826,266	50,522,001	43,344,324	36,585,086	35,793,973
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 13,954,919	$ 35,248,819	$ 30,546,550	$ 30,355,657	$ 23,656,378
Working capital	(6,596,218)	12,395,426	12,878,277	10,097,082	16,925,716
Total assets	39,931,832	65,761,792	56,120,516	59,440,365	60,475,794
Long-term debt, less current maturities	17,290,531	8,000,000	10,346,655	12,036,723	1,000,000
Accumulated deficit	(375,407,446)	(343,376,271)	(323,452,784)	(295,958,327)	(252,072,353)
Total stockholders' equity	(18,828,895)	10,475,246	7,641,343	4,770,681	24,194,407

(1) Other income recorded in 2010 includes $1.5 million in grants under the Qualifying Therapeutic Discovery Project Program.

(2) Other income recorded in 2011, 2010, and 2009 includes $3.4 million, $0.6 million, and $0.9 million in warrant adjustments, respectively.

ITEM 7. 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-K. Operating results are not necessarily indicative of results that may occur in future periods.

This report includes various forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth in Item 1A. "Risk Factors." Forward-looking statements discuss matters that are not historical facts. Forward-looking statements include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity 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 the *Epoch* Solution, which is 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 *Epoch* Solution is comprised of the *Niobe* ES robotic system, *Odyssey* Solution, and the *Vdrive* system. We believe that the *Epoch* Solution represents a revolutionary technology in the interventional surgical suite, or "interventional lab", and has the potential to become the standard of care for a broad range of complex cardiology procedures. We also believe that our technology represents an important advance in the ongoing trend toward digital instrumentation in the interventional lab and provides substantial, clinically important improvements and cost efficiencies over manual interventional methods, which require years of physician training and often result in long and unpredictable procedure times and sub-optimal therapeutic outcomes.

The *Niobe* ES robotic system is the latest generation of the *Niobe* Robotic Magnetic Navigation System ("*Niobe* system"). This system is designed to enable physicians to complete more complex interventional procedures by providing image guided delivery of catheters and guidewires through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter or guidewire, resulting in improved navigation, efficient procedures and reduced x-ray exposure. The core components of the *Niobe* system have received regulatory clearance in the U.S., Canada, Europe, China, and various other countries.

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

Our *Vdrive* Robotic Navigation System provides navigation and stability for diagnostic and ablation devices designed with key features to assist in the delivery of better ablations. The *Vdrive* Robotic Navigation System complements the *Niobe* ES robotic system control of catheters for fully remote procedures and enables fully-remote, single-operator workflow. In addition to the *Vdrive* and *Vdrive Duo* systems, we also manufacture and market various disposable components which can be manipulated by these systems. We have received the CE Mark that allows us to market the *Vdrive Duo* device in Europe.

We generate revenue from both the initial capital sales of the *Niobe*, *Odyssey* and *Vdrive* systems as well as recurring revenue from the sale of our proprietary disposable devices, from ongoing license and service contracts, and from royalties paid to the Company on the sale by Biosense Webster of co-developed catheters. We market our products to a broad base of hospitals in the United States and internationally as detailed in Note 16 to the financial statements. Due to an increase in our installed base, the introduction and regulatory approval of a broader range of catheters and guidewires for use with the *Niobe* system, and a softer market for capital sales in 2011, recurring revenue has increased from 36% of total revenues in 2009 to 42% in 2010 and 63% in 2011.

We have alliances with each of Siemens AG Medical Solutions, Philips Medical Systems and Biosense Webster, Inc., through which we integrate our *Niobe* system with market leading digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices, in order to continue to develop new solutions in the interventional lab. Each of these alliances provides for coordination of our sales and marketing activities with those of our partners. In addition, Siemens is our product distributor in certain countries and has agreed to provide worldwide service for our integrated systems.

Since our inception, we have generated significant losses. As of December 31, 2011, we had incurred cumulative net losses of approximately $375 million. In May 2011, the Company introduced the *Niobe* ES robotic system. Although the *Niobe* ES robotic system was not available to customers until December 2011, it created a rapid shift away from sales of the *Niobe* II system, resulting in lower system revenue in 2011 compared to 2010. As of December 31, 2011, the Company had performed six installations to upgrade *Niobe* II systems to *Niobe* ES systems and has received positive feedback from the physicians at these sites. During the quarter ended September 30, 2011, the Company implemented a wide ranging plan to rebalance and reduce operating expenses by 15% to 20% on an annual run rate basis. As of December 31, 2011, the Company has completed the operating expense declines through headcount reductions and discretionary spending cuts. We expect to incur additional losses into 2012 as we continue the development and commercialization of our products, conduct our research and development activities and advance new products into clinical development from our existing research programs and fund additional sales and marketing initiatives.

The Company’s independent registered public accounting firm’s report issued in this Annual Report on Form 10-K included an explanatory paragraph describing the existence of conditions that raise substantial doubt about the Company’s ability to continue as a going concern, including recent losses and working capital deficiency. The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern.

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, revenue 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.

Revenue Recognition

The Company adopted Accounting Standards Update 2009-13, *Multiple-Deliverable Revenue Arrangements* ("ASU 2009-13") in the fourth quarter of 2009, effective as of January 1, 2009. Prior to the adoption of this guidance, the Company followed previously issued guidance for general accounting principles for revenue arrangements with multiple deliverables. Under this previously issued guidance, we were required to continually evaluate whether we had proper evidence to identify separate units of accounting for deliverables within certain contractual arrangements with customers. If we were unable to support the determination of vendor-specific objective evidence ("VSOE") or third party evidence ("TPE") of fair value on the undelivered element, we could not recognize revenue for the delivered elements.

ASU 2009-13 permits management to estimate the selling price of undelivered components of a bundled sale for which it is unable to establish VSOE or TPE. This requires management to record revenue for certain elements of a transaction even though it might not have delivered other elements of the transaction, for which it was unable to meet the requirements for establishing VSOE or TPE. The adoption of the new guidance did not materially impact revenue reported in prior periods. The Company believes that the new guidance significantly improves the reporting of these types of transactions to more closely reflect the underlying economic circumstances. This guidance also prohibits the use of the residual method for allocating revenue to the various elements of a transaction and requires that the revenue be allocated proportionally based on the relative estimated selling prices.

Under our revenue recognition policy before and after the adoption of ASU 2009-13, a portion of revenue for most system sales is recognized upon delivery, provided that 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. Beginning in the quarter ended March 31, 2010, revenue for *Odyssey* Vision Standard HD systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. However, this change did not have a material impact on revenue recognition for the year ended December 31, 2010. Beginning in the quarter ended June 30, 2010, revenue for *Odyssey* Vision Quad systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. This change resulted in additional revenue of $2.6 million and additional gross margin of $1.3 million during the year ended December 31, 2010. Beginning in the quarter ended December 31, 2010, revenue for *Odyssey* Enterprise Cinema systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. This change resulted in additional revenue of $0.7 million and additional $0.4 million in gross margin. Revenue is recognized for other types of *Odyssey* systems upon completion of installation, since there are no qualified third party installers. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since these arrangements do not include an installation element or right of return privileges. We do not recognize revenue in situations in which inventory remains at a Stereotaxis warehouse or in situations in which title and risk of loss have not transferred to the customer. However, we may deliver systems to a non-hospital site at the customer's request as outlined in the terms and conditions of the sales agreement, in which case we evaluate whether the substance of the transaction meets the delivery and performance requirements for revenue recognition under "bill and hold" guidance. 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 establish an appropriate reserve for returns. 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 effect on revenue recognized in the period. We believe that the estimate is not likely to change significantly in the future.

Stock-based Compensation

Stock compensation expense, which is a non-cash charge, results from stock option and stock appreciation rights grants made to employees, and directors at the fair value of the option granted, and from grants of restricted shares and units to employees and directors. The fair value of options and stock appreciation rights granted was determined using the Black-Scholes valuation method which gives consideration to the estimated value of the underlying stock at the date of grant, the exercise price of the option, the expected dividend yield and volatility of the underlying stock, the expected life of the option and the corresponding risk-free interest rate. The fair value of the grants of restricted shares and units was determined based on the closing price of our stock on the date of grant. Stock compensation expense for options, stock appreciation rights and for time-based restricted share grants is amortized on a straight-line basis over the vesting period of the underlying issue, generally over three years except for grants to directors which generally vest over one to two years and restricted stock units which generally vest over 18 months. Stock compensation expense for performance-based restricted shares is amortized on a straight-line basis over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives. Compensation expenses related to option grants to non-employees are remeasured quarterly through the vesting date. Compensation expense is recognized only for those options expected to vest, net of estimated forfeitures. Estimates of the expected life of options have been based on the average of the vesting and expiration periods, which is the simplified method under general accounting principles for share-based payments. Estimates of volatility and forfeiture rates utilized in calculating stock-based compensation have been prepared based on historical data and future expectations. Actual experience to date has been consistent with these estimates.

The amount of compensation expense to be recorded in future periods may increase if we make additional grants of options, stock appreciation rights or restricted shares or if we determine that actual forfeiture rates are less than anticipated. The amount of expense to be recorded in future periods may decrease if we do not achieve the performance objectives by which certain restricted shares are contingent, if the requisite service periods are not completed or if the actual forfeiture rates are greater than anticipated.

Valuation of Inventory

We value our inventory at the lower of the actual cost of our inventory, as determined using the first-in, first-out (FIFO) method, or its current estimated market value. We periodically review our physical inventory for excess, obsolete, and potentially impaired items and reserve accordingly. Our reserve estimate for excess and obsolete is based on expected future use. Our reserve estimates have historically been consistent with our actual experience as evidenced by actual sale or disposal of the goods.

Deferred Income Taxes

Deferred assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. We have established a valuation allowance against the entire amount of our deferred tax assets because we are not able to conclude, due to our history of operating losses, that it is more likely than not that we will be able to realize any portion of the deferred tax assets.

In assessing whether and to what extent deferred tax assets are realizable, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses, limitations imposed by Section 382 of the Internal Revenue Code and projections for future losses over periods which the deferred tax assets are deductible, we determined that a 100% valuation allowance of deferred tax assets was appropriate.

Results of Operations

Comparison of the Years ended December 31, 2011 and 2010

Revenue. Revenue decreased to $42.0 million for the year ended December 31, 2011 from $54.1 million for the year ended December 31, 2010, a decrease of approximately 22%. Revenue from sales of systems decreased to $15.6 million for the year ended December 31, 2011 from $31.1 million for the year ended December 31, 2010, a decrease of approximately 50%, primarily due to a decrease in the number of *Niobe* systems sold. The number of units recognized to revenue was 7 *Niobe* systems and a total of $7.4 million for *Odyssey* systems during the 2011 reporting period compared to 21 *Niobe* systems, and $9.2 million for *Odyssey* systems during the 2010 reporting period. Revenue from sales of disposable interventional devices, service and accessories increased to $26.4 million for the year ended December 31, 2011 from $23.0 million for the year ended December 31, 2010, an increase of approximately 15%. This increase was attributable to pricing as well as a larger base of installed systems, which resulted in growth in disposables for procedures and service contracts.

Cost of Revenue. Cost of revenue decreased to $12.5 million for the year ended December 31, 2011 from $15.6 million for the year ended December 31, 2010, a decrease of approximately 20%. As a percentage of our total revenue, overall gross margin decreased from 71% for the year ended December 31, 2010, to 70% for the year ended December 31, 2011, primarily due to a decrease in the gross margin on system sales. Cost of revenue for systems sold decreased to $8.6 million for the year ended December 31, 2011 from $12.7 million for the year ended December 31, 2010, a decrease of approximately 33%. This decrease was primarily due to fewer *Niobe* units sold in 2011 compared to 2010. Gross margin for systems was 45% for the year ended December 31, 2011, compared to 59% for year ended December 31, 2010. The decrease was primarily related to a charge related to the absorption of overhead costs based on normal production levels. Cost of revenue for disposable interventional devices, service and accessories increased to $3.9 million for the year ended December 31, 2011 from $2.9 million for the year ended December 31, 2010, resulting in a decrease in gross margin to 85% from 88% between these periods.

Research and Development Expense. Research and development expense increased to $12.9 million for the year ended December 31, 2011 from $12.2 million for the year ended December 31, 2010, an increase of approximately 5%. The increase is primarily due to increased expenditures related to development of the *Niobe* ES robotic system and *Odyssey* system upgrades.

Sales and Marketing Expense. Sales and marketing expense increased to $31.6 million for the year ended December 31, 2011, from $30.2 million for the year ended December 31, 2010, an increase of approximately 5%. The increase was primarily due to a rise in headcount to support higher utilization rates worldwide as well as increased marketing costs related to the launch of the *Niobe* ES robotic system. Although headcount was reduced during the quarter ended September 30, 2011, as part of the Company’s efforts to reduce operating expenses, the full year headcount expense was higher in 2011 than in 2010.

General and Administrative Expense. General and administrative expenses include regulatory, clinical, general management and training expenses. General and administrative expense increased to $16.9 million for the year ended December 31, 2011, from $15.0 million for the year ended December 31, 2010, an increase of approximately 13%. This increase was primarily due to increased headcount and customer training programs to drive utilization, increased consulting costs, and higher spending on registrations in Japan as our products approach the end of clinical trials.

Other Income. Other income increased to $3.4 million for the year ended December 31, 2011 from $2.1 million for the year ended December 31, 2010. This increase is due to the decrease in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity’s own stock.

Interest Expense. Interest expense increased to $3.5 million for the year ended December 31, 2011 from $3.0 million for the year ended December 31, 2010. This increase was primarily due to higher average debt balances.

Comparison of the Years ended December 31, 2010 and 2009

Revenue. Revenue increased to $54.1 million for the year ended December 31, 2010 from $51.1 million for the year ended December 31, 2009, an increase of approximately 6%. Revenue from sales of systems decreased to $31.1 million for the year ended December 31, 2010 from $32.7 million for the year ended December 31, 2009, a decrease of approximately 5%. The number of units recognized to revenue was 21 *Niobe* systems and a total of $9.2 million for *Odyssey* systems during the 2010 reporting period compared to 25 *Niobe* systems, and $4.6 million for *Odyssey* systems during the 2009 reporting period. Therefore, the decrease in system revenue was primarily due to a decrease in the number of *Niobe* systems sold, slightly offset by an increase in *Odyssey* system sales. Revenue from sales of disposable interventional device royalties, service and accessories increased to $23.0 million for the year ended December 31, 2010 from $18.5 million for the year ended December 31, 2009, an increase of approximately 24%. This increase was attributable to price increases and a larger base of installed systems, which resulted in growth in disposables for procedures and service contracts.

Cost of Revenue. Cost of revenue decreased to $15.6 million for the year ended December 31, 2010 from $17.0 million for the year ended December 31, 2009, a decrease of approximately 9%. As a percentage of our total revenue, overall gross margin increased from 67% for the year ended December 31, 2009 to 71% for the year ended December 31, 2010. This increase was primarily due to a shift from system revenue to recurring revenue as well as increases in our gross margin percentage from recurring revenue. Cost of revenue for systems sold decreased to $12.7 million for the year ended December 31, 2010 from $13.2 million for the year ended December 31, 2009, a decrease of approximately 4%. This decrease was primarily due to fewer *Niobe* units sold in 2010 compared to 2009, combined with decreased raw material costs, partially offset by the costs associated with the additional *Odyssey* Enterprise Systems recognized in 2010. Gross margin for systems remained constant at 59% for the years ended December 31, 2010 and 2009. Cost of revenue for disposable interventional devices, service and accessories decreased to $2.9 million for the year ended December 31, 2010 from $3.8 million for the year ended December 31, 2009, a decrease of approximately 25%, resulting in an increase in gross margin to 88% from 80% between these periods. The decrease in cost of revenue was due to a reduction in software costs associated with new generation software upgrades incurred in 2009.

Research and Development Expense. Research and development expense decreased to $12.2 million for the year ended December 31, 2010 from $14.3 million for the year ended December 31, 2009, a decrease of approximately 14%. The decrease was due principally to a decrease in consulting costs related to new product development and introductions.

Sales and Marketing Expense. Sales and marketing expense increased to $30.2 million for the year ended December 31, 2010, from $28.7 million for the year ended December 31, 2009. The increase was primarily due to increased headcount.

General and Administrative Expense. General and administrative expense remained unchanged at $15.0 million for the year ended December 31, 2010, consistent with the year ended December 31, 2009. Decreases in consulting expenses and stock-based compensation expense were offset by expenses related to increased headcount.

Other Income. Other income increased to $2.1 million for the year ended December 31, 2010 from $0.9 million for the year ended December 31, 2009. The increase is due to $1.5 million in grants awarded to the Company in November 2010 under the Qualifying Therapeutic Discovery Project Program for costs incurred on 2009 and 2010 projects. The remaining increase is due to the decrease in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity’s own stock.

Interest Expense. Interest expense decreased to $3.0 million for the year ended December 31, 2010 from $4.6 million for the year ended December 31, 2009. The primary cause of this decrease was less interest expense incurred from outstanding warrants previously issued to the Lenders.

Income Taxes

Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. Accordingly, net deferred tax assets have been fully offset by valuation allowances as of December 31, 2011, 2010 and 2009 to reflect these uncertainties. As of December 31, 2011, we had federal net operating loss carryforwards of approximately $339.4 million of which approximately $1.7 million will expire by 2012 and approximately $337.7 million will expire between 2018 and 2031. As of December 31, 2011, we had state net operating loss carryforwards of approximately $8.0 million which will expire at various dates between 2012 and 2031 if not utilized. We may not be able to utilize all of these loss carryforwards prior to their expiration.

Liquidity and Capital Resources

Borrowing facilities

As of December 31, 2011, our borrowing facilities were comprised of a revolving line of credit and a term note maintained with our primary lender, Silicon Valley Bank, as well as a term note maintained with Cowen Healthcare Royalties Partners II, L.P. (“Cowen”). During 2011, we paid off the remaining amount due on our advance from Biosense Webster, Inc., resulting in a balance of $0 as of December 31, 2011.

In July 2008, we amended our existing agreements with Biosense Webster. Pursuant to the amendment, Biosense Webster agreed to advance us $10.0 million against royalty amounts that were owed to us from Biosense Webster at the time the amendment was executed or that would be owed in the future. We also agreed that an aggregate of up to $8.0 million of certain agreed upon research and development expenses that were owed at the time the amendment was executed or may be owed in the future by us to Biosense Webster would be deferred and will be due, together with any unrecouped portion of the $10.0 million royalty advance, on the Final Payment Date, as defined in the amendment, but in no event later than December 31, 2011. See Note 9 for additional description of Final Payment Date. During 2011, we had the right to prepay any amounts due pursuant to the amendment at any time without penalty. Commencing on May 15, 2010 we were required to make quarterly payments to Biosense Webster equal to the difference between certain aggregate royalty payments recouped by Biosense Webster from us in such quarter and $1 million, until the earlier of (1) the date all funds owed by us to Biosense Webster pursuant to the amendment are fully repaid or (2) the Final Payment Date. Interest on the outstanding and unrecouped amounts of the royalty advance and deferred research and development expenses accrued at an interest rate of the prime rate plus 0.75%. Outstanding royalty advances and deferred research and development expenses and accrued interest thereon could be recouped by Biosense Webster from time to time by deductions from royalty amounts otherwise payable to us. As of December 31, 2011, these amounts plus interest accrued thereon had been repaid through royalties and minimum payments, in accordance with the agreement.

In November 2008, we signed an Amendment to the Loan and Warrant Purchase Agreement with affiliates of two members of our board of directors (“the Lenders”) in which the Lenders committed to extend their February 2008 agreement to loan us an aggregate of $20 million on an unsecured basis. As amended, the commitment expired on the earlier of March 31, 2010 or the date we received at least $20 million of third party, non-bank financing. This facility could also be used by us to guarantee our loan commitments to our primary bank lender, through the same extended term. In February 2009 we issued the Lenders warrants to purchase an aggregate of 1,582,280 shares of common stock at an exercise price of $3.16 per share in exchange for the extension of the commitment. The Company recorded a fair value of $2,072,786 related to these warrants.

In December 2008, the Company completed a registered direct offering in which the Lenders purchased $10 million of the Company’s common stock. In connection with and conditioned upon the closing of the registered direct offerings, the Company agreed that the loan obligation would decrease from an aggregate of $20 million to $10 million.

In March 2009, the Company and its primary lending bank entered into an agreement to amend the revolving line of credit to change the total availability under the line to $25 million, to extend the term of the

agreement to March 31, 2010, to modify the tangible net worth requirements, and to provide for additional borrowing capacity as it relates to advances against accounts receivable from non-U.S. customers. The revolving line of credit is secured by substantially all of the Company's assets. The Company is also required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

In October 2009, the Company received from the Lenders an extension of their commitment to provide $10 million in either direct loans to the Company or loan guarantees to the Company's primary bank lender through the earlier of March 31, 2011 or the date the Company receives $30 million of third party, non-bank financing, coincidental with the proposed maturity of the bank line of credit, as amended. The Company granted to the Lenders warrants to purchase 664,064 shares in exchange for their extension. The warrants are exercisable at $4.25 per share, beginning on March 1, 2010 and expiring on February 28, 2015. The fair value of these warrants of $1,649,070, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably. As the previous guarantee was no longer in effect, the Company expensed in 2009 the entire balance on the warrants issued to the Lenders in February 2009.

In December 2009, we further amended our loan agreement with our primary lender to extend the maturity of the current working capital line of credit from March 31, 2010 to March 31, 2011 and to increase the total availability under the line from $25 million to $30 million, retaining the $10 million sublimit for borrowings supported by guarantees from the Lenders. Under the revised facility we were required to maintain a minimum "tangible net worth" as defined in the agreement.

In November 2010, the Company received from the Lenders an extension of their commitment to provide $10 million in either direct loans to the Company or loan guarantees to the Company's primary bank lender through the earlier of March 31, 2012 or the date the Company receives $30 million of third party, non-bank financing, coincidental with the proposed maturity of the bank line of credit, as amended. The Company granted to the Lenders warrants to purchase 800,000 shares in exchange for their extension. The warrants are exercisable at $4.015 per share, beginning on March 1, 2011 and expiring on February 28, 2016. The fair value of these warrants of $1,747,392, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably. As the previous guarantee was no longer in effect, the Company expensed in 2010 the entire balance on the warrants issued to the Lenders in October 2009.

In December 2010, we further amended our loan agreement with our primary lender to extend the maturity of the current working capital line of credit from March 31, 2011 to March 31, 2012. The amendment retains the $30 million total availability under the line. Under the revised facility, we are required to maintain a minimum "tangible net worth" and liquidity ratio as defined in the agreement. Additionally, the agreement provided the Company with a $10 million term loan maturing on December 31, 2013. Under this agreement, the Company provided its primary lender with warrants to purchase 111,111 shares of common stock. The warrants are exercisable at $3.60 per share, beginning on December 17, 2010 and expiring on December 17, 2015. The fair value of these warrants of $228,332, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably over the life of the term loan. As of December 31, 2011, the Company is in compliance with all of the requirements of the loan agreement.

On September 30, 2011, we entered into a fourth loan modification agreement with our primary lender to reduce the total availability amount of all credit extensions under the Original Agreement, other than the term loan, from $30 million to $20 million. The Agreement also modifies the interest rate applicable to the term loan under the Original Agreement from the Lender's prime rate plus 3.50% to the Bank's prime rate plus 5.50%.

On November 30, 2011, the Company entered into a Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank ("Amended Loan Agreement"). Under the Amended Loan Agreement, the Company agreed to revised tangible net worth and liquidity ratio covenants. Further, certain intellectual property assets of the Company were added to the collateral which secures repayment of the loan.

In November 2011, we entered into a loan agreement with Cowen. Under the agreement the Company borrowed from Cowen $15 million. The Company may borrow up to an additional $5 million in the aggregate based on the achievement by the Company of certain milestones related to *Niobe* system sales in 2012. The loan will be repaid through, and secured by, royalties payable to the Company under its Development, Alliance and Supply Agreement with Biosense Webster, Inc. (the "Biosense Agreement"). The Biosense Agreement relates to the development and distribution of magnetically enabled catheters used with Stereotaxis' *Niobe* system in cardiac ablation procedures. Under the terms of the Agreement, Cowen will be entitled to receive 100% of all royalties due to the Company under the Biosense Agreement until the loan is repaid. The loan is a full recourse loan, matures on December 31, 2018, and bears interest at an annual rate of 16% payable quarterly with royalties received under the Biosense Agreement. If the payments received by the Company under the Biosense Agreement are insufficient to pay all amounts of interest due on the loan, then such deficiency will increase the outstanding principal amount on the loan. After the loan obligation is repaid, royalties under the Biosense Agreement will again be paid to the Company. The loan is also secured by certain assets and intellectual property of the Company. The Agreement also contains customary affirmative and negative covenants. The use of payments due to the Company under the Biosense Agreement was approved by our primary lender under the Amended Loans Agreement described above.

Common Stock

In December 2008, we completed a registered direct offering in which we issued and sold 2,389,877 units (the "Units") at the negotiated price of $4.18 per Unit, with each Unit consisting of (i) one share of the Company's common stock, (ii) one warrant to purchase 0.75 shares of common stock at an exercise price of $5.11 per share (the "Series A Warrant"), for an aggregate of up to 1,792,408 shares of common stock, (iii) one six-month warrant to purchase 0.90 shares of common stock at an exercise price of $4.65 per share (the "Series B Warrant"), for an aggregate of up to 2,148,739 shares of common stock, and (iv) two warrants to purchase 0.286 shares of common stock at an exercise price of $0.001 per share (the "Series C and D Warrants"), for an aggregate of up to 682,824 shares of common stock. Exercise of the Series C and Series D warrants were conditioned upon certain events. The Series B Warrants expired unexercised. The exercise price of the Series A warrants was adjusted to $3.16 in February 2009, and is subject to further adjustment, as described in Note 11 to the Financial Statements. The investors in this transaction became entitled to exercise and did exercise, the Series C and D warrants to purchase an aggregate of 620,582 shares of common stock in March and May 2009, respectively. In addition, concurrently with such offering, we completed a registered direct offering with the Lenders in which we issued and sold 2,024,260 shares of common stock and warrants to purchase up to 4,859,504 shares of common stock, for a purchase price of $4.94 per unit. The warrants are exercisable at $4.64 per share, are exercisable on or after the date immediately following the six month anniversary of their issuance and have a five year term from that initial exercisability date. In conjunction with the two offerings, we received proceeds of approximately $18.8 million net of offering expenses. Conditioned upon the closing of the registered direct offerings, we agreed that the loan obligations of the Lenders would decrease from an aggregate of $20 million to $10 million.

In August 2009, 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 registration statement was declared effective by the SEC in September 2009.

In October 2009, we completed an offering of 7,475,000 shares of our common stock at $4.00 per share, receiving approximately $27.8 million in net proceeds.

In November 2010, we completed a public offering of our common stock in which we issued 4,600,000 shares at $3.65 per share and realized approximately $15.5 million in proceeds, net of fees and expenses.

The following table summarizes our cash flow by operating, investing and financing activities for each of years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Cash flow used in operating activities	$(31,569)	$(18,910)	$(22,309)
Cash flow used in investing activities	(1,032)	(716)	(1,484)
Cash flow provided by financing activities	11,307	24,328	23,984

Net cash used in operating activities. We used approximately $31.6 million, $18.9 million, and $22.3 million of cash in operating activities during the years ended December 31, 2011, 2010, and 2009, respectively. The increase in cash used in operating activities from December 31, 2010, to December 31, 2011, is primarily a result of the increase in operating losses between these two periods. The decrease in cash used in operating activities from December 31, 2009, to December 31, 2010, is primarily due to a decrease in the net operating loss and increase in accounts payable, partially offset by share-based compensation and an increase in inventory.

Net cash used in investing activities. We used approximately $1.0 million, $0.7 million, and $1.5 million to fund investing activities during the years ended December 31, 2011, 2010, and 2009, respectively, for the purchase of property and equipment.

Net cash provided by financing activities. We realized approximately $11.3 million from financing activities during the year ended December 31, 2011, principally from the $14.3 million received under our agreement with Cowen, as described above. We realized approximately $24.3 million from financing activities during the year ended December 31, 2010, principally from the sale of our common stock in which we realized approximately $15.5 million in net proceeds and the $10 million in borrowings under our term loan. We realized approximately $24.0 million from financing activities during the year ended December 31, 2009, principally from the sale of our common stock in which we realized approximately $27.8 million in net proceeds.

At December 31, 2011, we had a working capital deficit of approximately $6.6 million, compared to working capital of $12.4 million at December 31, 2010.

As of December 31, 2011, we had an outstanding balance under our term loan of $8 million. In addition, we had $15.3 million outstanding under the revolving line of credit and had an unused line of approximately $4.7 million with current borrowing capacity of $16.0 million, including amounts already drawn. As such, the Company had the ability to borrow an additional $0.7 million under the revolving line of credit at December 31, 2011. Draws on the line of credit are made based on the borrowing capacity one month in arrears. As of December 31, 2011, the Company was in compliance with all covenants of the bank loan agreement.

These credit facilities are secured by substantially all of our assets. The credit agreements include 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. Under our loan arrangements, as in effect at December 31, 2011 and as modified in November 2011, we are required to maintain various levels of “tangible net worth” and liquidity as defined in the loan agreement. We are also required under the credit agreements to maintain our primary operating account and the majority of our cash and investment balances in accounts with our primary lending bank. As of the amendment date and as of December 31, 2011, we were in compliance with all covenants of this agreement.

We expect to have negative cash flow from operations into 2012. Throughout 2012, we expect to continue the development and commercialization of our existing products and, to a lesser extent, our research and development programs and the advancement of new products into clinical development. We expect that our sales and marketing, research and development, and general and administrative expenses will decrease in 2012.

Although our operating expenses will be reduced in 2012, we will be required to raise capital or pursue other financing strategies to continue our operations. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with cash resources primarily generated from the proceeds of our past and future public offerings, private sales of our equity securities and working capital and equipment financing loans. In the future, we may finance future 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.

Our existing cash, cash equivalents and borrowing facilities will not be sufficient to fund our operating expenses and capital equipment requirements through the next 12 months, which will require us to obtain additional financing before that time. We cannot assure that such additional financing will be available on a timely basis on terms acceptable to us or at all, or that such financing will not be dilutive to our stockholders. If adequate funds are not available to us, we could be required to delay development or commercialization of new products, to license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves or to reduce the sales, marketing, customer support or other resources devoted to our products, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, we could be required to cease operations.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes all significant contractual payment obligations by payment due date:

	Payments by Period (In thousands)				
Contractual Obligations	Under 1 Year	1 –3 Years	3 –5 Years	Over 5 Years	Total
Long-term debt [1]	$21,173	$ 9,014	$ 6,888	$1,389	$38,464
Operating leases	$ 1,717	$ 3,390	$ 3,885	$4,373	$13,365
Capital leases	$ 7	$ 2	$ —	$ —	$ 9
Purchasing obligations [2]	$ 1,229	$ —	$ —	$ —	$ 1,229
Total	$24,126	$12,406	$10,773	$5,762	$53,067

(1) We have not included interest payable on our revolving credit agreement in these amounts because the interest on this obligation is calculated at a variable rate and the amount of principal outstanding fluctuates.

(2) Purchasing obligations include the purchase of magnets from a vendor. This contract will be settled in February 2012.

Commercial Commitments

We have entered into a letter of credit to support a commitment in the amount of less than $0.1 million. This letter of credit is valid through 2015.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

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. Although the majority of our revenue and expenses are transacted in U.S. dollars, a portion of our operations are conducted in Euros and to a lesser extent, in other currencies. As such, we have foreign exchange exposure with respect to non-U.S. dollar revenues and expenses as well as cash balances, accounts receivable, accounts payable and other asset and liability balances denominated in non-US dollar currencies. Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. 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 execute a purchase order and the time we deliver the system and collect payments under the order, which could adversely affect our operating margins. As of December 31, 2011 we have not hedged exposures in foreign currencies or entered into any other derivative instruments.

For the year ended December 31, 2011, sales denominated in foreign currencies were approximately 18% of total revenue. For the year ended December 31, 2011, our revenue would have decreased by approximately $0.8 million if the U.S. dollar exchange rate used would have strengthened by 10%. For the year ended December 31, 2011, expenses denominated in foreign currencies were approximately 11% of our total expenses. For the year ended December 31, 2011, our operating expenses would have decreased by approximately $0.7 million if the U.S. dollar exchange rate used would have strengthened by 10%. In addition, we have assets and liabilities denominated in foreign currencies. A 10% strengthening of the U.S. dollar exchange rate against all currencies with which we have exposure at December 31, 2011 would have resulted in a $0.1 million increase in the carrying amounts of those net assets.

Interest Rate Risk

We have exposure to interest rate risk related to our investment portfolio. 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 have exposure to market risk related to any investments we might hold. Market liquidity issues might make it impossible for the Company to liquidate its holdings or require that the Company sell the securities at a substantial loss. As of December 31, 2011, the Company did not hold any investments.

We have exposure to interest rate risk related to our borrowings as the interest rates for certain of our outstanding loans are subject to increase should the interest rate increase above a defined percentage. Because certain issuances of our outstanding debt are subject to minimum interest rates ranging from 5.75% to 7.0%, a hypothetical increase in interest rates of 100 basis points would have resulted in a less than $0.1 million increase in interest expense for the year ended December 31, 2011.

Inflation Risk

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

Index To Financial Statements

All other schedules have been omitted because they are not applicable or the required information is shown in the Financial Statements or the Notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Stereotaxis, Inc.

We have audited the accompanying balance sheets of Stereotaxis, Inc. (the Company) as of December 31, 2011 and 2010, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stereotaxis, Inc. at December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth herein.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has incurred recurring operating losses and has a working capital deficiency. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in Note 2 to the financial statements, on January 1, 2009, the Company changed its method for accounting for revenue recognition for arrangements with multiple deliverables and its method for accounting for instruments indexed to an entity's own stock.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stereotaxis, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 15, 2012

STEREOTAXIS, INC.

BALANCE SHEETS

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 13,954,919	$ 35,248,819
Accounts receivable, net of allowance of $667,529 and $367,536 in 2011 and 2010, respectively	11,104,038	13,915,569
Current portion of long-term receivables	59,679	30,800
Inventories	6,036,051	5,441,475
Prepaid expenses and other current assets	3,081,484	4,557,718
Total current assets	34,236,171	59,194,381
Property and equipment, net	3,323,856	3,840,622
Intangible assets, net	2,279,153	2,578,986
Long-term receivables	51,892	109,266
Other assets	40,760	38,537
Total assets	$ 39,931,832	$ 65,761,792
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Current maturities of long-term debt	$ 21,173,321	$ 20,894,091
Accounts payable	5,610,181	8,796,182
Accrued liabilities	5,703,166	6,966,571
Deferred contract revenue	8,220,306	6,600,313
Warrants	125,415	3,541,798
Total current liabilities	40,832,389	46,798,955
Long-term debt, less current maturities	17,290,531	8,000,000
Long-term deferred contract revenue	634,713	478,850
Other liabilities	3,094	8,741
Stockholders' equity (deficit):		
Preferred stock, par value $0.001; 10,000,000 shares authorized at 2011 and 2010, none outstanding at 2011 and 2010	—	—
Common stock, par value $0.001; 100,000,000 shares authorized at 2011 and 2010, 55,431,573 and 54,746,240 shares issued at 2011 and 2010, respectively	55,432	54,746
Additional paid in capital	356,729,118	354,002,770
Treasury stock, 40,151 shares at 2011 and 2010	(205,999)	(205,999)
Accumulated deficit	(375,407,446)	(343,376,271)
Total stockholders' equity (deficit)	(18,828,895)	10,475,246
Total liabilities and stockholders' equity (deficit)	$ 39,931,832	$ 65,761,792

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2011	2010	2009
Revenue:			
Systems	$ 15,585,538	$ 31,120,034	$ 32,661,573
Disposables, service and accessories	26,401,894	22,931,203	18,487,982
Total revenue	41,987,432	54,051,237	51,149,555
Cost of revenue:			
Systems	8,576,283	12,719,200	13,240,430
Disposables, service and accessories	3,921,798	2,845,487	3,781,203
Total cost of revenue	12,498,081	15,564,687	17,021,633
Gross margin	29,489,351	38,486,550	34,127,922
Operating expenses:			
Research and development	12,886,488	12,244,163	14,260,854
Sales and marketing	31,635,415	30,178,818	28,694,540
General and administrative	16,908,656	15,022,689	15,010,490
Total operating expenses	61,430,559	57,445,670	57,965,884
Operating loss	(31,941,208)	(18,959,120)	(23,837,962)
Other income	3,416,383	2,060,346	911,977
Interest income	9,052	10,578	44,768
Interest expense	(3,515,402)	(3,035,291)	(4,613,240)
Net loss	$ (32,031,175)	$ (19,923,487)	$ (27,494,457)
Net loss per common share:			
Basic and diluted	$ (0.58)	$ (0.39)	$ (0.63)
Weighted average shares used in computing net loss per common share:			
Basic and diluted	54,826,266	50,522,001	43,344,324

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balance at December 31, 2008	42,049,792	$ 42,050	$ 300,892,957	$ (205,999)	$ (295,958,327)	$ —	$ 4,770,681
Issuance of common stock and warrants	7,475,000	7,475	31,050,602				31,058,077
Share-based compensation	106,756	107	4,229,076				4,229,183
Reclass of warrants to liability [1]			(5,054,591)				(5,054,591)
Issuance of stock under stock purchase plan	32,142	33	123,473				123,506
Exercise of stock warrants	620,582	620	—				620
Exercise of stock options	5,138	5	8,319				8,324
Grant of restricted shares, net of forfeitures	(81,239)	(82)	82				—
Components of comprehensive loss:							
Net Loss					(27,494,457)		(27,494,457)
Comprehensive Loss							(27,494,457)
Balance at December 31, 2009	50,208,171	$ 50,208	$ 331,249,918	$ (205,999)	$ (323,452,784)	$ —	$ 7,641,343

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balance at December 31, 2009	50,208,171	$ 50,208	$ 331,249,918	$ (205,999)	$ (323,452,784)	$ —	$ 7,641,343
Issuance of common stock and warrants	4,891,582	4,892	20,032,614				20,037,506
Share-based compensation			2,049,606				2,049,606
Issuance of stock under stock purchase plan	54,762	55	209,723				209,778
Exercise of stock options	130,555	131	460,369				460,500
Grant of restricted shares, net of forfeitures	(538,830)	(540)	540				—
Components of comprehensive loss:							
Net Loss					(19,923,487)		(19,923,487)
Comprehensive Loss							(19,923,487)
Balance at December 31, 2010	54,746,240	$ 54,746	$ 354,002,770	$ (205,999)	$ (343,376,271)	$ —	$ 10,475,246

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balance at December 31, 2010	54,746,240	$ 54,746	$ 354,002,770	$ (205,999)	$ (343,376,271)	$ —	$ 10,475,246
Issuance of common stock	84,000	84	(84)				—
Share-based compensation			2,487,441				2,487,441
Issuance of stock under stock purchase plan	84,491	85	232,306				232,391
Exercise of stock options	4,682	5	7,197				7,202
Grant of restricted shares, net of forfeitures	512,160	512	(512)				—
Components of comprehensive loss:							
Net Loss					(32,031,175)		(32,031,175)
Comprehensive Loss							(32,031,175)
Balance at December 31, 2011	55,431,573	$ 55,432	$ 356,729,118	$ (205,999)	$ (375,407,446)	$ —	$ (18,828,895)

(1) See Note 11 for additional details.

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Net loss	$ (32,031,175)	$ (19,923,487)	$ (27,494,457)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	1,462,238	1,697,694	2,050,507
Amortization	299,833	230,459	133,333
Amortization of warrants	1,331,549	1,652,672	2,346,027
Share-based compensation	2,487,441	2,049,606	4,229,183
Loss on asset disposal	86,278	5,039	557,152
Asset impairment	—	—	338,821
Non-cash expense (royalty income), net	(2,353,718)	(3,381,424)	(1,983,414)
Warrant adjustment	(3,416,383)	(600,816)	(911,977)
Changes in operating assets and liabilities:			
Accounts receivable	2,811,531	(2,762,921)	(1,413,640)
Other receivables	28,495	65,175	290,233
Inventories	(594,576)	(1,075,075)	3,851,283
Prepaid expenses and other current assets	827,297	522,924	53,238
Other assets	(2,223)	(33,426)	93,270
Accounts payable	(3,186,001)	4,937,129	(680,723)
Accrued liabilities	(1,090,072)	(1,221,120)	(866,678)
Deferred revenue	1,775,856	(1,060,903)	(2,761,929)
Other liabilities	(5,648)	(11,271)	(138,892)
Net cash used in operating activities	(31,569,278)	(18,909,745)	(22,308,663)
Cash flows from investing activities			
Purchase of equipment	(1,031,749)	(715,770)	(1,484,192)
Net cash used in investing activities	(1,031,749)	(715,770)	(1,484,192)
Cash flows from financing activities			
Proceeds from term note	—	10,000,000	—
Payments under term note	(2,000,000)	(333,333)	(666,667)
Proceeds from revolving line of credit	77,109,376	58,034,809	3,000,000
Payments of revolving line of credit	(72,818,866)	(57,503,298)	(6,234,822)
Proceeds from Cowen Debt	14,317,397	—	—
Payments under Biosense Debt	(5,540,373)	(2,071,139)	—
Proceeds from issuance of stock and warrants, net of issuance costs	239,593	16,200,745	27,885,237
Net cash provided by financing activities	11,307,127	24,327,784	23,983,748
Net increase (decrease) in cash and cash equivalents	(21,293,900)	4,702,269	190,893
Cash and cash equivalents at beginning of period	35,248,819	30,546,550	30,355,657
Cash and cash equivalents at end of period	$ 13,954,919	$ 35,248,819	$ 30,546,550
Supplemental disclosures of cash flow information:			
Interest paid	$ 859,494	$ 140,253	$ 864,279

See accompanying notes.

Notes to Financial Statements

1. Description of Business

Stereotaxis, Inc. (the Company) 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.

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

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

The core components of the *Niobe* and the *Odyssey* systems have received regulatory clearance in the U.S., Canada, Europe, China and various other countries. We have received the CE Mark and licensing that allows us to market certain *V-Drive* systems and devices in Europe and Canada. We are in the process of obtaining the necessary clearance for the *V-loop* device in the United States.

Since our inception, we have generated significant losses. As of December 31, 2011, we had incurred cumulative net losses of approximately $375 million. In May 2011, the Company introduced the *Niobe* ES robotic system. Although the *Niobe* ES robotic system was not available to customers until December 2011, it created a rapid shift away from sales of the *Niobe* II system, resulting in lower system revenue in 2011 compared to 2010. As of December 31, 2011, the Company had performed six installations to upgrade *Niobe* II systems to *Niobe* ES systems and has received positive feedback from the physicians at these sites. During the quarter ended September 30, 2011, the Company implemented a wide ranging plan to rebalance and reduce operating expenses by 15% to 20% on an annual run rate basis. As of December 31, 2011, the Company has completed the operating expense declines through headcount reductions and discretionary spending cuts. We expect to incur additional losses into 2012 as we continue the development and commercialization of our products, conduct our research and development activities and advance new products into clinical development from our existing research programs and fund additional sales and marketing initiatives.

We expect to have negative cash flow from operations into 2012. Throughout 2012, we expect to continue the development and commercialization of our existing products and, to a lesser extent, our research and development programs and the advancement of new products into clinical development. We expect that our sales and marketing, research and development, and general and administrative expenses will decrease in 2012. Although our operating expenses will be reduced in 2012, we will be required to raise capital to continue our operations and to meet our debt covenants. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with cash resources primarily generated from the proceeds of our past and future public offerings, private sales of our equity securities and working capital and equipment financing

loans. In the future, we may finance future 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.

Our existing cash, cash equivalents and borrowing facilities will not be sufficient to fund our operating expenses and capital equipment requirements or to meet our debt covenants through the next 12 months, which will require us to obtain additional financing before that time. We cannot assure that such additional financing will be available on a timely basis on terms acceptable to us or at all, or that such financing will not be dilutive to our stockholders. If adequate funds are not available to us, we could be required to delay development or commercialization of new products, to license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves or to reduce the sales, marketing, customer support or other resources devoted to our products, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, we could be required to cease operations.

The Company's independent registered public accounting firm's report issued in this Annual Report on Form 10-K included an explanatory paragraph describing the existence of conditions that raise substantial doubt about the Company's ability to continue as a going concern, including recent losses and working capital deficiency. The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all short-term investments purchased with original maturities of three months or less to be cash equivalents. The Company places its cash with high-credit-quality financial institutions and invests primarily in money market accounts. No cash was restricted at December 31, 2011 or 2010.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable primarily include amounts due from hospitals and distributors for acquisition of magnetic systems, associated disposable device sales and service contracts. Credit is granted on a limited basis, with balances due generally within 30 days of billing. The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions and other collection indicators.

Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt. The carrying value of such amounts reported at the applicable balance sheet dates approximates fair value. See Note 9 for disclosure of the fair value of debt.

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

The Company's financial assets consist of cash equivalents invested in money market funds in the amount of $55,629 and $12,238,932 at December 31, 2011 and 2010, respectively. These assets are classified as Level 1 as described above and total interest income recorded for these investments was approximately $1,500 and $1,900 during the years ended December 31, 2011 and 2010, respectively.

The Company's financial liabilities consist of warrants in the amount of $125,415 and $3,541,798 at December 31, 2011 and 2010, respectively. These liabilities are classified as Level 3 as described above and are measured using the Black-Scholes valuation model. The mark-to-market adjustment recorded in other income for these warrants was $3,416,383 and $600,816 during the years ended December 31, 2011 and 2010, respectively. There were no purchases, sales, issuances, or settlements of Level 3 investments during the year. These warrants were transferred in to Level 3 on January 1, 2009 based on the adoption of general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock. See Note 11 for additional details.

Inventory

The Company values its inventory at the lower of cost, as determined using the first-in, first-out (FIFO) method, or market. The Company periodically reviews its physical inventory for obsolete items and provides a reserve upon identification of potential obsolete items.

Property and Equipment

Property and equipment consist primarily of computer, office, and research and demonstration equipment held for lease and leasehold improvements and are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives or life of the base lease term, ranging from three to ten years.

Long-Lived Assets

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered, as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value.

Intangible Assets

Intangible assets consist of purchased technology and intellectual property rights valued at cost on the acquisition date and amortized over their estimated useful lives of 10-15 years.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and loss during the reporting period. Actual results could differ from those estimates.

Revenue and Costs of Revenue

The Company adopted Accounting Standards Update 2009-13, *Multiple-Deliverable Revenue Arrangements* ("ASU 2009-13") in the fourth quarter of 2009, effective as of January 1, 2009. Prior to the adoption of this guidance, the Company followed previously issued guidance for general accounting principles for revenue arrangements with multiple deliverables. Under this previously issued guidance, we were required to continually evaluate whether we had proper evidence to identify separate units of accounting for deliverables within certain contractual arrangements with customers. If we were unable to support the determination of vendor-specific objective evidence ("VSOE") or third party evidence ("TPE") of fair value on the undelivered element, we could not recognize revenue for the delivered elements.

ASU 2009-13 permits management to estimate the selling price of undelivered components of a bundled sale for which it is unable to establish VSOE or TPE. This requires management to record revenue for certain elements of a transaction even though it might not have delivered other elements of the transaction, for which it

was unable to meet the requirements for establishing VSOE or TPE. The adoption of the new guidance did not materially impact revenue reported in prior periods. The Company believes that the new guidance significantly improves the reporting of these types of transactions to more closely reflect the underlying economic circumstances. This guidance also prohibits the use of the residual method for allocating revenue to the various elements of a transaction and requires that the revenue be allocated proportionally based on the relative estimated selling prices.

Under our revenue recognition policy before and after the adoption of ASU 2009-13, a portion of revenue for most system sales is recognized upon delivery, provided that 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. Beginning in the quarter ended March 31, 2010, revenue for *Odyssey* Vision Standard HD systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. However, this change did not have a material impact on revenue recognition for the year ended December 31, 2010. Beginning in the quarter ended June 30, 2010, revenue for *Odyssey* Vision Quad systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. This change resulted in additional revenue of $2.6 million and additional gross margin of $1.3 million during the year ended December 31, 2010. Beginning in the quarter ended December 31, 2010, revenue for *Odyssey Cinema* systems was recognized upon delivery due to the fact that third parties became qualified to perform installations. This change resulted in additional revenue of $0.7 million and additional $0.4 million in gross margin. Revenue is recognized for other types of *Odyssey* systems upon completion of installation, since there are no qualified third party installers. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since these arrangements do not include an installation element or right of return privileges. We do not recognize revenue in situations in which inventory remains at a Stereotaxis warehouse or in situations in which title and risk of loss have not transferred to the customer. However, we may deliver systems to a non-hospital site at the customer's request as outlined in the terms and conditions of the sales agreement, in which case we evaluate whether the substance of the transaction meets the delivery and performance requirements for revenue recognition under "bill and hold" guidance. 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 establish an appropriate reserve for returns. 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 effect on revenue recognized in the period. We believe that the estimate is not likely to change significantly in the future.

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

Research and Development Costs

Internal research and development costs are expensed in the period incurred. Amounts receivable from strategic alliances under research reimbursement agreements are recorded as a contra-research and development expense in the period reimbursable costs are incurred. Advance receipts or other unearned reimbursements are included in accrued liabilities on the accompanying balance sheet until earned.

Share-Based Compensation

The Company utilizes the Black-Scholes valuation model to determine the fair value of share-based payments at the date of grant with the following inputs: 1) expected dividend rate of 0%; 2) expected volatility of 50-66% based on the Company's historical volatility; 3) risk-free interest rate based on the Treasury yield on the

date of grant and; 4) expected term for grants using the simplified method which results in an expected term ranging from 3.75 to 6.25 years. The resulting compensation expense is recognized over the requisite service period, generally one to 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.

Stock options or stock appreciation rights issued to certain non-employees are recorded at their fair value as determined in accordance with general accounting principles for share-based payments and 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 non-employees is remeasured on a quarterly basis through the vesting or forfeiture date.

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 for those shares with graded vesting. 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.

Shares purchased by employees under the 2004 Employee Stock Purchase Plan were considered to be compensatory and were accounted for in accordance with general accounting principles for share-based payments.

Net Loss per Share

Basic 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. In addition, the application of the two-class method of computing earnings per share under general accounting principles for participating securities is not applicable because the Company's unearned restricted shares do not contractually participate in its losses.

The Company has excluded all outstanding options, stock appreciation rights, warrants, shares subject to repurchase and unearned restricted shares and restricted stock units from the calculation of diluted loss per common share because all such securities are anti-dilutive for all periods presented. As of December 31, 2011, the Company had 5,627,332 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $4.85 per share and 10,381,613 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $4.20 per share.

Income Taxes

In accordance with general accounting principles for income taxes, a deferred income tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred income tax assets unless, based upon available evidence, it is more likely than not the deferred income tax assets will be realized.

Product Warranty Provisions

The Company's standard policy is to warrant all 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 (included in other accrued liabilities) as appropriate.

The warranty activity for the year ended December 31, 2011 is as follows:

Warranty accrual at December 31, 2010	$ 469,837
Warranty expense incurred	762,872
Payments made	(540,877)
Warranty accrual at December 31, 2011	$ 691,832

Patent Costs

Costs related to filing and pursuing patent applications are expensed as incurred, as recoverability of such expenditures is uncertain.

Concentrations of Risk

The majority of the Company's cash, cash equivalents and investments are deposited with one major financial institution in the U.S. Deposits in this institution exceed the amount of insurance provided on such deposits.

One customer, Siemens AG, Medical Solutions, and its affiliated entities, as our distributor, accounted for $1,899,158, $6,074,479, and $6,771,693, or 5%, 11%, and 13% of total net revenue for the years ended December 31, 2011, 2010, and 2009, respectively. No single customer accounted for more than 10% of total revenue for the year ended December 31, 2011.

Reclassifications

Costs of revenue in the prior years' financial statements have been reclassified to disclose components related to systems and disposables, service and accessories to conform to current year presentation with no impact to reported net income.

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." The Update enhances the disclosure of offsetting assets and liabilities by requiring companies to disclose both the gross and net information about instruments and transactions eligible for offset as well as those subject to an agreement similar to master netting arrangements. This guidance is effective for the Company's interim and annual periods beginning January 1, 2013. The Company is currently evaluating the impact of adoption on the financial statements.

In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income that increases comparability between U.S. GAAP and International Financial Reporting Standards. This guidance eliminates the current option to report other comprehensive income (OCI) and its components in the statement of changes in stockholders' equity. This guidance is effective for the Company's interim and annual periods beginning January 1, 2012. As the Company has no items of other comprehensive income, the Company is not required to report comprehensive income or other comprehensive income.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS". The Update amends the guidance on fair value measurements to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with US GAAP and International Financial Reporting Standards ("IFRS"). The Update does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. This guidance is effective during interim and annual periods beginning after December 15, 2011.

In January 2010, the FASB issued Accounting Standards Update 2010-06 ("ASU 2010-06"), which is an amendment to the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification. This amendment requires disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This amendment is effective for periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements, which is effective for fiscal years beginning after December 15, 2010. See "Financial Instruments" section of Note 2 for required disclosures.

Effective October 1, 2009, the Company adopted ASU 2009-13. ASU 2009-13 permits management to estimate the selling price of undelivered components of a bundled sale for which it is unable to establish vendor-specific objective evidence ("VSOE") or third party evidence ("TPE"). This requires management to record revenue for certain elements of a transaction even though it might not have delivered other elements of the transaction, for which it was unable to meet the requirements for establishing VSOE or TPE. This guidance also prohibits the use of the residual method for allocating revenue to the various elements of a transaction and requires that the revenue be allocated proportionally based on the relative estimated selling prices. The Company adopted this standard in the fourth quarter of 2009, with retrospective application to January 1, 2009.

The Company's adoption of ASU 2009-13 did not have a material impact on any amounts previously reported for the first three quarters of 2009. The fourth quarter of 2009 was the first period during which we sold a *Niobe*® system with an uninstalled *Odyssey* Enterprise Cinema system. Due to the fact that we had not established VSOE or TPE for uninstalled *Odyssey* Enterprise Cinema systems under the previous guidance, we would not have been able to recognize revenue for any portion of these transactions, which amounted to $2.0 million in revenue and $1.3 million in gross margin. Under the new guidance, we were able to use management's estimate of selling price to establish new elements, including the *Odyssey* Enterprise Cinema, and recognize revenue for the delivered elements that were included in bundled transactions with these undelivered elements. The Company believes that the new guidance significantly improves the reporting of these types of transactions to more closely reflect the underlying economic circumstances.

In June 2008, the FASB ratified the consensus reached on general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock. This new guidance clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify as a scope exception under general accounting principles for accounting for derivative instruments and hedging activities. The new guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008 and resulted in a reclass from equity to liabilities in the amount of $5.1 million on January 1, 2009. See Note 11 for additional details.

3. Inventory

Inventory consists of the following:

	December 31, 2011	December 31, 2010
Raw materials	$ 2,264,603	$ 1,547,020
Work in process	131,980	592,221
Finished goods	3,790,625	3,841,752
Reserve for obsolescence	(151,157)	(539,518)
Total inventory	$ 6,036,051	$ 5,441,475

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31, 2011	December 31, 2010
Prepaid expenses	$ 460,297	$ 401,789
Deferred cost of revenue	289,312	759,271
Other assets	2,331,875	3,396,658
Total prepaid expenses and other current assets	$ 3,081,484	$ 4,557,718

Deferred cost of revenue represents the cost of systems for which title has transferred from the Company but for which revenue has not been recognized.

5. Property and Equipment

Property and equipment consist of the following:

	December 31, 2011	December 31, 2010
Equipment	$ 8,977,623	$ 8,950,043
Equipment held for lease	547,416	547,416
Leasehold improvements	2,473,880	2,473,880
	11,998,919	11,971,339
Less: Accumulated depreciation	(8,675,063)	(8,130,717)
Net property and equipment	$ 3,323,856	$ 3,840,622

6. Intangible Assets

On June 4, 2010, the Company entered into an agreement to issue 450,000 shares of its common stock to a consultant (the “Purchaser”) in exchange for intellectual property rights related to the Company’s products. The Company issued 200,000 shares upon execution of the agreement and will issue an aggregate of 250,000 shares divided into annual installments on the first three anniversaries of the agreement. The unissued shares meet the criteria for equity classification under Accounting Standards Codification 480 Distinguishing Liabilities from Equity and therefore are recorded in additional paid-in capital. There was no cash consideration paid for the securities. The securities were issued in consideration of the assignment to the Company of the Purchaser’s rights in certain intellectual property, including patent applications, in all inventions and discoveries in the Company’s business field (as defined in the agreement) that had been developed under various other agreements, which were terminated. The securities were sold by the Company in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. There were no underwriters or placement agents involved in the transaction.

As of December 31, 2011 and 2010, the Company had intangible assets of $3.7 million. Accumulated amortization at December 31, 2011 and 2010, was $1,385,849 and $1,086,014, respectively. Amortization expense was $299,835, $230,459, and $133,333, in 2011, 2010, and 2009, respectively, as determined under the straight-line method. The estimated future amortization of intangible assets is $299,833 annually through July 2018, decreasing thereafter to $166,500 annually through May 2020.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2011	December 31, 2010
Accrued salaries, bonus, and benefits	$ 3,229,382	$ 4,203,551
Accrued research and development	27,044	246,119
Accrued legal and other professional fees	25,000	170,498
Other	2,421,740	2,346,403
Total accrued liabilities	$ 5,703,166	$ 6,966,571

8. Deferred Revenue

Deferred revenue consists of the following:

	December 31, 2011	December 31, 2010
Product shipped, revenue deferred	$ 2,001,160	$ 552,692
Customer deposits	1,156,900	312,154
Deferred service and license fees	5,696,959	6,214,317
Less: Long-term deferred revenue	8,855,019	7,079,163
	(634,713)	(478,850)
Total current deferred revenue	$ 8,220,306	$ 6,600,313

9. Long-Term Debt and Credit Facilities

Long-term debt consists of the following:

	December 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Revolving credit agreement, due March 2012	$ 15,290,510	$ 15,371,063	$ 11,000,000	$ 11,284,412
Term note, due December 2013	8,000,000	8,000,000	10,000,000	10,000,000
Cowen	15,173,342	15,173,342	—	—
Biosense Webster Advance	—	—	7,894,091	8,005,365
Total debt	38,463,852	38,544,405	28,894,091	29,289,777
Less current maturities	(21,173,321)	(21,253,874)	(20,894,091)	(21,289,777)
Total long term debt	$ 17,290,531	$ 17,290,531	$ 8,000,000	$ 8,000,000

Contractual principal maturities of debt at December 31, 2011 are as follows:

2012	$ 21,173,321
2013	6,308,259
2014	2,705,057
2015	3,171,060
2016	3,717,341
2017 and Beyond	1,388,814
	$ 38,463,852

Revolving line of credit

In November 2008, we signed an Amendment to the Loan and Warrant Purchase Agreement with affiliates of two members of our board of directors (the "Lenders") in which the Lenders committed to extend their February 2008 agreement to loan the Company an aggregate of $20 million on an unsecured basis. As amended, the commitment would expire on the earlier of March 31, 2010 or the date the Company received at least $20 million of third party, non-bank financing. This facility could also be used by the Company to guarantee its loan commitments to the Company's primary bank lender, through the same extended term. In February 2009, the Company exercised its option to extend the term of this agreement through March 2010. In conjunction with this agreement, the Company issued warrants to purchase 1,582,280 shares of common stock at $3.16 per share. During 2009, the Company expensed $2.1 million related to these warrants.

In December 2008, the Company completed a registered direct offering in which the Lenders purchased $10 million of the Company's common stock. In connection with and conditioned upon the closing of the registered direct offerings, the Company agreed that the loan obligation would decrease from an aggregate of $20 million to $10 million.

In March 2009, the Company and its primary lending bank entered into an agreement to amend the revolving line of credit to change the total availability under the line to $25 million, to extend the term of the agreement to March 31, 2010, to modify the tangible net worth requirements, and to provide for additional borrowing capacity as it relates to advances against accounts receivable from non-U.S. customers.

In October 2009, the Company received from the Lenders an extension of their commitment to provide $10 million in either direct loans to the Company or loan guarantees to the Company's primary bank lender through the earlier of March 31, 2011 or the date the Company receives $30 million of third party, non-bank financing, coincidental with the proposed maturity of the bank line of credit, as amended. The Company granted to the Lenders warrants to purchase 664,064 shares of common stock in exchange for their extension. The warrants are exercisable at $4.25 per share, beginning on March 1, 2010 and expiring on February 28, 2015. The fair value of these warrants of $1,649,070, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably. As the previous guarantee was no longer in effect, the Company expensed, in 2009, the entire balance on the warrants issued to the Lenders in February 2009.

In December 2009, the Company further amended its agreement with its primary lender to extend the maturity of the current working capital line of credit from March 31, 2010 to March 31, 2011 and to increase the total availability under the line from $25 million to $30 million, retaining the $10 million sublimit for borrowings supported by guarantees from the Lenders. Under the revised facility the Company was required to maintain a minimum "tangible net worth" as defined in the agreement. Interest on the facility accrued at the rate of prime plus 0.5% subject to a floor of 6% for the amount under guarantee and prime plus 1.75% subject to a floor of 7% for the remaining amounts.

In November 2010, the Company received from the Lenders an extension of their commitment to provide $10 million in either direct loans to the Company or loan guarantees to the Company's primary bank lender through the earlier of March 31, 2012 or the date the Company receives $30 million of third party, non-bank financing, coincidental with the proposed maturity of the bank line of credit, as amended. The Company granted to the Lenders warrants to purchase 800,000 shares in exchange for their extension. The warrants are exercisable at $4.015 per share, beginning on March 1, 2011 and expiring on February 28, 2016. The fair value of these warrants of $1,747,392, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably. As the previous guarantee was no longer in effect, the Company expensed in 2010 the entire balance on the warrants issued to the Lenders in October 2009.

In December 2010, we further amended our loan agreement with our primary lender to extend the maturity of the current working capital line of credit from March 31, 2011 to March 31, 2012. The amendment retains the $30 million total availability under the line. Under the revised facility, we are required to maintain a minimum "tangible net worth" and liquidity ratio as defined in the agreement.

On September 30, 2011, we entered into a fourth loan modification agreement with our primary lender to reduce the total availability amount of all credit extensions under the Original Agreement, other than the term loan, from $30 million to $20 million.

On November 30, 2011, the Company entered into a Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank. Under the Amended Loan Agreement, the Company agreed to revised tangible net worth and liquidity ratio covenants. Further, certain intellectual property assets of the Company were added to the collateral which secures repayment of the loan. Finally, the Amended Loan Agreement permits the Company to repay Cowen Healthcare Royalty Partners II, L.P. ("Cowen") under the Agreement with the royalties due to the Company under the Biosense Agreement, as described above.

As of December 31, 2011, the Company had $15.3 million outstanding under the revolving line of credit and had an unused line of approximately $4.7 million with current borrowing capacity of $16.0 million, including amounts already drawn. As such, the Company had the ability to borrow an additional $0.7 million under the revolving line of credit at December 31, 2011. As of December 31, 2011, the Company was in compliance with all covenants of the bank loan agreement. As of December 31, 2011 the Company had no remaining availability on its Lender loan and guarantee.

The revolving line of credit is secured by substantially all of the Company's assets. The Company is also required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

Term note

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

Under the 2010 amendment to the loan agreement, the Company entered into a $10 million term loan maturing on December 31, 2013 with $2 million of principal due in 2011 and $4 million of principal due in each of 2012 and 2013. Interest on the term loan accrues at the rate of prime plus 3.5%. Under this agreement, the Company provided its primary lender with warrants to purchase 111,111 shares of common stock. The warrants are exercisable at $3.60 per share, beginning on December 17, 2010 and expiring on December 17, 2015. The fair value of these warrants of $228,332, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably over the life of the term loan.

On September 30, 2011, we entered into a fourth loan modification agreement with our primary lender which modifies the interest rate applicable to the term loan under the Original Agreement from the Lender's prime rate plus 3.50% to the Bank's prime rate plus 5.50%.

Cowen Debt

On November 30, 2011, the Company entered into a Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank ("Amended Loan Agreement"). Under the Amended Loan Agreement, the Company agreed to revised tangible net worth and liquidity ratio covenants. Further, certain intellectual property assets of the Company were added to the collateral which secures repayment of the loan.

In November 2011, we entered into a loan agreement with Cowen. Under the agreement the Company borrowed from Cowen $15 million. The Company may borrow up to an additional $5 million in the aggregate based on the achievement by the Company of certain milestones related to *Niobe* system sales in 2012. The loan will be repaid through, and secured by, royalties payable to the Company under its Development, Alliance and Supply Agreement with Biosense Webster, Inc. (the "Biosense Agreement"). The Biosense Agreement relates to

the development and distribution of magnetically enabled catheters used with Stereotaxis' *Niobe* system in cardiac ablation procedures. Under the terms of the Agreement, Cowen will be entitled to receive 100% of all royalties due to the Company under the Biosense Agreement until the loan is repaid. The loan is a full recourse loan, matures on December 31, 2018, and bears interest at an annual rate of 16% payable quarterly with royalties received under the Biosense Agreement. If the payments received by the Company under the Biosense Agreement are insufficient to pay all amounts of interest due on the loan, then such deficiency will increase the outstanding principal amount on the loan. After the loan obligation is repaid, the royalties under the Biosense Agreement will again be paid to the Company. The loan is also secured by certain assets and intellectual property of the Company. The Agreement also contains customary affirmative and negative covenants. The use of payments due to the Company under the Biosense Agreement was approved by our primary lender under the Amended Loans Agreement described above.

Biosense Webster Advance

In July 2008, the Company and Biosense Webster entered into an amendment to their existing agreements relating to the development and sale of catheters. Pursuant to the amendment, Biosense Webster agreed to pay to the Company $10.0 million as an advance on royalty amounts that were owed at the time the amendment was executed or would be owed in the future by Biosense Webster to the Company pursuant to any of the existing agreements. 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 were owed at the time the amendment was executed or may be owed in the future by the Company to Biosense Webster pursuant to the existing agreement would be deferred and will be due, together with any unrecouped portion of the $10.0 million royalty advance, on the Final Payment Date, as defined in the amendment, but in no event later than December 31, 2011. Interest on the outstanding and unrecouped amounts of the royalty advance and deferred research and development expenses accrued at an interest rate of the prime rate plus 0.75%. Outstanding royalty advances and deferred research and development expenses and accrued interest thereon could be recouped by Biosense Webster by deductions from royalty amounts otherwise owed to the Company from Biosense Webster pursuant to the existing agreement. During 2011, we had the right to prepay any amounts due pursuant to the Amendment at any time without penalty. Approximately $18.0 million had been advanced by Biosense Webster to the Company pursuant to the amendment. As of December 31, 2011, these amounts plus interest accrued thereon had been repaid in full. The Company recorded research and development expenses of $1.1 million, $0.6 million, and $1.7 million, and disposables, service and accessories revenue of $3.6 million, $3.9 million, and $3.3 million for the years ended December 31, 2011, 2010, and 2009, respectively, related to this agreement.

10. Lease Obligations

The Company leases its facilities under operating leases. For the years ended December 31, 2011, 2010, and 2009 rent expense was $1,711,647, $1,548,869, and $1,727,375, respectively.

In January 2006, the Company moved its primary operations into new facilities. The facility is subject to a lease which expires in 2018. Under the terms of the lease, the Company has options to renew for up to three additional years. The lease contains an escalating rent provision which the Company has straight-lined over the term of the lease.

The future minimum lease payments under non-cancelable leases as of December 31, 2011 are as follows:

Year	Operating Lease
2012	$ 1,716,764
2013	1,691,661
2014	1,698,431
2015	1,698,431
2016	2,186,668
2017 and Beyond	4,373,336
Total minimum lease payments	$ 13,365,291

11. Stockholders' Equity

Public Offerings of Common Stock

In December 2008, the Company completed a registered direct offering in which it issued and sold 2,389,877 units (the "Units") at the negotiated price of $4.18 per Unit, with each Unit consisting of (i) one share of the Company's common stock ("Common Stock"), (ii) one warrant to purchase 0.75 shares of Common Stock at an exercise price of $5.11 per share (the "Series A Warrant"), (iii) one six-month warrant to purchase 0.90 shares of Common Stock at an exercise price of $4.65 per share (the "Series B Warrant"), for an aggregate of up to 2,148,739 shares of Common Stock, and (iv) two warrants to purchase 0.286 shares of Common Stock at an exercise price of $0.001 per share (the "Series C and D Warrants"), for an aggregate of up to 682,824 shares of Common Stock. The ability of the Investors to exercise the Series C and D Warrants was conditioned upon the trading price of Common Stock during certain periods prior to May 30, 2009, as described further below. The Series B, C and D Warrants all expired prior to June 30, 2009 and represented the right to acquire in the aggregate up to 2,831,563 shares of Common Stock. The Series A Warrants, which were exercisable on or after the date immediately following the six month anniversary of their issuance (the "Initial Exercisability Date") and had a five year term from the Initial Exercisability Date, represented the right to acquire an aggregate of up to 1,792,408 shares of Common Stock. The Series A Warrants have a provision for full ratchet adjustment of the exercise price for the first two years following the closing, and a provision for weighted average adjustment thereafter, provided that, in any event upon three successive quarters of positive free cash flow (defined as cash flow from operations less non-acquisition related capital expenditures), the full ratchet anti-dilution protection will no longer apply and weighted average anti-dilution will apply thereafter. The exercise price adjustment provisions included in the Series A Warrant only reduce the exercise price, and will not result in any increase in the number of Series A Warrants or shares of Common Stock underlying the Series A Warrants. As discussed below, these provisions were triggered in February 2009. Under certain conditions, holders of Series C Warrants were entitled to purchase up to 341,412 shares of Common Stock until ten trading days after the two month anniversary of the issuance date of such warrants and holders of Series D Warrants were entitled to purchase up to 341,412 shares of Common Stock until ten trading days after the five month anniversary of the issuance date of such warrants. The ability of the holders to exercise the Series C Warrants was conditioned on the simple average of the daily volume weighted average price of the Common Stock for the 30 trading days prior to the two month anniversary of closing, and the ability of the holders to exercise the Series D Warrants was conditioned on the simple average of the daily volume weighted average price of the Company's Common Stock for the 30 trading days prior to the five month anniversary of closing. If either such simple average was between $4.18 and $3.25, a portion of the Series C and D Warrants would be exercisable; if each such simple average was below $3.25, all of the Series C and D Warrants would be exercisable. The investors in this transaction became entitled to exercise and did exercise Series C and D Warrants to purchase 341,412 and 279,170 shares of common stock in March 2009 and June 2009, respectively.

As described above, this offering contained a provision that required a reduction of the exercise price for Series A Warrants if certain equity events occurred. Such an event occurred in February 2009 and as a result, the exercise price for the Series A Warrants was reduced to $3.16 per share. Under the provisions of general accounting principles for hedging and new guidance for determining whether an instrument (or embedded feature) is indexed to an entity's own stock, such a reset provision no longer meets the exemptions for equity classification and as such, the Company accounts for these warrants as derivative instruments. The calculated fair value of the warrants is classified as a liability and is periodically remeasured with any changes in value recognized in "Other income (expense)" in the Statement of Operations. This new guidance became effective for the Company as of January 1, 2009. Accordingly, the fair value of the warrants of $5.1 million was reclassified from stockholder's equity into current liabilities at that date. The Company determined that no change in fair value had occurred between the date of closing and December 31, 2008 and as such, the Company did not record a cumulative effect for the change in accounting principal upon adoption of the new guidance. See Note 2 for fair value as of December 31, 2010 and 2011.

In addition, concurrently with the offering discussed above, the Company completed a second registered direct offering for an aggregate of 2,024,260 shares of Common Stock and warrants to purchase up to 4,859,504 shares of Common Stock to the Lenders, for a purchase price of $4.94 per unit (representing the closing bid price of the Common Stock on the trading day preceding the execution of the agreement, plus an additional $0.125 per warrant share underlying the warrant). The warrants are exercisable at $4.64 per share, are exercisable on or after the date immediately following the six month anniversary of their issuance and have a five year term from that initial exercisability date. In conjunction with the two concurrent offerings, the Company received approximately $18.8 million net of offering expenses.

In August 2009, 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 registration statement was declared effective by the SEC in September 2009.

In October 2009, we completed an offering of 7,475,000 shares of our common stock at $4.00 per share, receiving approximately $27.8 million in net proceeds.

In November 2010, we completed a public offering of our common stock in which we issued 4,600,000 shares at $3.65 per share and realized approximately $15.5 million in proceeds, net of fees and expenses.

The holders of common stock are entitled one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the prior rights of holders of all classes of stock having priority rights as dividends and the conditions of the our Revolving Credit Agreement. No dividends have been declared or paid as of December 31, 2011.

The Company has reserved shares of common stock for the exercise of warrants, the issuance of options granted under the Company's stock option plan and its stock purchase plan as follows:

	December 31, 2011	December 31, 2010
Warrants	10,381,613	10,381,613
Stock award plans	364,687	2,785,983
Employee Stock Purchase Plan	104,145	188,636
	10,850,445	13,356,232

Stock Award Plans

The Company has various stock plans that permit the Company to provide incentives to employees and directors of the Company in the form of equity compensation. In 2002, the Board of Directors adopted a stock incentive plan (the 2002 Stock Incentive Plan) and a non-employee directors' stock plan (2002 Director Plan). Each of these plans was subsequently approved by the Company's stockholders.

The 2002 Stock Incentive Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares and restricted share units to employees, directors, and consultants. Options granted under the 2002 Stock Incentive Plan expire no later than ten years from the date of grant. The exercise price of each incentive stock option shall not be less than 100% of the fair value of the stock subject to the option on the date the option is granted. The vesting provisions of individual options may vary, but incentive stock options generally vest 25% on the first anniversary of each grant and 1/48 per month over the next three years. Stock appreciation rights are rights to acquire a calculated number of shares of the Company's common stock upon exercise of the rights. The number of shares to be issued is calculated as the difference between the exercise price of the right and the aggregate market value of the underlying shares on the exercise date divided by the market value as of the exercise date. Stock appreciation rights granted under the 2002 Stock Incentive Plan generally vest 25% on the first anniversary of such grant and 1/48 per month over the next three years and expire no later than ten years from the date of grant. The Company generally issues new shares upon the exercise of stock options and stock appreciation rights.

Restricted share grants under the 2002 Stock Incentive Plan are either time-based or performance-based. Time-based restricted shares generally cliff vest three years after grant. Performance-based restricted shares vest upon the achievement of performance objectives which are determined by the Company's Board of Directors.

Restricted stock unit grants under the 2002 Stock Incentive Plan are time-based and generally vest over 18 months with 25% vesting at 6 months, an additional 25% vesting at one year, and the final 50% vesting at the end of the 18th month. Restricted stock unit grants to executive level employees generally cliff vest 18 months after the grant date.

The 2002 Director Plan allows for the grant of non-qualified stock options to the Company's non-employee directors. Options granted under the 2002 Director Plan expire no later than ten years from the date of grant. The exercise price of options under the 2002 Director Plan shall not be less than 100% of the fair value of the stock subject to the option on the date the option is granted. Initial grants of options to new directors generally vest over a two year period. Annual grants to directors generally vest upon the earlier of one year or the next stockholder meeting.

During the third quarter of 2009, the Company allowed certain option holders to participate in a one-time stock option exchange program. Participants in the program were allowed to cancel certain stock options in exchange for the grant of a lesser amount of stock options with lower exercise prices. The exchange ratios used resulted in a fair value of the replacement options to be granted that was approximately equal to the fair value of the options that were surrendered, and thus no incremental expense was recognized by the Company in conjunction with this option exchange. Of the 975,121 options eligible under the program, 407,832 options were cancelled by the Company in exchange for the granting of 149,976 replacement options. This exchange program was approved by our stockholders on June 10, 2009.

A summary of the options and stock appreciation rights activity for the year ended December 31, 2011 is as follows:

	Number of Options/SARS	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2010	4,711,082	$1.37-$12.55	$ 5.80
Granted	2,108,850	$ 1.00-$4.03	$ 3.22
Exercised	(4,682)	$ 1.37-$1.62	$ 1.54
Forfeited	(1,187,918)	$1.00-$12.03	$ 5.71
Outstanding, December 31, 2011	5,627,332	$1.00-$12.55	$ 4.85

As of December 31, 2011, the weighted average remaining contractual life of the options and stock appreciation rights outstanding was 4.6 years. Of the 5,627,332 options and stock appreciation rights that were outstanding as of December 31, 2011, 3,005,452 were vested and exercisable with a weighted average exercise price of $6.11 per share and a weighted average remaining term of 2.6 years.

A summary of the options and stock appreciation rights outstanding by range of exercise price is as follows:

	Year Ended December 31, 2011				
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Options Currently Exercisable	Weighted Average Exercise Price Per Vested Share
$1.00 - $5.94	4,393,830	5.3 years	$ 3.86	1,753,310	$ 4.45
$6.77 - $9.90	776,491	2.0 years	$ 7.06	787,632	$ 7.10
$10.06 - $12.55	457,011	1.3 years	$ 10.68	464,510	$ 10.69
	5,627,332	4.6 years	$ 4.85	3,005,452	$ 6.11

The intrinsic value of options and stock appreciation rights is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for the options and stock appreciation rights that were in-the-money at December 31, 2011. As of December 31, 2011, no options or stock appreciation rights were in-the-money. The intrinsic value of the options and stock appreciation rights outstanding at December 31, 2011 was approximately $0 based on a closing share price of $0.82 on December 31, 2011. The intrinsic value of fully vested options and stock appreciation rights outstanding at December 31, 2011 was approximately $0 based on a closing price of $0.82 on December 31, 2011. During the year ended December 31, 2011, the aggregate intrinsic value of options and stock appreciation rights exercised under the Company's stock option plans was less than $0.1 million. The weighted average grant date fair value of options and stock appreciation rights granted during the year ended December 31, 2011 was $3.22 per share.

During the years ended December 31, 2011, 2010, and 2009, the Company realized less than $0.1 million, $0.5 million, and less than $0.1 million, respectively, from the exercise of stock options and stock appreciation rights.

A summary of the restricted share and unit grant activity for the year ended December 31, 2011 is as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value per Share
Outstanding, December 31, 2010	33,514	$ 8.19
Granted	629,550	$ 3.41
Vested	(19,086)	$ 9.70
Forfeited	(117,390)	$ 3.70
Outstanding, December 31, 2011	526,588	$ 3.42

	Number of Restricted Shares Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2010	—	$ —
Granted	992,702	$ 1.09
Vested	—	$ —
Forfeited	(4,500)	$ 1.09
Outstanding, December 31, 2011	988,202	$ 1.09

A summary of the restricted shares outstanding as of December 31, 2011 is as follows:

	Number of Shares
Time based restricted shares	182,088
Performance based restricted shares	344,500
Outstanding, December 31, 2011	526,588

The intrinsic value of restricted shares and restricted stock units outstanding at December 31, 2011 was approximately $0.4 million and $0.8 million, respectively, based on a closing share price of $0.82 as of December 31, 2011. During the year ended December 31, 2011, the aggregate intrinsic value of restricted shares and restricted stock units vested was approximately $0.1 million and $0, respectively, determined at the date of vesting.

During the year ended December 31, 2009, the Company determined that it was not probable that the performance conditions related to certain of its outstanding restricted share awards would be achieved and accordingly, recorded approximately $(0.5) million as a cumulative catch-up adjustment resulting in a reduction of share based compensation.

As of December 31, 2011, the total compensation cost related to options, stock appreciation rights and non-vested stock granted to employees under the Company's stock award plans but not yet recognized was approximately $5.5 million, net of estimated forfeitures of approximately $2.4 million. This cost will be amortized over a period of up to four years on a straight-line basis over the underlying estimated service periods and will be adjusted for subsequent changes in estimated forfeitures. During the third quarter of 2011, the Company made an adjustment to its forfeiture rate based on historical information, which resulted in a reduction of share-based compensation of $0.5 million for the year ended December 31, 2011.

2009 Employee Stock Purchase Plan

In 2009, the Company adopted its 2009 Employee Stock Purchase Plan and reserved 250,000 shares of common stock for issuance pursuant to the plan. The Company offered employees the opportunity to participate in the plan beginning July 1, 2009 with an initial purchase date of September 30, 2009. Eligible employees have the opportunity to participate in a new purchase period every 3 months. Under the terms of the plan, employees can purchase up to 15% of their compensation of the Company's common stock, subject to an annual maximum of $25,000, at 95% of the fair market value of the stock at the end of the purchase period, subject to certain plan limitations. As of December 31, 2011, a total of 145,855 shares had been purchased under this plan. As of December 31, 2011 there were 104,145 remaining shares available for issuance under the Employee Stock Purchase Plan.

Warrants

In February 2008, the Company issued warrants to the Lenders to purchase 572,246 shares of common stock at $6.99 per share exercisable through February 2013 in conjunction with a $20 million loan commitment as described in Note 9. In February 2009, the Company exercised its option to extend the terms of its guarantee with the same stockholders and issued warrants to the Lenders to purchase 1,582,280 shares of common stock at $3.16 per share exercisable through February 2014 as described in Note 9.

In December 2008, the Company issued warrants associated with two direct offerings as discussed above in "Public Offerings of Common Stock."

In October 2009, the Company issued warrants to purchase 664,064 shares of common stock in conjunction with an extension of the commitment for unsecured borrowing capacity from the Lenders as described in Note 9.

In November 2010, the Company issued warrants to purchase 800,000 shares of common stock in conjunction with the offering as discussed above in "Public Offerings of Common Stock."

In December 2010, the Company issued warrants to purchase 111,111 shares of common stock in conjunction with the amendment of the loan agreement as described in Note 9.

During 2011, 2010, and 2009, warrants for 0, 0, and 620,582 shares, respectively, were exercised.

12. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2011	2010	2009
Deferred:			
Federal	$ 11,367,771	$ 5,650,309	$ 9,850,636
State and local	1,437,062	464,169	1,299,941
	12,804,833	6,114,478	11,150,577
Valuation allowance	(12,804,833)	(6,114,478)	(11,150,577)
	$ —	$ —	$ —

The provision for income taxes varies from the amount determined by applying the U.S. federal statutory rate to income before income taxes as a result of the following:

	Year Ended December 31,		
	2011	2010	2009
U.S. statutory income tax rate	34.0%	34.0%	34.0%
State and local taxes, net of federal tax benefit	4.5%	2.3%	4.6%
Permanent differences between book and tax and other	1.5%	(5.6)%	1.3%
Valuation allowance	(40.0)%	(30.7)%	(39.9)%
Effective income tax rate	0.0%	0.0%	0.0%

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses, and projections for future periods over which the deferred tax assets are deductible, the Company determined that a 100% valuation allowance of deferred tax assets was appropriate. The valuation allowance for deferred tax assets includes amounts for which subsequently recognized tax benefits will be applied directly to contributed capital.

The components of the deferred tax asset are as follows:

	December 31,	
	2011	2010
Current accruals	$ 1,751,515	$ 2,026,725
Depreciation and amortization	2,644,059	2,418,332
Deferred compensation	4,648,719	3,778,527
Net operating loss carryovers	123,114,797	111,130,672
Deferred tax assets	132,159,090	119,354,256
Valuation allowance	(132,159,090)	(119,354,256)
Net deferred tax assets	$ —	$ —

As of December 31, 2011, we had federal net operating loss carryforwards of approximately $339.4 million of which approximately $1.7 million will expire by 2012 and approximately $337.7 million will expire between 2018 and 2031. As of December 31, 2011, we had state net operating loss carryforwards of approximately $8.0 million which will expire at various dates between 2012 and 2031 if not utilized.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. As the Company has a federal Net Operating Loss carryforward from the year ended December 31, 1994 forward, all tax years from 1994 forward are subject to examination. As states have varying carryforward periods, and the Company has recently entered into additional states, the states are generally subject to examination for the previous 10 years or less.

The Company recognizes interest accrued, if any, net of tax and penalties, related to unrecognized tax benefits as components of income tax provision as applicable. As of December 31, 2011, accrued interest and penalties were not material.

13. Net Loss per Share

The following is a reconciliation of the numerator (net loss) and the denominator (number of shares) used in the basic and diluted earnings per share calculations:

	Year Ended December 31,		
	2011	2010	2009
Basic and diluted:			
Net loss	$ (32,031,175)	$ (19,923,487)	$ (27,494,457)
Weighted average common shares outstanding	54,826,266	50,522,001	43,344,324
Net loss per share	$ (0.58)	$ (0.39)	$ (0.63)

The following table sets forth the number of common shares that were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive as follows:

	December 31,		
	2011	2010	2009
Shares outstanding			
Restricted shares	526,588	33,282	858,938
Shares issuable upon vesting/exercise of:			
Options to purchase common stock	5,627,332	4,711,082	4,675,450
Restricted stock units	988,202	—	—
Warrants	10,381,613	10,381,613	9,623,711
	17,523,735	15,125,977	15,158,099

14. Employee Benefit Plan

The Company offers employees the opportunity to participate in a 401(k) plan. Through September 30, 2011, the Company matched employee contributions dollar for dollar up to 3% of the employee's salary during the employee's period of participation. Such employer contributions are discretionary under the 401(k) plan. As of October 1, 2011, the Company suspended all matching contributions indefinitely. For the years ended December 31, 2011, 2010, and 2009, the Company expensed $395,633, $414,765, and $540,168, respectively, related to the plan.

15. 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.

We have entered into a letter of credit to support a commitment in the amount of less than $0.1 million. This letter of credit is valid through 2015. In addition, we have entered into a purchase agreement for magnets from a vendor in the amount of $1.2 million. This contract will be settled in February 2012.

16. Segment Information

The Company considers reporting segments in accordance with general accounting principles for disclosures about segments of an enterprise and related information. The Company's system and disposable devices are developed and marketed to a broad base of hospitals in the United States and internationally. The Company considers all such sales to be part of a single operating segment.

Geographic revenue is as follows:

	Year Ended December 31,		
	2011	2010	2009
United States	$ 23,947,048	$ 28,840,803	$ 22,309,477
International	18,040,384	25,210,434	28,840,078
Total	$ 41,987,432	$ 54,051,237	$ 51,149,555

All of the Company's long-lived assets are located in the United States. Revenues are attributed to countries based on the location of the customer.

17. Quarterly Data (Unaudited)

The following tabulations reflect the unaudited quarterly results of operations for the years ended December 31, 2011 and 2010:

	Net Sales	Gross Profit	Net Loss	Basic and Diluted Loss Per Share
2011				
First quarter	$10,224,704	$ 7,219,725	$(9,549,933)	$ (0.17)
Second quarter	11,602,139	8,085,793	(9,694,685)	(0.18)
Third quarter	8,544,014	5,886,760	(7,273,070)	(0.13)
Fourth quarter	11,616,575	8,297,073	(5,513,487)	(0.10)
2010				
First quarter	$10,616,609	$ 7,695,939	$(8,426,557)	$ (0.17)
Second quarter	15,018,078	10,091,925	(3,862,187)	(0.08)
Third quarter	13,872,254	10,017,172	(5,143,897)	(0.10)
Fourth quarter	14,544,296	10,681,514	(2,490,846)	(0.05)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Report on Internal Control Over Financial Reporting

As of December 31, 2011, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, 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) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). 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.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Exchange Act. The Company's internal control over financial reporting is designed 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 in the United States of America. The Company's management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making the assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment, our management has concluded that our internal control over financial reporting is effective as of December 31, 2011.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which can be found below.

Based on the evaluation of internal control over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there have been no changes in the Company's internal controls over financial reporting during the period that is covered by this report that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Stereotaxis, Inc.

We have audited Stereotaxis, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stereotaxis, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Stereotaxis, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of Stereotaxis, Inc. as of December 31, 2011 and 2010, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 of Stereotaxis, Inc. and our report dated March 15, 2012 expressed an unqualified opinion thereon that included an explanatory paragraph regarding Stereotaxis, Inc.'s ability to continue as a going concern.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 15, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Report on Form 10-K since we intend to file our definitive Proxy Statement for our next Annual Meeting of Stockholders, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement"), no later than April 30, 2012, and certain information to be included in the Proxy Statement is incorporated herein by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item concerning our executive officers and directors is incorporated by reference to the information set forth in the section entitled "Directors and Executive Officers" in our Proxy Statement. Information regarding Section 16 reporting compliance is incorporated by reference to the information set forth in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement.

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees effective August 1, 2004 as amended from time to time. Stockholders may request a free copy of our Code of Business Conduct and Ethics from our Chief Financial Officer as follows:

Stereotaxis, Inc.
Attention: Samuel W. Duggan II
4320 Forest Park Avenue, Suite 100
St. Louis, MO 63108
314-678-6100

To the extent required by law or the rules of the NASDAQ Global Market, any amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics will be promptly disclosed publicly. To the extent permitted by such requirements, we intend to make such public disclosure by posting the relevant material on our website (*www.stereotaxis.com*) in accordance with SEC rules.

The following is information with respect to our executive officers:

Michael P. Kaminski
Director, Chief Executive Officer and President
Officer since 2004

Mr. Kaminski, 52, was appointed by the Board of Directors as a Class I director in August 2008. Mr. Kaminski was named Chief Executive Officer in January 2009 and retained the title of President after having previously served as our President and Chief Operating Officer since 2007. Mr. Kaminski previously served as our Chief Operating Officer since he joined the Company in 2002. Prior to joining the Company, Mr. Kaminski spent nearly 20 years with Hill-Rom Company (Hillenbrand Industries). In his last position with Hill-Rom, Mr. Kaminski served as Senior Vice President of North American Sales and Service. Prior to that, he served as General Manager of the Acute Care Hospital Division of Hill-Rom. As our Chief Executive Officer, Mr. Kaminski provides comprehensive insight to the Board of Directors on a broad range of issues, including strategic planning, project implementation, marketing and relationships with investors and the finance community. Mr. Kaminski earned an M.B.A. from Xavier University and a B.S. in Marketing from Indiana University.

Douglas M. Bruce
Chief Technology/Operations Officer
Officer since 2004

Mr. Bruce, 54, has served as our Chief Technology/Operations Officer since 2009. Previously, he served as our Senior Vice President, Research & Development since joining the Company in 2001. Prior to joining the Company, Mr. Bruce was Vice President, Product Development and Marketing, for Intuitive Surgical, a developer and manufacturer of computer-enhanced minimally invasive surgery systems, from 1997 to 2001. Prior to Intuitive Surgical, Mr. Bruce was a Vice President of Engineering at Acuson Corp, a manufacturer of diagnostic ultrasound systems. He has held positions in mechanical, process and manufacturing engineering at Tandon Corp, ISS Sperry Univac and IBM. Mr. Bruce received a M.S. in Mechanical Engineering from the University of Santa Clara and a B.S. in Mechanical Engineering from the University of California at Berkeley.

Frank J. Cheng
Senior Vice President, Marketing and Business Development & General Manager of *Odyssey*
Officer since 2010

Mr. Cheng, 44, joined Stereotaxis in April 2010 as Senior Vice President, Marketing and Business Development. He became General Manager for the *Odyssey* business in 2011. He has over 15 years of experience in the medical technology industry leading marketing, business development and start-up ventures. Prior to joining Stereotaxis, Mr. Cheng was President and Chief Executive Officer of Perfinity Biosciences, Inc. (previously Quadraspec, Inc.), from 2009 to 2010. He currently serves as a director of Perfinity Biosciences, Inc. From 2005 to 2009, Mr. Cheng was President and Chief Executive Officer of OBS Medical. For four years prior to that, he was Vice President of Business Development for Roche Diagnostics. Earlier in his career, Mr. Cheng held marketing and strategic planning positions at GE Medical Systems for three years and Hillenbrand Industries (including its subsidiary, Hill-Rom Company) for four years. Mr. Cheng has an MBA from Vanderbilt University and a BBA from Wuhan University.

Samuel W. Duggan II
Chief Financial Officer
Officer since 2011

Mr. Duggan, 48, joined Stereotaxis in October 2011. Prior to joining Stereotaxis, Mr. Duggan was Vice President and Treasurer at RehabCare Group, Inc., a leading provider of post-acute care, from 2009 to 2011. Mr. Duggan held various finance positions with Kellwood Company, one of the largest apparel makers in the U.S., concluding with his role as Vice President, Investor Relations and Treasurer from 2005 to 2008. Prior to that, Mr. Duggan held positions in accounting, business development, purchasing, facilities planning and investor relations at MEMC Electronic Materials, Inc., a global leader in the manufacture and sale of silicon wafers to the semiconductor industry, starting in 1996. Mr. Duggan was with KPMG LLP from 1986 until 1996. Mr. Duggan received an MBA from the University of Notre Dame and a BSBA from Saint Louis University.

Karen W. Duros
Senior Vice President, General Counsel and Secretary
Officer since 2010

Ms. Duros, 57, joined Stereotaxis in 2010. She has over 25 years of business and corporate legal experience in large and small companies. Prior to joining Stereotaxis, she was Senior Counsel for Monsanto Company from 2005 to 2010. From 1998 to 2005, Ms. Duros held several legal positions of increasing responsibility with Great Lakes Chemical Corporation, including Vice President and Secretary from 2004 to 2005, and General Counsel of Great Lakes' Industrial Products division from 1999 to 2005. Previously, she was Vice President, General Counsel and Secretary of Tastemaker, a joint venture of Mallinckrodt, Inc. and Hercules, Inc., and prior to that, she held several legal positions with Mallinckrodt, Inc. Ms. Duros began her legal career with the St. Louis law firm, Thompson & Mitchell. She earned a law degree from Washington University School of Law and a B.A., Political Science, from Benedictine College.

David A. Giffin
Vice President, Human Resources
Officer since 2010

Mr. Giffin, 63, joined Stereotaxis in January 2007. He was named an officer in 2010. Mr. Giffin has over 30 years of human resources experience. Prior to joining Stereotaxis, from 2001 to 2006, Mr. Giffin was Vice President, Human Resources and Social Enterprise at Provident, Inc., a St. Louis based social service agency. Prior to that position, he was Vice President, Human Resources at Huttig Building Products from 1991 to 2001. He also has held positions as Vice President, Human Resources at St. Johns Medical Center in St. Louis; and Principle Consultant at The Bannon Consulting Group. He spent the early years of his career with Monsanto Company where he held a variety of human resources positions with increasing responsibility. Mr. Giffin earned his M.B.A. and a B.S. in Psychology from Purdue University.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item regarding executive compensation is incorporated by reference to the information set forth in the sections titled “Executive Compensation” in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth in the section titled “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item regarding certain relationships and related transactions is incorporated by reference to the information set forth in the section titled “Certain Relationships and Related Person Transactions and Director Independence” in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item regarding principal accounting fees and services is incorporated by reference to the information set forth in the section titled “Principal Accounting Fees and Services” in our Proxy Statement.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K

(1) Financial Statements—See Index to the Financial Statements at Item 8 of this Report on Form 10-K.

(2) The following financial statement schedule of Stereotaxis, Inc. is filed as part of this Report and should be read in conjunction with the financial statements of Stereotaxis, Inc.:

— Schedule II: Valuation and Qualifying Accounts.

All other schedules have been omitted because they are not applicable, not required under the instructions, or the information requested is set forth in the consolidated financial statements or related notes thereto.

(3) Exhibits

See Exhibit Index appearing on page 91 herein.

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: March 15, 2012

By: /s/ MICHAEL P. KAMINSKI
Michael P. Kaminski
President & Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael P. Kaminski and Samuel W. Duggan II, and each of them, his true and lawful attorneys-in-fact and agents, with full Power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K and any other documents and instruments incidental thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full Power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ FRED A. MIDDLETON **Fred A. Middleton**	Chairman of the Board of Directors	March 15, 2012
/s/ MICHAEL P. KAMINSKI **Michael P. Kaminski**	President & Chief Executive Officer, Director (principal executive officer)	March 15, 2012
/s/ SAMUEL W. DUGGAN II **Samuel W. Duggan II**	Chief Financial Officer (principal financial officer and principal accounting officer)	March 15, 2012
/s/ CHRISTOPHER ALAFI **Christopher Alafi**	Director	March 15, 2012
/s/ DAVID W. BENFER **David W. Benfer**	Director	March 15, 2012
/s/ WILLIAM M. KELLEY **William M. Kelley**	Director	March 15, 2012
/s/ JOSEPH D. KEEGAN **Joseph D. Keegan**	Director	March 15, 2012
/s/ WILLIAM C. MILLS III **William C. Mills III**	Director	March 15, 2012
/s/ ROBERT J. MESSEY **Robert J. Messey**	Director	March 15, 2012
/s/ ERIC N. PRYSTOWSKY **Eric N. Prystowsky**	Director	March 15, 2012

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009

	Balance at Beginning of Year	Additions Charged to Cost and Expenses	Deductions	Balance at the End of Year
Allowance for doubtful accounts and returns:				
Year ended December 31, 2011	$ 367,536	$691,459	$(391,466)	$ 667,529
Year ended December 31, 2010	$ 322,463	$107,360	$ (62,287)	$ 367,536
Year ended December 31, 2009	$ 328,307	$353,532	$(359,376)	$ 322,463
Allowance for inventories valuation:				
Year ended December 31, 2011	$ 539,518	$156,852	$(545,213)	$ 151,157
Year ended December 31, 2010	$ 812,468	$ 67,252	$(340,202)	$ 539,518
Year ended December 31, 2009	$ 583,278	$321,058	$ (91,868)	$ 812,468

EXHIBIT INDEX

Number	Description
3.1	Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.
3.2	Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.
4.1	Form of Specimen Stock Certificate, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.1.
4.2	Fourth Amended and Restated Investor Rights Agreement, dated December 17, 2002, by and among Registrant and certain stockholders, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.3.
4.3	Joinder Agreement to Series D-2 Preferred Stock Purchase Agreement, Fourth Amended and Restated Investor Rights Agreement and Amendment to Second Amended and Restated Stockholders' Agreement dated January 21, 2003, by and among Registrant and certain stockholders, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.4.
4.4	Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated May 27, 2003, by and among Registrant and certain stockholders incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.5.
4.5	Second Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated December 22, 2003, by and among Registrant and certain stockholders, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.6.
4.6	Third Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated January 28, 2004, by and among Registrant and certain stockholders, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 4.7.
4.7a	Form of Warrant issued pursuant to that certain Note and Warrant Purchase Agreement effective February 7, 2008, between the Registrant and certain investors named therein (included in Exhibit 10.21a, which is incorporated by reference to Exhibit 10.31 of the Registrant's Form 10-K (File 000-50884) for the fiscal year ending December 31, 2007).
4.7b	Form of Warrant issued pursuant to that certain First Amendment to Note and Warrant Purchase Agreement effective December 29, 2008, between the Registrant and the investors named therein (included in Exhibit 10.21b, which is incorporated by reference to Exhibit 10.32 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2008).
4.7c	Form of Warrant issued pursuant to that certain Second Amendment to Note and Warrant Purchase Agreement effective October 9, 2009, between the Registrant and certain investors named therein (included in Exhibit 10.21c, which is incorporated by reference to Exhibit 10.31c of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2009).

Number	Description
4.7d	Form of Warrant issued pursuant to that certain Third Amendment to Note and Warrant Purchase Agreement effective November 10, 2010, between the Registrant and certain investors named therein (included in Exhibit 10.21d).
4.8	Form of Series A Warrant, issued pursuant to that certain Securities Purchase Agreement, dated December 29, 2008, incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed December 29, 2008.
4.9	Form of Warrant, issued pursuant to that certain Securities Purchase Agreement, dated December 29, 2008, incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed December 29, 2008.
4.10	Warrant to Purchase Stock pursuant to that certain Loan and Security Agreement, dated December 17, 2010, between Silicon Valley Bank and the Company incorporated by reference to Exhibit 4.10 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2010 .).
10.1#	1994 Stock Option Plan, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.1.
10.2a#	2002 Stock Incentive Plan, as amended and restated June 10, 2009, incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2009.
10.2b#	Form of Incentive Stock Option Award Agreement under the 2002 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed December 19, 2008.
10.2c#	Form of Non-Qualified Stock Option Award Agreement under the 2002 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed December 19, 2008.
10.2d#	Form of Restricted Stock Agreement under the 2002 Stock Incentive Plan, incorporated by reference to Exhibit 10.7 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2008.
10.2e#	Form of Performance Share Agreement under the 2002 Stock Incentive Plan, incorporated by reference to Exhibit 10.8 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2008.
10.2f#	Form of Stock Appreciation Right Award Agreement under the 2002 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed December 19, 2008.
10.2g#	Form of Restricted Share Unit Terms of Award under 2002 Stock Incentive Plan (filed herewith).
10.3#	2009 Employee Stock Purchase Plan, as adopted June 10, 2009, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2009.
10.4a#	2002 Non-Employee Directors' Stock Plan, as amended and restated May 29, 2008, incorporated by reference to Exhibit 10.4 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2008.
10.4b#	Form of Non-Qualified Stock Option Agreement under the 2002 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2005.
10.4c#	Form of Restricted Share Unit Agreement, Director Award, under 2002 Stock Incentive Plan (filed herewith).

Number	Description
10.5a#	Employment Agreement dated April 17, 2002, between Michael P. Kaminski and the Registrant, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.8.
10.5b#	First Amendment to Employment Agreement dated as of May 29, 2008, by and between the Registrant and Michael P. Kaminski, incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed June 3, 2008.
10.5c#	Corrected Second Amendment to Employment Agreement dated August 6, 2009, by and between Michael P. Kaminski and the Registrant, incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2009.
10.5d#	Amendment to Executive Employment Agreement dated October 1, 2011 by and between the Company and Michael P. Kaminski (filed herewith).
10.6a#	Employment Agreement dated August 5, 2009, between Daniel J. Johnston and the Registrant, incorporated by reference to Exhibit 10.8 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2009.
10.6b#	Consulting Agreement dated August 5, 2011, by and between the Company and Daniel J. Johnston incorporated by reference to Exhibit 99.2 of Registrant's Form 8-K (File No. 000-50884) filed on August 8, 2011.
10.7a#	Form of Executive Employment Agreement between certain executive officers and the Registrant (filed herewith).
10.7b#	Form of Amendment to Executive Employment Agreement between certain executive officers and the Company (filed herewith).
10.8	Summary of management bonus plan (filed herewith).
10.9#	Summary of annual cash compensation of named executive officers (filed herewith).
10.10#	Summary of Non-Employee Directors' Compensation (filed herewith).
10.11a#	Stereotaxis Advisory Board and Consulting Agreement, dated February 25, 2009, between the Company and Eric N. Prystowsky, MD, incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended March 31, 2009.
10.11b#	Amendment to Stereotaxis Advisory Board and Consulting Agreement, dated February 15, 2010, between the Company and Eric N. Prystowsky, MD incorporated by reference to Exhibit 10.11 b of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2010.
10.11c#	Stereotaxis Advisory Board and Consulting Agreement, dated February 25, 2011, between the Company and Eric N. Prystowsky, MD incorporated by reference to Exhibit 10.2 the Registrant's Form 10-Q (File No. 000-50884) filed for the fiscal quarter ended March 31, 2011.
10.12a†	Collaboration Agreement dated June 8, 2001, between the Registrant and Siemens AG, Medical Solutions, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.9.
10.12b†	Extended Collaboration Agreement dated May 27, 2003, between the Registrant and Siemens AG, Medical Solutions, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.10.
10.12c†	Amendment to Collaboration Agreement dated May 5, 2006, between the Company and Siemens Aktiengesellschaft, Medical Solutions, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2006.

Number	Description
10.13a†	Development and Supply Agreement dated May 7, 2002, between the Registrant and Biosense Webster, Inc., incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.11.
10.13b†	Amendment to Development and Supply Agreement dated November 3, 2003, between the Registrant and Biosense Webster, Inc., incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.12.
10.13c†	Alliance Expansion Agreement, dated as of May 4, 2007, between Biosense Webster, Inc. and the Registrant, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended June 30, 2007.
10.13d†	Second Amendment to Development Alliance and Supply Agreement, dated as of July 18, 2008, between the Registrant and Biosense Webster, Inc., incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2008.
10.13e	Third Amendment to Development Alliance and Supply Agreement with Biosense Webster, Inc. effective as of December 21, 2009, incorporated by reference to Exhibit 10.22 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2009.
10.13f	Fourth Amendment to Development Alliance and Supply Agreement with Biosense Webster, Inc., effective May 1, 2010, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended March 31, 2010.
10.13g	Fifth Amendment to Development Alliance and Supply Agreement with Biosense Webster, Inc., dated as of July 30, 2010, incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K/A (File No. 000-50884) filed on August 3, 2010.
10.13h†	Sixth Amendment and Catheter and Mapping System Extension to Development Alliance and Supply Agreement with Biosense Webster, Inc., dated January 3, 2011, effective as of December 17, 2010 incorporated by reference to Exhibit 10.13h of the Registrant's Form 10-K (File No. 000-50884) filed for the fiscal year ended December 31, 2010).
10.13i	Seventh Amendment to the Development Alliance and Supply Agreement with Biosense Webster, Inc., effective December 5, 2011 (filed herewith).
10.14	Form of Indemnification Agreement between the Registrant and its directors and executive officers, incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.14.
10.15†	Letter Agreement, effective October 6, 2003, between the Registrant and Philips Medizin Systeme G.m.b.H., incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.16.
10.16†	Japanese Market Development Agreement dated May 18, 2004, between the Registrant, Siemens Aktiengesellschaft and Siemens Asahi Medical Technologies Ltd., incorporated by reference to the Registration Statement on Form S-1 (File No. 333-115253) originally filed with the Commission on May 7, 2004, as amended thereafter, at Exhibit 10.32.
10.17a†	Office Lease dated November 15, 2004, between the Registrant and Cortex West Development I, LLC, incorporated by reference to Exhibit 10.39 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2004.

Number	Description
10.17b	Amendment to Office Lease dated November 30, 2007, between the Registrant and Cortex West Development I, LLC, incorporated by reference to Exhibit 10.22 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2007.
10.18	Amended and Restated Loan and Security Agreement, dated March 12, 2009, between the Company and Silicon Valley Bank, incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q/A (File No. 000-50884) for the fiscal quarter ended March 31, 2009.
10.19a	First Loan Modification Agreement (Domestic), dated December 15, 2009, between the Company and Silicon Valley Bank, , incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K (File No. 000-50884) filed on December 21, 2009.
10.19b	Second Loan Modification Agreement (Domestic), dated December 17, 2010, between the Company and Silicon Valley Bank, incorporated by reference to Exhibit 10.19b of the Registrant's Form 10-K (File No. 000-50884) filed for the fiscal year ended December 31, 2010
10.19c	Third Loan Modification Agreement, dated June 29, 2011, between the Company, Stereotaxis International, Inc. and Silicon Valley Bank, incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K (File No. 000-50884) filed on July 6, 2011.
10.19d	Fourth Loan Modification Agreement (Domestic), dated September 30, 2011, between the Company, Stereotaxis Internationl, Inc. and Silicon Valley Bank, incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K (File No. 000-50884) filed on October 4, 2011.
10.19e	Waiver Agreement, dated October 31, 2011, by and among the Company, Stereotaxis, International, Inc and Silicon Valley Bank, incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed on November 4, 2011.
10.19f	Second Amended and Restated Loan and Security Agreement, effective November 30, 2011, by and among the Company, Stereotaxis International, Inc. and Silicon Valley Bank (filed herewith).
10.20a	Export-Import Bank Loan and Security Agreement, dated March 12, 2009, among the Company, Stereotaxis International, Inc., and Silicon Valley Bank, incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended March 31, 2009.
10.20b	Export-Import Bank First Loan Modification Agreement, dated December 15, 2009, among the Company, Stereotaxis International, Inc., and Silicon Valley Bank, incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K (File No. 000-50884) filed on December 21, 2009.
10.20c	Export-Import Bank Second Loan Modification Agreement, dated December 17, 2010, by and among the Company, Stereotaxis International, Inc., and Silicon Valley Bank incorporated by reference to Exhibit 10.20c of the Registrant's Form 10-K (File No. 000-50884) filed for the fiscal year ended December 31, 2010.
10.20d	Export-Import Bank Loan and Security Agreement, dated September 30, 2011, among the Company, Stereotaxis International, Inc., and Silicon Valley Bank, incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K (File No. 000-50884) filed on October 4, 2011.
10.20e	Amended and Restated Export-Import Bank Loan and Security Agreement effective November 30, 2011, among the Company, Stereotaxis International, Inc. and Silicon Valley Bank (filed herewith).
10.21a	Note and Warrant Purchase Agreement, effective February 7, 2008, between the Registrant and the investors named therein, incorporated by reference to Exhibit 10.31 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2007.
10.21b	First Amendment to Note and Warrant Purchase Agreement, effective December 29, 2008, between the Registrant and the investors named therein, incorporated by reference to Exhibit 10.32 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2008.

Number	Description
10.21c	Second Amendment to Note and Warrant Purchase Agreement, effective October 9, 2009, between the Registrant and the investors named therein, incorporated by reference to Exhibit 10.31c of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2009.
10.21d	Third Amendment to Note and Warrant Purchase Agreement, effective November 10, 2010, between the Registrant and the investors named therein incorporated by reference to Exhibit 10.21d of the Registrant's Form 10-K (File No. 000-50884) filed for the fiscal year ended December 31, 2010.
10.22a	Loan Agreement dated as of November 30, 2011, by and among the Company, Stereotaxis International, Inc. and Cowen Healthcare Royalty Partners II LLC (filed herewith).
10.22b	Intercreditor Agreement dated as of December 5, 2011 by and among the Company, Stereotaxis International, Inc., Cowen Healthcare Royalty Partners II LLC and Silicon Valley Bank (filed herewith).
21.1	List of Subsidiaries of the Registrant, incorporated by reference to Exhibit 21.1 of the Registrant's Form 10-K (File No. 000-50884) for the fiscal year ended December 31, 2009.
23.1	Consent of Ernst & Young LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
31.2	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
32.1	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
32.2	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer)
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

# Indicates management contract or compensatory plan
† Confidential treatment granted as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.
†† Confidential treatment requested as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.

RESTRICTED SHARE UNIT
TERMS OF AWARD UNDER
STEREOTAXIS, INC. 2002 STOCK INCENTIVE PLAN

THIS AGREEMENT, made effective as of the grant date of October 10, 2011, 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 equity awards 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 share unit award as noted above 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 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 grants of Awards.

2. Grant and Terms of Award. Pursuant to action of the Committee, which action was taken on the date of the grant, the Company awards to Awardee restricted stock units ("RSUs") in the number communicated to Awardee herewith and acknowledged by Awardee. Each RSU represents the obligation of the Company to transfer one share of Common Stock to the Awardee at the time provided in this Agreement, provided such RSU is vested at such time.

3. Vesting. On March 31, 2013, 100% of the RSUs will become vested if the Awardee has been continuously employed with the Company since the Date of Award. If the Awardee terminates service for any reason prior to March 31, 2013, the Awardee shall forfeit the RSUs; provided that, (1) upon involuntary termination by the Company for reasons other than Cause, a prorated number of the RSUs shall become fully vested based on the ratio of the number of days from the date of grant to the date of termination over the number of days from the date of

grant until March 31, 2013; and (2) if there is a Change of Control (as hereinafter defined) and Awardee terminates for Good Reason no later than the last day of the calendar year in which the Change of Control occurs (or, if later, the 15th day of the third month following the date of the Change of Control), the RSUs shall vest immediately. Subject to the preceding sentence, in the event that Awardee terminates service with the Company for any other reason prior to March 31, 2013, all RSUs will be forfeited by Awardee.

4. Payment. On the date of vesting, the Company will transfer one share of Common Stock for each RSU which vested.

5. Source of Payment. Shares of Common Stock transferable to the Awardee under this Agreement shall be authorized but unissued shares. The Company shall have no duties to segregate or set aside any assets to secure the Awardee's right to receive shares of Common Stock under this Agreement. The Awardee shall not have any rights with respect to transfer of shares of Common Stock under this Agreement other than the rights of employees seeking past wages from the Company.

6. RSUs Non-Transferable. RSUs awarded hereunder shall not be transferable by the Awardee. Except as may be required by the federal income tax withholding provisions of the Code or by the tax laws of any State, the interests of the Awardee under this Agreement are not subject to the claims of their creditors and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, pledged, anticipated, or encumbered. Any attempt by the Awardee to sell, transfer, alienate, assign, pledge, anticipate, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void.

7. Shareholder Rights. The Awardee shall not have the rights of a shareholder of the Company with respect to RSUs, such as the right to vote.

8. 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) "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.

9. Withholding. The Company shall withhold sufficient shares to satisfy the Company's obligation to withhold for tax requirements at the time of payment of shares hereunder, as appropriate, if Awardee is at the time of payment 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.

10. Termination of Service. Awardee shall forfeit the RSUs to the extent not vested prior to Awardee's termination of service. The RSUs 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.

11. 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.

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. 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.

Frequently Asked Questions
Restricted Stock Units – Special October 2011 Grant

What are Restricted Stock Units?

Restricted Stock Units ("RSUs") are the right to receive shares of the Company's common stock if the RSUs vest. The restriction relates to vesting requirements. Once vested, shares are transferred to you and are fully tradable, normal, common shares of the Company's common stock.

Do I pay for these RSUs?

No. RSUs represent the promise to transfer actual shares to the employee by the Company. There is no exercise price to be paid.

What about vesting?

100% of the RSUs will vest on March 31, 2013.

Does the employee need to do anything to receive these shares?

No. If the vesting date is met, the Company will issue freely tradable common shares to the employee.

Do I have control over vesting and the related tax event?

No. In the year in which the shares are transferred to you, we will report as taxable income to you on your W-2, the per share fair value at the date of transfer multiplied by the number of shares paid on that date.

Are there any taxes to be paid on transfer?

Yes. Upon transfer, the employee can either remit the required amount of cash to the Company (via BNY—Mellon) to fulfill the required withholding or have BNY—Mellon withhold and sell the required number of shares to cover this requirement. In the latter case, the employee will receive the net number of shares. The Company (via the Bank of New York) will provide you with detail regarding your RSUs in advance of the transfer date.

What if I am subject to insider trading rules?

If you are subject to insider trading restrictions (subject to not trading within the blackout periods established by the company), withholding requirements which occur will be satisfied by selling a sufficient number of vesting shares to satisfy the withholding requirement.

We will have procedures in place with our plan administrator to have this occur automatically, without any action on your part.

Can I get capital gain treatment for these shares?

On the date shares are transferred, you will be considered to have earned compensation equal to the fair value of the number of shares on that date. Your holding period for capital gain purposes begins on the date the shares are paid to you and the amount of compensation income reported becomes your tax basis in these shares. Any gain/loss after that date is capital gain/loss with a basis equal to the amount included in your income on the payment date.

Will I receive certificates for these shares as soon as they are awarded?

No. The actual shares will not be registered in your name until the RSUs vest and are paid to you. You are not the owner of the shares until after vesting and payment occur.

What will be included on my W-2 at the end of the year?

Your W-2 will reflect the compensation realized at the time the RSUs are paid to you in shares.

Such amount can be recomputed by multiplying the total number of shares paid by the closing price on the date of payment. Your W-2 will also include the applicable withholding taxes on the transaction.

Example: John was granted 400 RSUs all paid in 2013. On the date of payment, the price of the stock was $4.00 per share. John will have $1,600 (400 shares multiplied by $4 per share) of compensation income included on his W-2. Assume that John owed withholding taxes of 25% or $400. His W-2 will reflect the amount of taxes that he contributed either by providing BNY – Mellon with funds to remit directly to Stereotaxis or by selling shares to cover the taxes.

Will I receive a 1099 at the end of the year and if so, for what?

If you choose to sell some or all of your shares at the time of payment or at any other time of the year through BNY—Mellon, you will receive a Form 1099 to report the gross proceeds of the sale. The listed payer will be Stereotaxis, Inc. (Troy, Michigan). Box 2 will contain the gross proceeds which can be recomputed by multiplying the number of shares sold by the price realized at the time of sale. In Box 7 you will find the number of shares actually sold.

How do I report this on my tax return?

You will report ordinary compensation income via your W-2 as indicated above. If you sell any of the shares, the transaction must be reported as a capital transaction (Schedule D) and may result in either a gain or loss.

Example 1 – Shares are paid, employee sells shares to cover taxes

John was granted 400 RSUs of which 400 were paid in 2013. On the date of payment, the price of the stock was $4.00 per share. John will have $1,600 (400 shares multiplied by $4 per share) of compensation income included on his W-2. Assume that John owed 25% withholding taxes or $400 ($1,600 multiplied by 25%) and that John elected to pay for his withholding by selling enough shares

to cover his taxes. Assume further that share price is still $4.00 per share at the time the shares were sold. BNY—Mellon will sell the shares on John's behalf and remit $400 to Stereotaxis for withholding which will be reflected on John's W-2. Because John sold shares, he will also receive a 1099 for $400 (100 shares multiplied by $4 per share). When preparing his federal taxes, John will record the $400 in gross proceeds from the sale of the stock (as evidenced by the 1099) on Schedule D and record $400 as the cost of the stock (computed 100 shares sold multiplied by $4.00 per share that was recorded in his W-2 income). Thus, although John has a capital transaction he has no associated gain or loss. The basis in his remaining 300 shares of stock is $1,200 (300 shares multiplied by $4 per share as recorded in W-2 income).

Example 2 – Employee elects to sell all 400 of the vested shares and stock price is not the same at the time of payment and sale.

The amount of compensation income to be included in income on the W-2 is calculated as the number of shares that are paid multiplied by the closing price on the date of payment. The following day, BNY—Mellon sells the shares into the market and will most likely realize a price that is either higher or lower than the closing price of the day before. Using the example above, if BNY—Mellon sells the shares for $5.00 per share, the employee realizes a total of $2,000 on the sale of 400 shares. The W-2 impact is the same as in the previous example. John will receive a 1099 for $1,600 and will realize a capital gain in the amount of $400 ($2,000 proceeds from sale less $1,600 recorded in W-2) which should be recorded on a Schedule D for federal tax purposes.

This should not be considered tax advice. Please consult your tax advisor as to the proper tax treatment specific to your transaction.

Exhibit 10.4c

RESTRICTED SHARE UNIT AGREEMENT
UNDER
STEREOTAXIS, INC. 2002 STOCK INCENTIVE PLAN
Director Award

THIS AGREEMENT, made effective as of the 3rd day of January, 2012, by and between Stereotaxis, Inc., a Delaware corporation (the "Company"), and (the "Director").

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 directors of the Company and its subsidiaries and certain other individuals; and

WHEREAS, the Company desires to grant to the Director a restricted share unit award for shares of its common 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 Director 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.

2. Grant and Terms of Award. Effective on January 3, 2012 ("Date of Award") pursuant to action of the Committee, the Company awards to the Director ( ) restricted stock units ("RSUs"). Each RSU represents the obligation of the Company to transfer one share of common stock of the Company ("Common Stock") to the Director at the time provided in this Agreement, provided such RSU is vested at such time.

3. Vesting. On March 31, 2013, 100% of the RSUs will become vested if the Director is still a member of the Board of Directors on such date and has been continuously a member of the Board of Directors since the Date of Award. If the Director terminates service on the Board of Directors for any reason prior to March 31, 2013, including without limitation upon death or disability, the Director shall forfeit the RSUs; provided that, if the Director's service on the Board of Directors terminates as a result of a Change of Control (as hereinafter defined), the RSUs shall vest immediately.

4. Payment. On the date of vesting, the Company will transfer to the Director one (1) share of Common Stock for each RSU which vested.

5. Source of Payment. Shares of Common Stock transferable to the Director under this Agreement shall be authorized but unissued shares. The Company shall have no duties to segregate or set aside any assets to secure the Director's right to receive shares of Common Stock under this Agreement.

6. RSUs Non-Transferable. RSUs awarded hereunder shall not be transferable by the Director. Except as may be required by the federal income tax withholding provisions of the Code or by the tax laws of any State, the interests of the Director under this Agreement are not subject to the claims of the Director's creditors and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, pledged, anticipated, or encumbered. Any attempt by the Director to sell, transfer, alienate, assign, pledge, anticipate, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void.

7. No Shareholder Rights. The Director shall not have the rights of a shareholder of the Company with respect to RSUs, such as the right to vote.

8. 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 this Award, 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 the Director by the express terms hereof.

9. 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. The Director 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.

10. Definitions. For purposes of this Agreement, "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.

Executed this day of , 2012.

STEREOTAXIS, INC.

By: _____
Name: _____
Title: _____

DIRECTOR

_____ Date:

Exhibit 10.5d

AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment to Executive Employment Agreement (this "Amendment") is entered into effective as of the first day of October, 2011, by and between Stereotaxis, Inc. (the "Company") and Michael P. Kaminski ("Employee"), collectively referred to herein as the "Parties".

WHEREAS, the Company and Employee entered into an At-Will Employment Agreement dated April 17, 2002, as amended by a First Amendment to Employment Agreement dated May 29, 2008, as further amended by a Corrected Second Amendment to Employment Agreement dated as of August 5, 2009 (the "Employment Agreement"); and

WHEREAS, the Company and Employee have mutually agreed that Employee's base salary shall be temporarily reduced for a period of 18 months in order that the Company may reduce its operating expenses during such period.

NOW, THEREFORE, the Parties agree as follows:

1. For the period beginning on October 1, 2011, through March 31, 2013, Employee's annual base salary amount set forth in Section 1.2 of the Employment Agreement shall be $352,000. Effective April 1, 2013, Employee's annual base salary amount set forth in Section 1.2 of the Employment Agreement shall be $420,000.

2. For purposes of salary continuation payments in the event of a termination of Employee's employment without Cause under Section 1.5(b) of the Employment Agreement, or in the event of a Change of Control of the Company under Section 1.5(c) of the Employment Agreement, Employee's monthly base salary on the date of termination shall be determined based on an annualized base salary equal to the greater of Employee's base salary as of September 30, 2011, or Employee's annualized base salary in effective immediately prior to termination without Cause or Change of Control, as the case may be. Further, in the event of a Change of Control of the Company as described in Section 1.5(c), the comparable salary held immediately prior to the Change of Control shall be deemed to be the greater of Employee's annualized base salary in effect on September 30, 2011, or the salary held immediately prior to the Change of Control.

3. All other provisions of the Employment Agreement not hereby amended shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment effective as of the date first written above.

STEREOTAXIS, INC.

By /s/ Fred A. Middleton
Name: Fred A. Middleton
Title: Chairman

Employee:

/s/ Michael P. Kaminski

EXECUTIVE EMPLOYMENT AGREEMENT

Terms and Conditions

1) Scope. (“Employee”) accepts and agrees to the terms of the Stereotaxis offer letter dated . Both parties agree that Employee’s employment by Stereotaxis, Inc. (the “Company” or “Stereotaxis”) shall be subject to these terms and conditions. The offer letter and these Terms and Conditions together are the “Agreement”.

2) Definitions.

   a) “Cause” means : (i) the institution of criminal charges against the Employee, or the admission by Employee of, or any action or omission by Employee that constitutes embezzlement, theft or other intentional misappropriation of any property of Company, (ii) any willful act involving moral turpitude which brings disrepute or disparagement to the Company or substantially impairs its good will and reputation, or results in a conviction for or plea of guilty to a felony involving moral turpitude, fraud or misrepresentation, (iii) material neglect of duties which, if curable, is not cured by the Employee, provided however, the Employee shall receive a reasonable opportunity to cure within at least fifteen (15) days after written notice of such neglect of duties if such material neglect of duties is curable within such period, (iv) material breach of fiduciary obligations to Company after written notice of such breach, or (v) chemical dependence that materially affects the performance of Employee’s duties and responsibilities.

   b) “Change of Control” means (i) an event whereby any natural person, corporation, general partnership, limited partnership, joint venture, proprietorship or other business organization (each, a “Person”), including such Person’s affiliates, or “group” (as such term is defined under Section 13(d) of the Securities Exchange Act of 1934, as amended) acquires beneficial ownership of capital stock of the Company entitling the holder(s) thereof to more than fifty percent (50%) of the voting power of the then outstanding capital stock of the Company with respect to the election of the Company’s directors, or (ii) a sale or transfer of all or substantially all of the assets of the Company to any Person.

   c) “Confidential Information” means any information pertaining to the Stereotaxis Business and/or other information of the Company acquired by Employee during the course of or as a result of employment with the Company, which is not publically known, such as but not limited to, trade secrets, know-how, processes, designs, products, documentation, data, research and development plans and activities, standard operating procedures and validation records, drawings, 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 or compilation by the Company of technical or business information in the public domain, customers and prospects, 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 and information concerning relationships between Company and its employees, collaborators, or customers.

   d) “Restricted Period” means during executive’s employment plus the later of one year following the date of (i) the final day of the Severance Period or (ii) termination of employment for any reason; however the Restricted Period shall not exceed two years beyond the date of termination of employment.

e) “Severance Period” means the period during which the Employee receives any salary continuation and/or continuation of benefits due to termination without Cause or termination in the event of Change of Control under Section 15.

f) “Stereotaxis Business” means a) the development, manufacture, and sale of (1) equipment, software, devices, and methods in the field of remote, computer-controlled or computer-aided navigation and delivery of interventional medical devices, with or without the use of magnetic devices or systems, and (2) workstations, software, and networks used in or with medical procedures, and b) research and planning and business development that is planned or implemented by Company during the term of employment, with respect to which Employee receives Confidential Information during employment.

3) Position; Base Salary; Incentive Compensation. Employee shall serve as or in such other capacity, and shall report to Mike Kaminski or such other person, in each case as the Company may from time to time direct. Employee shall be paid according to the terms of the offer letter, subject to increases, or as provided in the future by Employer from time to time in writing, and all payments shall be subject to applicable withholdings and deductions.

4) Company Benefits. While employed by the Company, Employee shall be entitled to receive such benefits of employment as the Company may offer from time to time. Company-paid time off for vacation, sick leave, and other personal needs will be governed by the Employee Handbook and Company policies as modified from time to time by the Company.

5) Employment Services; Employee Handbook and Company Policies. Employee agrees that throughout the term of Employee’s employment, as a condition of Employee’s employment, Employee shall (a) diligently, in good faith and to the best of Employee’s abilities render such services as may be delegated to the Employee by the Company and (b) follow and act in accordance with all of Company’s rules, policies and procedures of Company, including, but not limited to this Agreement, the Company rules and policies, and the Employee Handbook, any of which may be revised from time to time at the sole discretion of the Company, with or without prior notice.

6) At-Will Employment. The Company is an “at-will” employer. This means that the Company or the Employee may terminate Employee’s employment at any time, for any reason or for no reason and/or with or 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 or discussion of possible or potential future benefits, if any, or changes to Employee’s capacity, reporting, or compensation shall alter Employee’s status as an “at-will” employee or create any implied or express contract or promise of continued employment. No manager, supervisor or officer of Stereotaxis has the authority to change Employee’s status as an “at-will” employee.

7) Inventions and Developments.

a) 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 term of Employee’s employment whether or not during working hours, that relate to Stereotaxis Business or any work performed by Employee for Company (collectively, “Inventions and Developments”), shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such Inventions and Developments. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such Inventions and Developments 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, both during and after the term of Employment.

b) By way of clarification, Paragraph 6(a) 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 Stereotaxis 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.

8) Confidential Information. 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 Confidential Information. Excluded from the scope of these restrictions is Confidential Information that becomes generally available to the public in any manner other than by a breach of this Agreement by the Employee.

9) Company Materials. All notes, records, correspondence, data, hardware, software, documents or the like obtained by or provided to the Company regarding Stereotaxis Business, or otherwise made, produced, or compiled during the course or as a result of employment with the Company which contain Confidential Information, regardless of the type of medium in which such is preserved, ("Company Materials"), are the sole and exclusive property of the Company, and shall be surrendered to the Company on request or upon Employee termination for any reason. During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any Company Materials except as expressly permitted or required for the proper performance of Employee's duties on behalf of the Company.

10) Attention to Duties; Conflict of Interest.

a) 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, and there are no outstanding commitments or agreements inconsistent with any of the terms of this Agreement or the services to be rendered to Stereotaxis.

b) 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 not, without the Company's prior written consent, obtain any direct or indirect interests in or relationships with any organization that might affect the objectivity and independence of the Employee's judgment or conduct in carrying out duties and responsibilities to the Company under this Agreement or that would interfere with the performance of Employee's duties under this Agreement. However, nothing herein shall preclude employee from pursuing Employee's personal, financial and legal affairs, or, subject to the prior written consent of the Company, (i) serving on any corporate or governmental board of directors, (ii) serving on the board of, or working for, any charitable, not-for-profit or community organization, or (iii) pursuing any other activity; provided that Employee shall not engage in any other business, profession, occupation or other activity, for compensation or otherwise, which would violate the provisions of this Agreement or would otherwise conflict or interfere with the performance of Employee's duties and responsibilities hereunder, either directly or indirectly.

c) If in the course of Employee's employment, Employee becomes aware of any obligations or commitments under Paragraph (a) or any real or apparent conflicts of commitment or conflicts of interest, Employee shall immediately disclose them to Employee's supervisor.

11) Non-Competition, Non-solicitation. Employee agrees that during the Restricted Period, and regardless of how Employee's termination occurs and regardless of whether it is with or without Cause, Employee shall not, directly or indirectly (whether individually or as owner, partner, consultant, employee or otherwise):

a) 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 that then is or intends to be in competition with the Company with respect to Stereotaxis Business. A person or entity will be deemed “in competition” if it is involved in research, 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 Information during the Employee’s employment.

b) solicit, divert, or take away, or attempt to solicit, divert or take away from the Company the business of any customers for the purpose of selling or providing to such customer any product or service which is included in the Stereotaxis Business as defined herein;

c) knowingly to cause or attempt to cause any customer, vendor, or other third party collaborating with the Company to terminate or reduce its existing relationship with the Company;

d) knowingly solicit, induce, or hire, or attempt to solicit, induce, or hire, any employee, consultant, or distributor of the Company to leave the employ of the Company and/or to work for any competitor of the Company.

12) Notification; Non-disparagement. Employee shall notify any prospective employer of the existence and terms of this Agreement, prior to acceptance of employment outside of the Company. Company may inform any person or entity subsequently employing, or evidencing an intention to employ Employee of the nature of the information Company asserts to be Confidential Information, and may inform that person or entity of the existence of this Agreement, the terms hereof, and provide to that person or entity a copy of these terms and conditions. Neither party shall in any way disparage the other, including current or former officers, directors and employees of the Company, and neither party shall make or solicit any comments, statements or the like to the media or to others, including their agents or representatives, that may be considered to be derogatory or detrimental to the good name or business reputation of the other party.

13) Acknowledgments Regarding Restrictions. Employee acknowledges, understands, and agrees that:

a) The provisions relating to confidentiality, conflicts of interest, non-competition, and their post-employment continuation are material consideration for the compensation and other benefits of Employee’s employment by Company, and without Employee’s agreement to these provisions and restrictions, Employee would not be employed by the Company.

b) Employee agrees that the covenants relating to non-competition, non-solicitation, and disparagement in this Agreement are appropriate and fair and necessary to avoid conflicts of interest and commitment and to protect the Company’s legitimate interests in its Confidential Information, goodwill, and relationships.

c) The restrictions contained herein are not limited geographically in view of Company’s worldwide operations and the nature of the Confidential Information, customers and /or other business relationships to which Employee will have access. These restrictions may preclude, for a time, Employee’s employment with competitors of Company. Company agrees, however, that if it is commercially reasonable, after the Employee’s employment and within the Restricted Period it may provide written permission for Employee to provide services to or be employed by firms that are engaged in Stereotaxis Business, so long as such services or employment are provided to divisions, departments, or affiliates that are not engaged in Stereotaxis Business within those firms. Such permission shall not be deemed to waive or diminish the prohibitions on disclosure or use of Confidential Information or the covenants of non-competition in this Agreement.

d) None of these restrictions is intended to prevent the Employee from owning up to one percent (1%) of the publicly traded stock of any company during the Restricted Period.

e) In the event of a breach or threatened breach of any of Employee's duties and obligations under Sections 7-12, Company shall be entitled, in addition to any other legal or equitable remedies (including any right to damages), to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach. Employee expressly acknowledges that the harm that might result to Company's business as a result of any noncompliance by Employee with any of the provisions of these Sections would be largely irreparable, and specifically agrees that if there is a question as to the enforceability of any of the provisions of these Sections, Employee will not engage in conduct alleged to be inconsistent with or contrary to such Sections before the question has been resolved by a final judgment of an arbitrator or court of competent jurisdiction.

f) To ensure Employee's understanding of and compliance with the obligations under this Agreement, Employee agrees to engage in an exit interview with the Company at the Company's expense prior to Employee's last day of employment, at a time and place or by telephone, as designated by the Company, and that Employee may be required to confirm that Employee will comply with Employee's post termination obligations.

14) Non-Waiver of Rights. Company's failure at any time to enforce or require performance by Employee of any of the provisions of this Agreement 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.

15) Continuation of Salary and Benefits.

a) Continuation upon Certain Termination Events. If the Employee's employment is terminated (i) by the Company without Cause; or (ii) within twelve months after a Change of Control of the Company under which the Company is not the surviving entity and the Employee was not offered a position and salary in the surviving entity comparable to the position and salary held immediately prior to the Change of Control, then subject to the conditions below, Employee will receive during the 18 month period immediately following the date of termination under (i) or (ii) a guarantee of salary continuation equal to Employee's monthly base salary on the date of termination, as well as continuation of medical and dental benefits pursuant to Company policies (including any requirement for employee premium contributions) in effect during the said period. Salary continuation payments shall be made in accordance with the regularly scheduled payroll frequency in effect on the date of Employee's termination of employment. Each installment payment required under this Section shall be considered a separate payment under Internal Revenue Code Section 409A.

b) Conditions. The continuation of salary and benefits under this Section 15 is conditioned on Employee's (i) compliance with the terms and conditions of this Agreement, including any post-termination restrictions and covenants, and (ii) execution of a release of any and all claims against the Company and its officers, directors, and employees arising from or related to the Employee's employment. Salary continuation payments in the event of termination by the Company without Cause under (a) above will be offset by the amount of any compensation Employee receives during the Severance Period from the Company or another employer or as an independent contractor. Medical and dental benefits continued in the event of termination under (a) or (b) will terminate upon receipt of comparable benefits from another employer. The release required pursuant to subsection (ii) above shall be substantially similar with respect to all material terms and conditions to the form attached hereto as Attachment A, and must be executed and returned to the Company within forty fine (45) days of Employee's termination of employment to avoid forfeiture by Employee of the salary continuation payments described in Section 15(a) above.

c) Key Employee Six Month Deferral. Notwithstanding anything to the contrary in this Section 15, if any such payments set forth in paragraph 15(a) are classified as nonqualified deferred compensation, as defined in Internal Revenue Code Section 409A and the regulations thereunder, such payments subject to Section 409A shall be deferred until at least six (6) month

after the date of termination. Any payment of nonqualified deferred compensation otherwise due in such six (6) month period shall be suspended and become payable in a lump sum at the end of such six (6) month period, and shall not otherwise be subject to any offset or reduction pursuant to paragraph 15(b) above solely because of said deferral. However, any payments not subject to Section 409A shall be immediately payable pursuant to Section 15(a) and will not be suspended or deferred.

d) Effect on Employment at Will. By way of clarification, Employee is not entitled to salary or benefits continuation if Employee terminates the employment except as specified in this Paragraph 15, and nothing in this Section is intended to affect the rights of either party to terminate the employment at any time with or without Cause.

16) Binding Arbitration.

a) Any dispute, claim or controversy with respect to Employee's employment or its termination (whether the termination of employment is voluntary or involuntary) shall be settled exclusively (except as set out in Section 13(e) above) by arbitration in accordance with the rules of the American Arbitration Association ("AAA"). Either party may request arbitration in writing after good faith efforts to resolve the matter internally, and the parties shall select an arbitrator under the AAA rules. Employee and Stereotaxis each waive their constitutional rights to have such matters determined by a jury, explicitly and definitely prefer arbitration to recourse to the courts, and have prescribed arbitration as their sole and exclusive method of binding dispute resolution because, among other reasons, it is quicker, less expensive, and less formal than litigation in court.

b) Except as set out in Section 18 below, the arbitrator shall not have the authority to modify, add to or eliminate any provision of this Agreement. 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 termination of employment or, in the case of disputes not resolved internally, the date of the final decision reached by the Human Resources Department, all remedies regarding such dispute, claim or controversy shall be waived.

c) In the event of any litigation or arbitration or other proceeding by which one party seeks to enforce its rights or seeks a declaration of any rights or obligations under this Agreement, aparty that is finally determined to have breached this Agreement or the party against which injunctive relief is awarded shall pay the other party its reasonable attorney fees, costs, and expenses incurred**.**

17) Choice of Forum and Governing Law. Employee acknowledges and agrees that substantial and material aspects of the employment under this Agreement take place in St. Louis, Missouri and that the important decisions, training, planning and activities hereunder are focused in St. Louis, Missouri. 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: (a) 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 (b) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri.

18) Severability. If any provision(s) of this Agreement are or become invalid, are ruled illegal or are deemed unenforceable by any tribunal of competent jurisdiction, it shall be modified and enforced to the maximum extent permissible under applicable law. It is the intention of the Parties that the remainder of this Agreement shall not be affected, provided that a Party's rights under this Agreement are not materially affected, in which case the Parties covenant and agree to revise any such provision or the Agreement in good faith in order to provide a term, covenant, condition or application of this Agreement that most closely complies with the intent of the Parties under the Agreement as originally executed.

19) Assignment. The Company may assign this Agreement and Employee's employment to any entity to which the operations it currently manages are transferred, whether through reorganization, merger, sale or any other transfer. As a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by Employee.

20) Construction. 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. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively affect the content of such sections. In addition, in light of the post-employment compensation to be paid to Employee under Section 15 of this Agreement if Employee is terminated without Cause, Employee acknowledges and agrees that Employee's post-employment obligations under Section 11 are reasonable and should be fully enforceable regardless of why or how his employment may end, and regardless of the reason(s) why and/or whether or not such termination of employment is with or without Cause.

21) Entire Agreement. This Agreement, including the Offer Letter and these Terms and Conditions and any Exhibits attached hereto, sets forth all the covenants, promises, agreements, representations, conditions and understandings between the Parties hereto with respect to the subject matter hereof and supersedes and terminates all prior agreements and understandings between the Parties. There are no covenants, promises, agreements, representations, conditions or understandings, either oral or written, between the Parties with respect to the subject matter hereof other than as set forth herein and therein. No amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by the Employee and an authorized representative of the Company. This Agreement cannot be changed orally or by any conduct of either Employee or the Company or any course of dealings between Employee, or another person and the Company.

Employee and the Company have executed this Agreement and agree to enter into and be bound by the provisions hereof as of .

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 TO CONFER WITH COUNSEL; AND (D) UNDERSTANDS EMPLOYEE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION.

Employee

Stereotaxis, Inc.

David Giffin

Vice President, Human Resources

Attachment A

FORM OF SEVERANCE AGREEMENT AND RELEASE

This Severance Agreement and Release ("Agreement") is made between Stereotaxis, Inc. ("Stereotaxis"), including its divisions, subsidiaries, parent and affiliated corporations, their successors and assigns (individually and collectively "Stereotaxis") and with Employee's heirs, executors, administrators, successors and assigns ("Employee").

WHEREAS, Stereotaxis and Employee entered into an Employment Agreement dated (said agreement and any and all amendments collectively, the "Employment Agreement"), and now desire to terminate their employment relationship and settle all legal rights and obligations resulting from Employee's employment with Stereotaxis.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, representations and undertakings of the parties set forth herein, the adequacy and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Separation Date.** Employee's employment with Stereotaxis will terminate effective .

2. In consideration for Employee's execution of, and subject to the terms and conditions of this Severance Agreement and Release, Stereotaxis agrees as follows:

   (a) **Severance.** Employee will receive weeks of base pay in the amount of $ per week as severance, for a total payment of $, less deductions required by law. Employee's severance will payable in accordance with Stereotaxis' normal payroll dates and will commence once the revocation period set forth in paragraph 6(e) has elapsed without Employee revoking this Release.

   (b) **Vacation.** Employee will be paid $, less deductions required by law, as full and complete payment of all remaining vacation hours and personal time earned but not used by Employee's Separation Date.

   (c) **Insurance.** Stereotaxis will permit Employee to exercise Employee's COBRA conversion privileges as provided by law, effective . Stereotaxis will pay the cost under COBRA for continuing Employee's group medical and dental insurance from through , as set out in the Employment Agreement provided Employee's regular monthly contribution is made by deduction from the severance payment. Thereafter, Employee shall be responsible to pay the cost to continue group medical insurance under COBRA.

3. The parties agree that the compensation and benefits described above provided Employee by Stereotaxis represent additional compensation and benefits to which Employee would not be entitled absent this Agreement, and constitute the total compensation and benefits payable by Stereotaxis to Employee with regard to Employee's employment by Stereotaxis and its termination, and that no other compensation, commissions, bonuses, benefits or payments of any kind will be paid other than the amounts set forth above.

4. Employee hereby waives and releases Stereotaxis, its subsidiaries, related, parent and affiliated corporations and business entities, their successors and assigns, and their past and present officers, directors, shareholders, employees and agents ("the Released Parties") from any and all claims made, to be made, or which might have been made of whatever nature, whether known or unknown, since the beginning of time through the date of this Agreement, including, but not limited to, any claim Employee may have under any agreements which Employee may have with

any of the Released Parties, any claims that arose as a consequence of Employee's employment by Stereotaxis, or arising out of the termination of the employment relationship, or arising out of any acts committed or omitted during or after the existence of the employment relationship through the date of this Agreement. Such release and waiver of claims will include, but shall not be limited to, those claims which were, could have been, or could be the subject of an internal grievance or appeal procedure or an administrative or judicial proceeding filed either by Employee or on Employee's behalf under any federal, state or local law or regulation, any claim of discrimination under any state or federal statute, regulation or ordinance including, but not limited to Titles 29 and 42 of the United States Code, Title VII of the Civil Rights Act of 1964, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1866, the Rehabilitation Act of 1973, as amended, the Family and Medical Leave Act, the Older Worker Benefit Protection Act, the Missouri Human Rights Act, City of St. Louis Ordinance 62710, any other federal, state or local law, ordinance or regulation regarding employment, discrimination in employment or termination of employment, any claims for breach of contract, wrongful termination, promissory estoppel, detrimental reliance, negligent or intentional infliction of emotional distress, or any other actions at common law, in contract or tort, all claims for lost wages, bonuses, commissions, benefits, expenses, severance, service letter, re-employment, compensatory or punitive damages, attorney's fees, and all claims for any other type of legal or equitable relief. Employee further waives all rights to future employment with Stereotaxis and agrees not to apply for employment with Stereotaxis.

This Release does not affect any vested rights Employee may have under any retirement plan of Stereotaxis.

5. Employee covenants not to sue or otherwise make any claims against Stereotaxis or any other party released herein with respect to any claim released pursuant to this Agreement.

6. By execution of this document, Employee expressly waives any and all rights to claims under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621, *et seq*. (the "ADEA").

   (a) Employee acknowledges that Employee's waiver of rights or claims refers to rights or claims arising under the ADEA is in writing and is understood by Employee.

   (b) Employee expressly understands that by execution of this document, Employee does not waive any rights or claims under the ADEA that may arise after the date the waiver is executed.

   (c) Employee acknowledges that the waiver of Employee's rights or claims arising under the ADEA is in exchange for the consideration outlined in this Agreement which is above and beyond that to which Employee is entitled.

   (d) Employee acknowledges that Stereotaxis expressly advised Employee to consult an attorney of Employee's choosing prior to executing this document and that Employee has been given a period of not less than forty-five (45) days within which to consider this Agreement.

   (e) Employee acknowledges that Employee has been advised by Stereotaxis that Employee is entitled to revoke (in the event Employee executes this document) Employee's waiver of rights or claims arising under the ADEA within seven (7) days after executing this document by notifying Stereotaxis in writing at: Stereotaxis, 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108, Attn: VP of Human Resources that Employee intends to revoke this waiver and that said waiver will not and does not become effective or enforceable until the seven (7) day period has expired. Employee agrees that payment of monies due under this executed and unrevoked waiver shall not be payable until the seven (7) day revocation period has expired and Employee has not revoked this waiver.

7. Employee agrees that the terms and provisions of this Agreement and the fact and amount of consideration paid pursuant to this Agreement shall at all times remain confidential and not be disclosed to anyone not a party to this Agreement, other than (1) to the extent disclosure is required by law, or (2) to Employee's spouse, attorneys, accountant and tax advisors who have a need to know in order to render Employee professional advice or service. Employee agrees to ensure said individuals maintain such confidentiality.

8. Employee agrees not to a) disclose or use confidential information of Employer required to be kept confidential under the Employment Agreement, b) violate any covenants of non-competition or any other surviving terms or conditions of the Employment Agreement, c) disparage Employer or make or solicit any comments, statements, or the like to the media or to any third party that may be considered to be derogatory or detrimental to the good name and/or business reputation of Employer, including its directors, officers, employees, agents, representatives and customers.

9. Employee agrees to promptly return to Stereotaxis any and all electronic media files, company keys, company vehicles, credit cards, equipment, documents, papers, records, notes, memoranda, plans, files, and other records containing information concerning Stereotaxis or its employees, customers, or operations, and any other information or materials required to be returned pursuant to the Employment Agreement.

10. Nothing contained in this Agreement shall be construed to require the commission of any act contrary to law or to be contrary to law, and whenever there is any conflict between any provision of this Agreement and any present or future statute, law, government regulation or ordinance contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement affected shall be curtailed and restricted only to the extent necessary to bring them within legal requirements.

11. The existence and execution of this Agreement shall not be considered, and shall not be admissible in any proceeding, as an admission by Stereotaxis or anyone released hereby, of any liability, error, violation or omission.

12. This Agreement shall be governed by, and construed and interpreted according to, the laws of the State of Missouri and whenever possible, each provision herein shall be interpreted in such manner as to be effective or valid under applicable law.

13. The parties acknowledge this Agreement constitutes the entire agreement between them superseding all prior written and oral agreements or understandings between them, with the exception of any terms and conditions of the Employment Agreement that survive its termination.

14. This Agreement may not be modified, altered or changed except by written agreement signed by the parties hereto.

15. Employee acknowledges that the only consideration for Employee signing this Agreement are the terms stated above and that no other promise, agreement, statement or representation of any kind has been made to Employee by any person or entity to cause Employee to sign this Agreement, and that Employee a) has read this Agreement, b) has had a reasonable amount of time to consider its terms, c) is competent to execute this Agreement, d) has had an adequate opportunity to discuss this Agreement with an attorney and has done so or has voluntarily elected not to do so, d) fully understands the meaning and intent of this Agreement, and e) is voluntarily executing it of Employee's own free will.

AGREED TO AND ACCEPTED:

Employee

STATE OF)
)
COUNTY OF)

COMES NOW , who states to me that he/she has read and understands the foregoing Agreement and agrees to and accepts its terns and conditions as a free act of his/her own volition.

Subscribed and sworn to before me this day of .

Notary Public

My Commission Expires:

STEREOTAXIS:

By:

Date:

This Company has entered into the foregoing executive employment agreement with each of the following officers effective as of the date shown opposite each individual's name.

Douglas M. Bruce	August 6, 2009
Frank J. Cheng	March 22, 2010
Karen W. Duros	October 4, 2010
David A. Giffin	August 13, 2009
Samuel W. Duggan II	October 1, 2012

Exhibit 10.7b

AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment to Executive Employment Agreement (this "Amendment") is entered into effective as of the first day of October, 2011, by and between Stereotaxis, Inc. (the "Company") and ("Employee"), collectively referred to herein as the "Parties".

WHEREAS, the Company and Employee previously entered into an Executive Employment Agreement (the "Employment Agreement"); and

WHEREAS, the Company and Employee have mutually agreed that Employee's base salary shall be temporarily reduced for a period of 18 months in order that the Company may reduce its operating expenses during such period.

NOW, THEREFORE, the Parties agree as follows:

1. For the period beginning on October 1, 2011, through March 31, 2013, Employee's annualized base salary shall be $. Effective April 1, 2013 and thereafter, Employee's annual base salary shall be $, subject to increases, or as provided in the future by the Company from time to time in writing, and all payments shall be subject to applicable withholdings and deductions.

2. For purposes of salary continuation payments under Section 15(a) of the Employment Agreement, Employee's monthly base salary on the date of termination under subparagraph (i) or (ii) of Section 15(a) shall be determined based on an annualized base salary equal to the greater of Employee's base salary as of September 30, 2011, or Employee's annualized base salary in effective immediately prior to the Change of Control or termination without Cause, as the case may be. Further, in the event of a Change of Control of the Company as described in subparagraph (ii) of Section 15(a), the comparable salary held immediately prior to the Change of Control shall be deemed to be the greater of Employee's annualized base salary in effect on September 30, 2011, or the salary held immediately prior to the Change of Control.

3. All other provisions of the Employment Agreement not hereby amended shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment on effective as of the date first written above.

STEREOTAXIS, INC.

By _____
Name:
Title:

Employee:

This Company has entered into the foregoing amendment to the executive employment agreement with each of the following officers effective as of October 1, 2011.

Douglas M. Bruce

Frank J. Cheng

Karen W. Duros

David A. Giffin

Exhibit 10.8

SUMMARY OF MANAGEMENT BONUS PLAN

The Stereotaxis Management Bonus Plan is designed to bring annual focus to the financial and operating metrics that contribute to sustainable growth in shareholder value. The bonus plan performance measures for any particular year represent key drivers of our business such as orders, revenue, gross margins, utilization, operating expenses, operating profitability, and specific strategic initiatives.

Each year the Compensation Committee of the Board of Directors will determine the objectives and corresponding weighting for the bonus plan based on the priorities of the business for the upcoming performance year. Three levels of performance are established for each objective. The annual business plan, which includes growth rates or other success metrics for each objective, establishes the target level of performance; threshold performance is defined as 90% of the business plan for each objective; and the maximum level of performance is 120% of the business plan.

The 2012 Management Bonus Plan has been modified to include two semi-annual performance periods with one-half of the targeted bonus opportunity established for each period.

LEVEL	PERFORMANCE
Threshold	90% Business Plan
Target	100 % of Business Plan
Maximum	120 % of Business Plan

Participants in the Stereotaxis Management Bonus Plan, based on their ability to impact results, will be assigned to one of five target incentive award levels ranging from 15% to 50% of base salary. Each level is assigned an overachievement performance factor ranging from 10% to 100% of the target incentive award. In 2012 the overachievement performance factor was modified to provide 100% of each participant’s target incentive award and will be determined based on annual results.

LEVEL	GROUP	TARGET % BASE	OVER ACHIEVEMENT
V	Executive Staff	50 %	+100% Target
IV	Balance Exec Staff	40 %	+50% Target
III	Vice Presidents	30 %	+25% Target
II	Directors	20 %	+25% Target
I	Senior Key Contributors	15%	+10% Target

An incentive payout level is associated with each level of performance against each objective. Performance at threshold results in payout of 50% of target award; performance at target will result in a payout of 100% of target award; and performance at maximum results in a payout at the corresponding overachievement level of the participant (100% for each participant in 2012).

PERFORMANCE	% TARGET AWARD
Threshold	50%
Target	100 %
Maximum	200 % (Level V) 150% (Level IV) 125% (Level II – III) 110% (Level I)

Award Pool Determination

The payout result of each objective will be independently calculated incorporating the actual performance against the objective, the weighting of each objective, and the overachievement factor, if performance against the objective is above plan. The total of each calculation determines the Company’s overall level of performance against its objectives. This total percent, multiplied by the total sum of the target awards for each participant, determines the total award pool. The Compensation Committee approves the award pool and all awards to Section 16 Officers.

Award Pool Distribution

The distribution of the award pool will be allocated by the President & CEO to each function based on their level of contribution toward the achievement of annual objectives. In turn, each functional leader will determine each participant's award, as follows:

- 25% will automatically be awarded to each individual as a participant in the plan.
- The remaining 75% will be adjusted by the functional leader based on performance of each participant against their personal goals.

Exhibit 10.9

ANNUAL CASH COMPENSATION OF EXECUTIVE OFFICERS

The named executive officers of Stereotaxis, Inc. (the "Company") have their base salaries determined yearly by the Compensation Committee (the "Committee") of the Board of Directors. The executive officers are all "at will" employees, and each has a written employment agreement which is filed, as required, as an exhibit to reports filed by the Company under the Securities Exchange Act of 1934. Messrs. Kaminski, Bruce, Cheng and Ms. Duros proposed and agreed to voluntary base salary reductions for the period from October 1, 2011 through March 31, 2013. Each of said named executive officers entered into an amendment to his or her respective employment agreement on October 10, 2011, providing for the base salary reduction. On February 14, 2012, the Committee considered the base salaries for named executive officers of the Company and made no adjustments. Also, the Committee made no awards to the named executive officers under the Company's 2011 bonus plan (the "2011 Plan"). The 2011 Plan was designed to reward the accomplishments of these officers on behalf of the Company in 2011 pursuant to and consistent with the objective of the Company's bonus plan, as determined by the Committee. The 2011 base salaries, 2011 bonuses and 2012 base salaries are summarized in the following table:

	2011 Salary as of February 15, 2011	2011 Salary as of October 1, 2011	2011 Bonus	2012 Salary
Douglas M. Bruce				
Chief Technology/Operations Officer	$ 325,000	$ 292,500	$ 0	$ 292,500
Frank J. Cheng				
Senior Vice President, Marketing and Business Development, General Manager, Odyssey Business	$ 285,000	$ 256,500	$ 0	$ 256,500
Samuel W. Duggan II [1]				
Chief Financial Officer	$ 270,000	$ 270,000	$ 0	$ 270,000
Karen W. Duros				
Senior Vice President, General Counsel & Secretary	$ 270,000	$ 243,000	$ 0	$ 243,000
Daniel J. Johnston [2]				
Chief Financial Officer	$ 325,000	N/A	N/A	N/A
Michael P. Kaminski				
President & Chief Executive Officer	$ 420,000	$ 352,000	$ 0	$ 352,000

The Company intends to provide additional information regarding other compensation awarded to the named executive officers in respect of and during the 2011 fiscal year in the proxy statement for its 2012 annual meeting of stockholders, which is expected to be filed with the Securities and Exchange Commission in April 2012.

As determined by the Committee at the February meeting, the 2012 annual bonus program will be based on management achieving certain objectives established in the committee for the first six months of 2012, the second six months of 2012, and the full year.

[1] Mr. Duggan joined the Company on October 1, 2011.

[2] Mr. Johnston resigned from the Company effective August 15, 2011.

Exhibit 10.10

OUTSIDE DIRECTORS' COMPENSATION PROGRAM

Summary of Outside Directors' Compensation effective May 25, 2011:

Cash Compensation

The following cash compensation program for outside directors was approved by the Compensation Committee of the Board of Directors effective May 25, 2011. However, for the period from January 1, 2012 through December 31, 2012, the annual cash retainer payable to each outside director was reduced by 50%, and each outside director was granted restricted share units in lieu thereof.

- Annual retainer for all directors, except the Chairman of the Board—$30,000 per year.
- Annual retainer for the Chairman of the Board—$36,000 per year.
- Additional annual retainer for the Chair of Strategy and Technology Committee—$15,000.
- Additional annual retainer for each member of the Strategy and Technology Committee (except Chair)—$10,000.

Equity Compensation

Annual equity awards granted to the outside directors automatically on the date of each respective Annual Shareholders' meeting (except as otherwise noted), beginning with the date of the 2011 Annual Shareholders' meeting on May 25, 2011:

Grant Type	Number of Shares[3,4,5]
Annual Grant (Except Chairman of the Board)	10,500 Options & 2,700 Restricted Shares
Chairman of the Board Annual Grant	21,000 Options & 5,400 Restricted Shares
New Director Grant[1]	21,000 Options & 5,400 Restricted Shares
Committee Member[2]	1,750 Options & 450 Restricted Shares
Chairs of Audit & Compensation Committees	7,000 Options & 1,800 Restricted Shares
Chair of Nominating & Corporate Governance Committee	3,500 Options & 900 Restricted Shares

[1] Shares are to be granted on the date of such director's appointment or election to the Board.

[2] Committee Member grants are not applicable to Chairs of the Audit, Compensation and Nominating & Corporate Governance Committees or to the Chair or members of Strategy & Technology Committee.

[3] The exercise price of the Stock Options will be the closing price of the Company's Common Stock on the NASDAQ Global Markets on the applicable date of grant.

[4] Stock Options and Restricted Shares granted annually to the directors will vest one year from the applicable date of grant, or on the date of the next Annual Shareholders meeting, whichever is earlier.

[5] Stock Options and Restricted Shares granted to any new director will vest over a period of two (2) years with 50% vesting on the first anniversary of the date of the grant and the remainder vesting monthly thereafter.

Exhibit 10.13i

SEVENTH AMENDMENT TO THE DEVELOPMENT ALLIANCE AND SUPPLY AGREEMENT

This Seventh Amendment to Development Alliance and Supply Agreement (this "Amendment") is made and entered into on December 5, 2011 (the "Effective Date") by and between Biosense Webster, Inc., a California corporation, having a place of business at 3333 Diamond Canyon Road, Diamond Bar, California 91765 ("Biosense") and Stereotaxis, Inc., a Delaware corporation, having a principal place of business at 4320 Forest Park Avenue, St. Louis, Missouri 63108 ("Stereotaxis").

RECITALS

WHEREAS, Stereotaxis and Cowen Healthcare Royalty Partners II, L.P. a limited partnership organized under the laws of the State of Delaware ("CHRP"), shall, contemporaneous to executing this Amendment, execute the Transaction Documents (as defined in the Consent), pursuant to which, among other things, CHRP has agreed to provide to Stereotaxis a senior secured term loan of twenty millions United States dollars (USD 20,000,000).

WHEREAS, Contemporaneous to executing this Amendment, Biosense and CHRP shall execute a letter agreement dated as of December 5, 2011 ('the Consent'), pursuant to which Biosense consents to the Transaction (as defined in the Consent) subject to the terms and conditions set out in the Consent.

WHEREAS, Under the Second Amendment (as defined below), Biosense provided Stereotaxis' with a Revenue Share Advance (as defined in the Second Amendment), which, as at the date of signing this Amendment, a balance of three million five hundred eighty-eight thousand United States dollars (USD 3,588,000) remains outstanding, which Stereotaxis agrees to pay to Biosense in accordance with this Amendment.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions herein the Parties agree as follows:

I. CONSTRUCTION; DEFINITIONS.

A. Construction. Terms and definitions used in the Existing Agreements will have the same meaning in this Amendment unless otherwise indicated. References to the Amended Agreement or its provisions also include references to the terms of the Existing Agreements, which are incorporated in this Amendment by reference. Except as modified by this Amendment, the terms and provisions of the Existing Agreements shall continue in full force and effect without modification. In the event of conflict between this Amendment and the Existing Agreements, this Amendment will control.

B. Definitions. As used herein:

1. "Amended Agreement" means the Existing Agreements as amended by this Amendment.

2. "Existing Agreements" means and includes: The Development Alliance and Supply Agreement dated May 7, 2002 between Biosense and Stereotaxis (the "Master Collaboration Agreement"), as amended by: (i) the Amendment to Development and

Supply Agreement dated November 3, 2003 (the "First Amendment"); (ii) the research and development side letter between the Parties dated November 3, 2003, (the "R&D Side Letter"); (iii) the Alliance Expansion Agreement dated May 4, 2007 ("Expansion Agreement"); (iv) four side letters between the Parties, each dated May 4, 2007, whose subject matter was, respectively, CARTO Pro RMT, Third Party Collaboration Rights, Exclusivity and the Meaning of Customers in the Non-Localized Alliance (collectively, the "2007 Side Letters"); (v) the Second Amendment to Development Alliance and Supply Agreement, dated July 18, 2008 (the "Second Amendment"); (vi) the Third Amendment to Development Alliance and Supply Agreement, dated December 8, 2009 (the "Third Agreement"); (vii) the Fourth Amendment to Development Alliance and Supply Agreement, effective as of May 1, 2010 ("Fourth Amendment"); (viii) the Fifth Amendment to Development Alliance and Supply Agreement, effective as of August 1, 2010 ("Fifth Amendment"); and (ix) the Sixth Amendment and Catheter and Mapping System Extension to Development Alliance and Supply Agreement, dated December 17, 2010 ("Sixth Amendment").

II. REPAYMENT OF THE REVENUE SHARE ADVANCE

Upon execution of this Amendment, Stereotaxis shall pay Biosense the amount of three million five hundred eighty-eight thousand United States dollars (USD 3,588,000), representing the balance owed by Stereotaxis to Biosense of the Revenue Share Advance. For the sake of clarity and without limiting the generality of Article I of this Amendment, in the event Stereotaxis does not pay this amount for more than thirty (30) days from the date of execution of this Amendment, Biosense shall have the right to recoup such payment or part thereof from amounts otherwise due and owing, whether now or in the future, by Biosense to Stereotaxis from any Revenue Share or any other amount Biosense may from time to time owe Stereotaxis now or in the future up to an aggregate amount of three million five hundred eighty-eight thousand United States dollars (USD 3,588,000). The Parties agree and acknowledge that Biosense's rights under this Article II are wholly additional to Bisoense's rights under Article III of this Amendment.

III. DEDUCTION

Notwithstanding anything to the contrary provided in the Existing Agreements, in the event of a non-payment by Stereotaxis of any payment arising under the Amended Agreement whether now or in the future, for more than thirty (30) days from when such payment is due, Biosense shall have the right to recoup such payment from amounts otherwise due and owing, whether now or in the future, by Biosense to Stereotaxis from any Revenue Share or any other amount Biosense may from time to time owe Stereotaxis now or in the future up to an aggregate amount of two million United States dollars (USD 2,000,000).

IV. REPRESENTATIONS AND WARRANTIES

A. General. Each of the Parties represents and warrants that:

1. it has full power to enter into this Amendment and to perform its obligations hereunder; and

2. it has obtained all necessary corporate approvals to enter into and execute this Amendment;

V. NO WAIVER

For the sake of clarity, the failure of Biosense to enforce at any time the provisions of this Amendment, or the failure to require at any time performance by Stereotaxis of any of the provisions of this Amendment, will in no way be construed to be a present or future waiver of such provisions, nor in any way affect the right of Biosense to enforce each and every such provision thereafter. The express waiver by Biosense of any provision, condition or requirement of this Amendment will not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

VI. ENTIRE AGREEMENT

This Amended Agreement sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and merges all prior discussions and writings between them, and neither of the Parties will be bound by any conditions, definitions, warranties, understandings or representations with respect to such subject matter other than as expressly provided herein or as duly set forth on or subsequent to the Effective Date in writing and signed by a proper and duly authorized representative of the Party to be bound thereby. No provision appearing on any form originated by either Party will be applicable unless such provision is expressly accepted in writing by the other Party.

VII. TERM

The Term of the Amended Agreement shall continue until the last date of expiration of Biosense's non-exclusive distribution rights hereunder or until terminated pursuant to the terms of the Amended Agreement, provided, however, that terms and conditions of the Amended Agreement that are subject to a specific expiration or termination date shall expire or terminate on such date and those terms and conditions of the Amended Agreement that survive expiration or termination, including, but not limited to Section 11 of the First Amendment, shall survive expiration or termination of the Amended Agreement. The Parties agree that Section 5(ii) of the Alliance Expansion Agreement is deleted.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be signed by duly authorized officers or representatives.

STEREOTAXIS, INC.	BIOSENSE WEBSTER, INC.
By: /s/ Samuel W. Duggan II	By /s/ James J. Barr
Print Name: Samuel W. Duggan II	Print Name: James J. Barr
Title: Chief Financial Officer	Title: Vice President, Finance, CFO
Date:	Date: December 1, 2011

SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (DOMESTIC)

THIS SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (DOMESTIC) (this "**Agreement**") dated as of November 30, 2011 (the "**Effective Date**") by and between (i) **SILICON VALLEY BANK**, a California corporation with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at 380 Interlocken Crescent, Suite 600, Broomfield, Colorado 80021 ("**Bank**"), and (ii) **STEREOTAXIS, INC.**, a Delaware corporation and **STEREOTAXIS INTERNATIONAL, INC.**, a Delaware corporation, each with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108 ("**Borrower**"), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. This Agreement amends and restates in its entirety that certain Amended and Restated Loan and Security Agreement (Domestic) dated as of March 11, 2009, as amended by a certain First Loan Modification Agreement (Domestic), dated as of December 15, 2009, as further amended by a certain Second Loan Modification Agreement (Domestic), dated as of December 17, 2010, as further amended by a certain Third Loan Modification Agreement (Domestic) dated as of June 29, 2011, and as further amended by a certain Fourth Loan Modification Agreement (Domestic), dated as of September 30, 2011 (as amended, the "**Prior Loan Agreement**"). The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally, jointly and severally, promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances to Borrower up to the Availability Amount. Amounts borrowed under the Revolving Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.1.2 Term Loan.

(a) Payments. Borrower is obligated to the Bank for the Term Loan 2010 (as defined in the Prior Loan Agreement and defined herein as the "**Term Loan**"), made by Bank to Borrower pursuant to the Prior Loan Agreement. Borrower acknowledges that, as of the Effective Date, the outstanding principal amount of the Term Loan is $8,333,333. Borrower acknowledges there is no availability under the Term Loan. Borrower shall continue to pay the Term Loan in monthly installments of principal (in accordance with the existing 30-month amortization schedule), plus accrued interest on the first day of each month, and with a final payment of all remaining principal amounts outstanding under the Term Loan and accrued interest thereon on the Term Loan Maturity Date. The Term Loan, when repaid, may not be reborrowed.

(b) Prepayments. The Term Loan may be prepaid, in whole or in part, prior to the Term Loan Maturity Date by Borrower, effective three (3) Business Days after written notice of such prepayment is given to Bank. Notwithstanding any such prepayment, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies all Obligations. If such prepayment is at Borrower's election or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of

any other expenses or fees then-owing, a prepayment premium in an amount equal to (i) if such prepayment occurs on or prior to December 16, 2011, Three Hundred Thousand Dollars ($300,000) (i.e. three percent (3.00%) of Ten Million Dollars ($10,000,000)); (ii) if such prepayment occurs (X) on or after December 17, 2011 and (Y) on or prior to December 16, 2012, Two Hundred Thousand Dollars ($200,000) (i.e. two percent (2.00%) of Ten Million Dollars ($10,000,000)); and (iii) if such prepayment occurs (X) on or after December 17, 2012 and (Y) prior to the Term Loan Maturity Date, One Hundred Thousand Dollars ($100,000) (i.e. one percent (1.00%) of Ten Million Dollars ($10,000,000)); provided that no prepayment premium shall be charged if the Term Loan is replaced with a new facility from Bank or another division of Bank.

2.1.3 Guaranteed Line.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Guaranteed Advances to Borrower up to the Guaranteed Line. Amounts borrowed under the Guaranteed Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Guaranteed Line terminates on the earlier to occur of (i) the termination of the Sanderling Guaranty or the Alafi Guaranty and (ii) Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Credit Extensions shall be immediately due and payable.

2.2 Overadvances. If, at any time the sum of (a) the outstanding amount of any Advances plus (b) the outstanding amount of any Guaranteed Advances plus (c) the outstanding amount of any Advances (as such term is defined in the EXIM Loan Agreement) exceeds the lesser of either the Revolving Line or the Borrowing Base (such excess amount being an "**Overadvance**"), Borrower shall immediately pay to Bank in cash such Overadvance. Without limiting Borrower's obligation to repay Bank any amount of the Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at the Default Rate.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate.

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line (other than Guaranteed Advances) shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one and three-fourths of one percent (1.75%) and (Y) seven percent (7.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(ii) Guaranteed Advances. Subject to Section 2.3(b), the principal amount outstanding under the Guaranteed Line shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one-half of one percent (0.50%) and (Y) six percent (6.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(iii) Term Loan. Subject to Section 2.3(b), the principal amount outstanding under the Term Loan shall accrue interest at a floating per annum rate equal to the aggregate of the Prime Rate plus five and one-half of one percent (5.50%), which interest shall be payable monthly in accordance with Section 2.1.2(a) above.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate effective immediately before the occurrence of the Event of Default (the "**Default Rate**"). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) 360-Day Year. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(e) Debit of Accounts. Bank may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

(f) Payment; Interest Computation; Float Charge. Interest is payable monthly in arrears on the first calendar day of each month. In computing interest on the Obligations, all Payments received after 12:00 noon Eastern time on any day shall be deemed received on the next Business Day. In addition, Bank shall be entitled to charge Borrower a "float" charge in an amount equal to one (1) Business Day's interest, at the interest rate applicable to the Advances, on all Payments received by Bank. The float charge for each month shall be payable in arrears, on the first day of the month. Bank shall not, however, be required to credit Borrower's account for the amount of any item of payment which is unsatisfactory to Bank in its good faith business judgment, and Bank may charge Borrower's Designated Deposit Account for the amount of any item of payment which is returned to Bank unpaid.

2.4 Fees. Borrower shall pay to Bank:

(a) Waiver and Extension Fee. A fully earned, non-refundable waiver and extension fee of Fifty Thousand Dollars ($50,000), on the Effective Date;

(b) Termination Fee. Subject to (i) the terms of Section 12.1 with respect to the Revolving Line and (ii) the terms of Section 2.1.2(b) with respect to the Term Loan 2010, a termination/prepayment fee;

(d) Unused Revolving Line Facility Fee. A fee (the "**Unused Revolving Line Facility Fee**"), which fee shall be paid quarterly in arrears, on the first day of each quarter, in an amount equal to one-half of one percent (0.50%) per annum of the average unused portion of the Revolving Line, as determined by Bank. Borrower shall not be entitled to any credit, rebate or repayment of any Unused Revolving Line Facility Fee previously earned by Bank pursuant to this Section 2.4(d), notwithstanding any termination of the within Agreement, or suspension or termination of Bank's obligation to make loans and advances hereunder;

(e) Collateral Monitoring Fee. A monthly collateral monitoring fee of One Thousand Five Hundred Dollars ($1,500), payable monthly in arrears, on the first day of each month (prorated for any partial month at the beginning and upon termination of this Agreement); and

(f) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

2.5 Payments; Application of Payments.

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in U.S. Dollars, without setoff or counterclaim, before 12:00 noon Eastern time on the date when due. Payments of principal and/or interest received after 12:00 noon Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Other than as described in Section 2.1.2 with respect to the Term Loan, Bank shall apply the whole or any part of collected funds against the Revolving Line or credit such collected funds to a depository account of Borrower with Bank (or an account maintained by an Affiliate of Bank), the order and method of such application to be in the sole discretion of Bank. 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.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension hereunder on or after the Effective Date is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) Borrower shall have delivered duly executed original signatures to the Loan Documents to which it is a party;

(b) Borrower shall have delivered duly executed original signatures to the Control Agreements, if any;

(c) Borrower shall have delivered its Operating Documents and a good standing certificate of Borrower certified by the Secretary of State of the applicable state of incorporation or organization of Borrower, dated as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) Borrower shall have delivered duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) Borrower shall have delivered the Subordination Agreement duly executed by any holder of Subordinated Debt as required by Bank, in favor of Bank;

(f) Borrower shall have delivered a copy of the duly executed Cowen Loan Agreement;

(g) Bank shall have received certified copies, dated as of a recent date, of financing statement searches, as Bank shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(h) Borrower shall have delivered the Perfection Certificate executed by Borrower and each Guarantor;

(i) Borrower shall have delivered a landlord's consent executed by each landlord of Borrower as required by Bank, in favor of Bank;

(j) Borrower shall have delivered a bailee's/warehouseman's waiver executed by each bailee, if any, of Borrower as required by Bank, in favor of Bank;

(k) Borrower shall have delivered a legal opinion of Borrower's counsel as to authority and enforceability, dated as of the Effective Date together with the duly executed original signatures thereto;

(l) Borrower shall have delivered the duly executed original signatures to each Guaranty, together with the completed Borrowing Resolutions for Guarantor;

(m) Bank shall have received evidence satisfactory to Bank, in its sole discretion, that the Alafi Letter of Credit, naming Bank as beneficiary thereunder, remains in effect;

(n) Borrower shall have delivered evidence satisfactory to Bank that the insurance policies required by Section 6.7 hereof are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Bank; and

(o) Borrower shall have paid the fees and Bank Expenses then due as specified in Section 2.4 hereof.

3.2 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of an executed Transaction Report;

(b) the representations and warranties in Section 5 shall be true, accurate and complete in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are

qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true, accurate and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) in Bank's sole discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, or any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank.

3.3 Covenant to Deliver.

Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Bank's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, to obtain a Credit Extension, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Eastern time on the Funding Date of the Credit Extension. Together with such notification, Borrower must promptly deliver to Bank by electronic mail or facsimile a completed Transaction Report executed by a Responsible Officer or his or her designee. Bank shall credit such Credit Extensions to the Designated Deposit Account. Bank may make Credit Extensions under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Credit Extensions are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under this Agreement or the EXIM Loan Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the perfected security interest in the Collateral granted herein (subject only to Permitted Liens that may have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are satisfied in full, and at such time, Bank shall, at Borrower's sole cost and expense, terminate its security interest in the Collateral and all rights therein shall revert to Borrower. In the event (x) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its good faith business judgment for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to 105% (110% for Letters of Credit denominated in a currency other than U.S. Dollars), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment), or such other collateral acceptable to Bank, in its sole discretion, to secure all of the Obligations relating to such Letters of Credit.

Notwithstanding the foregoing, it is expressly acknowledged and agreed that the security interest created in this Agreement only with respect to Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles (as defined in the EXIM Loan Agreement) is subject to and subordinate to the security interest granted to Bank in the EXIM Loan Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Without limiting the foregoing, Borrower hereby authorizes Bank to file financing statements which describe the collateral as "all assets" and/or "all personal property" of Borrower or words of similar import.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows at all times unless expressly provided below:

5.1 Due Organization; Authorization; Power and Authority. Borrower and each of its Subsidiaries, if any, are duly existing and in good standing as Registered Organizations in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate substantially in the form provided by Bank to Borrower, entitled "Perfection Certificate". Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete. If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect or (v) constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which Borrower or any of its Subsidiaries may be bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no deposit accounts other than (i) the deposit accounts with Bank; (ii) deposit accounts described in the Perfection Certificate delivered to Bank in connection herewith or of which Borrower has given Bank notice and taken such actions as are necessary to give Bank a perfected security interest therein; (iii) deposit accounts described in the last Sentence of Section 6.8(b) and (iv) the Foreign Accounts. The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate. In the event that Borrower, after the date hereof, intends to store or otherwise deliver any portion of the Collateral to a bailee not identified in the Perfection Certificate, then Borrower will first receive the written consent of Bank (which consent shall not be unreasonably withheld) and such bailee must execute and deliver a bailee agreement in form and substance satisfactory to Bank in its sole discretion.

All Inventory is in all material respects of good and marketable quality, free from material defects.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, (c) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate, (d) jointly owned Intellectual Property as provided in the Biosense Agreement and (e) the other Jointly Owned Intellectual Property. Each Patent which it owns or purports to own and which is material to Borrower's business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower's business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not have a material adverse effect on Borrower's business.

Other than as described in the Perfection Certificate, to the best of Borrower's knowledge, Borrower is not a party to, nor is bound by, any license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral. Borrower shall provide written notice to Bank within ten (10) days of entering or becoming bound by any such license or agreement (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (x) all such licenses or contract rights to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such license or agreement (such consent or authorization may include a licensor's agreement to a contingent assignment of the license to Bank if Bank determines that is necessary in its good faith judgment), whether now existing or entered into in the future, and (y) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall meet the Minimum Eligibility Requirements set forth in Section 13 below.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are an Eligible Account in any Borrowing Base Certificate. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

5.4 Litigation. Except as described in the Perfection Certificate, there are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Fifty Thousand Dollars ($50,000).

5.5 No Material Deviation/Deterioration in Financial Condition. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 Solvency. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Government Authorities including, without limitation, the U.S. Food and Drug Administration, that are necessary to continue its business as currently conducted.

5.8 Subsidiaries; Investments. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.9 Tax Returns and Payments; Pension Contributions. Borrower and its Subsidiaries have timely filed all required tax returns and reports, and Borrower and its Subsidiaries, if any, have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Bank in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien". Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions as working capital to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 Designation of Indebtedness under this Agreement as Senior Indebtedness. All principal of, interest (including all interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding), and all fees, costs, expenses and other amounts accrued or due under this Agreement shall constitute "senior indebtedness" under the terms of the any indenture, convertible debt offering, debenture offering or other similar debt instrument of the Borrower, whether now existing or herein after issued (in each case only with the prior-written consent of the Bank).

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Government Compliance. Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, the noncompliance with which could have a material adverse effect on Borrower's business. Borrower shall comply, and shall have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, including, without limitation, the U.S. Food and Drug Administration, the noncompliance with which could result in a Material Adverse Change on Borrower's business.

6.2 Financial Statements, Reports, Certificates.

(a) Borrower shall provide Bank with the following:

(i) (A) weekly, within five (5) days after the end of each week, and (B) upon each request for a Credit Extension, a Transaction Report;

(ii) within thirty (30) days after the end of each month, (A) monthly accounts receivable agings, aged by invoice date (including, without limitation, accounts receivable agings for accounts receivable used in determining EXIM Loans), (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, (C) monthly reconciliations of accounts receivable agings (aged by invoice date), transaction reports, Deferred Revenue report and general ledger, and (D) monthly perpetual inventory reports for Inventory valued on a first-in, first-out basis at the lower of cost or market (in accordance with GAAP) or such other inventory reports as are requested by Bank in its good faith business judgment;

(iii) as soon as available, and in any event within thirty (30) days after the end of each month, monthly unaudited financial statements;

(iv) within thirty (30) days after the end of each month a monthly Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank shall reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(v) prior to the end of each fiscal year of Borrower, (A) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower approved by Borrower's board of directors, and (B) annual financial projections for the following fiscal year (on a quarterly basis), together with any related business forecasts used in the preparation of such annual financial projections;

(vi) within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders, any holders of Subordinated Debt or to any holders of the Cowen Indebtedness;

(vii) as soon as available, and in any event within one hundred twenty (120) days following the end of Borrower's fiscal year, annual financial statements certified by, and with an unqualified opinion of, independent certified public accountants acceptable to Bank; and

(viii) within thirty days (30) days after the end of each fiscal quarter, copies of invoices for no less than ten percent (10%) of the outstanding balance of EXIM Bank accounts receivable as of the last day of such fiscal quarter.

Notwithstanding the foregoing, during a Streamline Period, provided no Event of Default has occurred and is continuing, Borrower shall be required to provide Bank with the reports and schedules required pursuant to clause (a)(i)(A) above on a monthly basis, within five (5) days after the end of each month.

(b) In the event that Borrower is or becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days after filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission or a link thereto on Borrower's or another website on the Internet.

(c) (i) Prompt written notice of any material change in the composition of the Intellectual Property or Borrower's knowledge of an event that materially adversely affects the value of the Intellectual Property, in a manner consistent with past practices between Borrower and the Bank, (ii) prompt written notice of the registration of any Copyright (including any subsequent ownership right of Borrower in or to any Copyright), not previously disclosed to Bank, and (iii) within thirty (30) days after the end of each month, written notice of the registration of any Patent or Trademark not previously disclosed to Bank.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary endorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts (i) in excess of Fifty Thousand Dollars ($50,000) for any individual Account Debtor and (ii) in excess of Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate for all Account Debtors in any calendar year. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Default or Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the Availability Amount.

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until a Default or an Event of Default has occurred and is continuing. All payments on, and proceeds of, Accounts (other than, prior to the Term Loan Obligations Payment Date (as such term is defined in the Cowen Intercreditor Agreement), the Biosense Accounts), shall be deposited directly by the applicable Account Debtor into a lockbox account, or such other "blocked account" as Bank may specify, pursuant to a blocked account agreement in form and substance satisfactory to Bank in its sole discretion. Whether or not an Event of Default has occurred and is continuing, Borrower shall immediately deliver all payments on and proceeds of Accounts (other than, prior to the Term Loan Obligations Payment Date (as such term is defined in the Cowen Intercreditor Agreement), the Biosense Accounts), to an account maintained with Bank to be applied (i) prior to an Event of Default, to the Revolving Line pursuant to the terms of Section 2.5(b) hereof, and (ii) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided, that during a Streamline Period, such proceeds shall promptly be transferred to Borrower's Designated Deposit Account.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(e) Verification. Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose.

(f) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 Remittance of Proceeds. Except as otherwise provided in Section 6.3(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations pursuant to the terms of Section 9.4 hereof; provided that, if no Default or Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out or obsolete Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of Twenty Five Thousand Dollars ($25,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 6.4 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 Taxes; Pensions. Make, and cause each of its Subsidiaries, if any, to make, timely payment of all foreign, federal, state and local taxes or assessments (other than taxes and assessment which Borrower is contesting pursuant to the terms of Section 5.9 hereof), and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 Access to Collateral; Books and Records. At reasonable times, on one (1) Business Day's notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right, on a semi-annual basis (or more frequently as Bank shall determine necessary), to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits shall be at Borrower's expense, and the charge therefor shall be $850 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), Borrower shall pay Bank a fee of $1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.7 Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Bank. All property policies shall have a lender's loss payable endorsement showing Bank as a lender loss payee and waive subrogation against Bank, and all liability policies shall show, or have endorsements showing, Bank as an additional insured. All policies (or the loss payable and additional insured endorsements) shall provide that the insurer must give Bank at least thirty (30) days notice before canceling, amending, or declining to renew its policy. At Bank's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Bank's option, be payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to Fifty Thousand Dollars ($50,000), in the aggregate, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.7 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.7, and take any action under the policies Bank deems prudent.

6.8 Operating Accounts.

(a) Maintain its and its Subsidiaries', if any, primary depository, operating accounts and securities accounts with Bank and Bank's affiliates and a majority of Borrower's and its Subsidiaries' excess funds maintained at or invested through Bank or an Affiliate of Bank.

(b) Provide Bank five (5) days prior-written notice before establishing any Collateral Account (including, without limitation, the Cowen Accounts), at or with any bank or financial institution other than Bank or its Affiliates. In addition, unless waived by Bank, for each Collateral Account that Borrower at any time

maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account (including, without limitation, the Cowen Accounts), is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder. The provisions of the previous sentence shall not apply to Foreign Accounts, deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

(c) Borrower shall, within fifteen (15) days after the aggregate book value (calculated in accordance with GAAP) of all foreign accounts (collectively, the "**Foreign Accounts**") of Borrower and its Subsidiaries, exceeds Five Hundred Thousand Dollars ($500,000) (such excess being an "**Excess Foreign Account Balance**"), transfer such Excess Foreign Account Balance to an account of Borrower maintained with Bank or an Affiliate of Bank.

6.9 Financial Covenant.

Borrower shall maintain at all times, to be tested as of the last day of each month, unless otherwise indicated below:

(a) **Tangible Net Worth**. Borrower shall maintain a minimum Tangible Net Worth, tested quarterly, as of the last day of each fiscal quarter, of not less than (no worse than) ($17,500,000); provided that in the event that Guaranteed Advances are no longer available under the Guaranteed Line, the foregoing covenant level shall be adjusted by Bank, in its good faith business judgment. Such Tangible Net Worth requirements set forth above shall be increased by fifty percent (50%) of the net proceeds from issuances of equity securities of the Borrower and/or Subordinated Debt (other than the Cowen Indebtedness) issued or incurred after the Effective Date.

(b) **Liquidity Ratio**. Borrower shall maintain (i) at all times during the months of January (other than the monthly compliance period ending January 31, 2012), February, April, May, July, August, October and November of each fiscal year, a Liquidity Ratio of not less than 1.50:1.00 (provided, that Bank agrees to waive testing of the Liquidity Covenant for the monthly compliance period ending November 30, 2011); and (ii) at all times during the months of March, June, September and December of each fiscal year, and the monthly compliance period ending January 31, 2012, a Liquidity Ratio of not less than 1.25:1.00, it being understood that Short Term Advances shall be excluded from the foregoing calculation.

(c) **Cowen Loan Proceeds**. On or before December 5, 2011, Borrower shall provide Bank evidence satisfactory to Bank, in its sole discretion, that Borrower has received not less than Ten Million Dollars ($10,000,000) in net proceeds from the Loans under the Cowen Loan Agreement.

6.10 Protection and Registration of Intellectual Property Rights.

(a) Borrower shall (i) protect, defend and maintain the validity and enforceability of its Intellectual Property; (ii) subject to applicable work product, common interest doctrine and attorney client privilege, promptly advise Bank in writing of material infringement actions, suits and proceedings involving its Intellectual Property, and provide Bank the opportunity to participate and consult with Borrower with respect to the direction thereof; and (iii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public (other than in the ordinary course of business, consistent with past practices and exercising reasonable business judgment) without Bank's written consent.

(b) If Borrower (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent or the registration of any Trademark, then Borrower shall promptly provide written notice thereof to Bank and shall execute such intellectual property security agreements and other documents and take such other actions as Bank shall request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Bank in such property. If Borrower decides to register any Copyrights or mask works in the United States Copyright Office, Borrower shall: (x) provide Bank with at least fifteen (15) days prior written notice of Borrower's intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as Bank may request in its good faith business judgment to perfect and maintain a perfected security interest in favor of Bank in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such

intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Borrower shall, within thirty (30) days after the end of each month, provide to Bank copies of all applications that it files for Patents or for the registration of Trademarks, together with evidence of the recording of the intellectual property security agreement as necessary for Bank to perfect and maintain a first priority security interest in such property.

(c) Borrower shall provide written notice to Bank within ten (10) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.11 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's Books, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.12 Further Assurances. Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement.

6.13 Sanderling Liquidity. Sanderling shall maintain at all times (i) a minimum remaining Callable Capital ratio of not less than 2:00:1.00; and (ii) Callable Capital tested quarterly, as of the last day of each fiscal quarter of the Borrower (or more frequently as Bank shall determine necessary), of at least two (2) times the sum of (i) Sanderling's Guaranty Obligations (as defined in the Sanderling Guaranty) plus (ii) all other Contingent Obligations of Sanderling.

6.14 Alafi Letter of Credit. Alafi shall not cancel or allow the Alafi Letter of Credit to expire (unless a renewal letter of credit, in form and substance acceptable to Bank, in its reasonable discretion, is executed prior to such cancellation or expiration).

6.15 Designated Senior Indebtedness. Borrower shall designate all principal of, interest (including all interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding), and all fees, costs, expenses and other amounts accrued or due under this Agreement as "senior indebtedness", or such similar term, in any future Subordinated Debt incurred by Borrower after the date hereof, if such Subordinated Debt contains such term or any similar term.

6.16 Creation/Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenant contained in Section 7.3 hereof, in the event Borrower or any Subsidiary creates or acquires any Subsidiary, Borrower and such Subsidiary shall promptly notify Bank of the creation or acquisition of such new Subsidiary and, at Bank's request, in its sole discretion, take all such action as may be reasonably required by Bank to cause each such Subsidiary to, in Bank's sole discretion, become a co-Borrower or Guarantor under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower shall grant and pledge to Bank a perfected security interest in the stock, units or other evidence of ownership of each Subsidiary.

6.17 Post-closing Matters.

(a) On or before December 5, 2011 (or such later date as Bank shall determine, in its sole discretion), Borrower shall have delivered (i) the Cowen Intercreditor Agreement duly executed by Cowen, Borrower and Bank, (ii) duly executed signature pages to a certificate of a Responsible Officer of Borrower certifying that attached to such certificate is a duly executed copy of each other Cowen Loan Document, other than the Cowen Loan Agreement and the Cowen Intercreditor Agreement; and (iii) a duly executed copy of the Biosense Agreement.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers of (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; (c) in connection with Permitted Liens and Permitted Investments; (d) the Biosense Agreement pursuant to the terms of the Cowen Loan Documents and all other Cowen Loan Priority Collateral; and (e) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States. Borrower shall not enter into an agreement with any Person (other than Bank or Cowen) which restricts the subsequent granting of a security interest in Borrower's Intellectual Property.

7.2 Changes in Business, Ownership, Management or Business Locations. Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto, or have a material change in its ownership (other than by the sale of Borrower's equity securities in a public offering or to venture capital investors so long as Borrower identifies to Bank the venture capital investors prior to the closing of the investment). Borrower shall not, without at least fifteen (15) days prior written notice, change any of its senior management. Any such change in senior management shall be with a Person or Persons reasonably acceptable to Bank, in its sole discretion. In addition, Borrower shall not, without at least thirty (30) days prior written notice to Bank: (i) relocate its chief executive office, or add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Five Thousand Dollars ($5,000.00) in Borrower's assets or property), or (ii) change its jurisdiction of organization, or (iii) change its organizational structure or type, or (iv) change its legal name, or (v) change any organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts (other than the Biosense Accounts in accordance with the Cowen Loan Documents and the other Cowen Loan Priority Collateral), or permit any of its Subsidiaries to do so; except for Permitted Liens permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank and/or Cowen) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Lien" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.8(b) or Section 6.8(c) hereof.

7.7 Investments; Distributions. (a) Directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so; or (b) pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock provided that (i) Borrower may convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) Borrower may pay dividends solely in common stock; and (iii) Borrower may repurchase the stock of former employees or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase, provided such repurchase does not exceed in the aggregate of Fifty Thousand Dollars ($50,000) per fiscal year.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for (i) transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person (ii) issuances of Warrants from time to time; and (iii) the payment of fees and expenses in connection with the Alafi Guaranty and/or the Sanderling Guaranty, in a maximum amount not to exceed One Hundred Fifty Thousand Dollars ($150,000) in any fiscal year.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to Bank, other than as permitted under the Cowen Intercreditor Agreement.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or non-exempt Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act; fail to comply with any law or regulation promulgated by the U.S. Food and Drug Administration; or permit any of its Subsidiaries to do so or violate any other law or regulation, if the violation could reasonably be expected to have cause a Material Adverse Change to Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

7.11 Mark-to-Market Warrant Expense. At any time, permit the aggregate mark-to-market expense required in accordance with GAAP, with respect to any outstanding warrants of the Borrower and its Subsidiaries, to exceed Four Million Five Hundred Thousand Dollars ($4,500,000).

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable. During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.13, 6.14 or 6.17, or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement, any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment. (a) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in ten (10) days; (b) the service of process upon Bank (or Bank's Affiliate) seeking to attach, by trustee or similar process, any funds of Borrower, or of any entity under control of Borrower (including a Subsidiary) on deposit with Bank; (c) Borrower

is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim becomes a Lien on any of Borrower's assets; or (e) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within ten (10) days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions shall be made during the cure period);

8.5 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement to which Borrower or any Guarantor is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Two Hundred Thousand Dollars ($200,000) or that could have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments. A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Thousand Dollars ($200,000) (not covered by independent third-party insurance) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of twenty (20) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter into this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach, after giving effect to any applicable grace and/or cure periods, occurs under any agreement between Borrower and any creditor of Borrower that signed a subordination, intercreditor (including, without limitation, the Cowen Intercreditor Agreement), or other similar agreement with Bank, or any creditor that has signed such an agreement with Bank breaches any terms of such agreement;

8.10 Cowen Loan Documents. There is a default, after giving effect to any applicable grace and/or cure periods, under any of the Cowen Loan Documents.

8.11 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8. occurs with respect to any Guarantor, (d) the liquidation, winding up, or termination of existence of any Guarantor; or (e) (i) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations occurs with respect to any Guarantor; or

8.12 EXIM Default. The occurrence of an Event of Default under the EXIM Loan Agreement and/or the EXIM Guarantee.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposits cash with Bank in an amount equal to 105% (110% for Letters of Credit denominated in a currency other than U.S. Dollars), of the Dollar Equivalent of the face amount of all such Letters of Credit remaining undrawn, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all Letter of Credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any foreign exchange forward contracts;

(e) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank's security interest in such funds, and verify the amount of such account;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower (i) fails to obtain the insurance called for by Section 6.7; (ii) fails to pay any premium thereon; or (iii) fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest applicable rate charged by Bank, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance or making such payment at the time such insurance is obtained or such payment is made, or in either case or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. 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 to 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.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Bank and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**"), other than Advance requests made pursuant to Section 3.4, by any party to this Agreement or any other Loan Document must be in writing and be delivered or sent by facsimile at the addresses or facsimile numbers listed below. Bank or Borrower may change its notice address by giving the other party written notice thereof. Each such Communication shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, registered or certified mail, return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission (with such facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated below. Advance requests made pursuant to Section 3.4 must be in writing and may be in the form of electronic mail, delivered to Bank by Borrower at the e-mail address of Bank provided below and shall be deemed to have been validly served, given, or delivered when sent (with such electronic mail promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10). Bank or Borrower may change its address, facsimile number, or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	Stereotaxis, Inc. Stereotaxis International, Inc. c/o Stereotaxis, Inc. Forest Park Avenue, Suite 100 St. Louis, Missouri 63108 Attn: Mr. Sam Duggan Fax: (314) 678-6110 Email: sam.duggan@stereotaxis.com
with a copy to:	Stereotaxis, Inc. Stereotaxis International, Inc. c/o Stereotaxis, Inc. 4320 Forest Park Avenue, Suite 100 St. Louis, Missouri 63108 Attn: General Counsel Fax: (314) 678-6110 Email: karen.duros@stereotaxis.com
and:	Bryan Cave LLP One Metropolitan Square, Suite 3600 211 N. Broadway St. Louis, Missouri 63102 Attn: John G. Boyle, Esq. Fax: (314) 552-8165 Email: jgboyle@bryancave.com
If to Bank:	Silicon Valley Bank 230 West Monroe Street, Suite 720 Chicago, Illinois 60606 Attention: Kristen Parsons Telephone No.: (312) 704-9512 Facsimile No.: (312) 704-1532 Email: kparsons@svb.com
with a copy to:	Riemer & Braunstein LLP Three Center Plaza Boston, Massachusetts 02108 Attn: Charles W. Stavros, Esquire Fax: (617) 880-3456 Email: cstavros@riemerlaw.com

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Illinois; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREINABOVE,

BANK SHALL SPECIFICALLY HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH BANK DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE BANK'S RIGHTS AGAINST BORROWER OR ITS PROPERTY.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date. This Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank or if Bank's obligation to fund Credit Extensions terminates pursuant to the terms of Section 2.1.1(b). Notwithstanding any such termination, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such termination is at Borrower's election or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to one percent (1.00%) of the Revolving Line (i.e. Two Hundred Thousand Dollars ($200,000); provided, that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Upon payment in full of the Obligations and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Bank's gross negligence or willful misconduct.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.6 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.7 Amendments in Writing; Integration. All amendments to this Agreement must be in writing signed by both Bank and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.8 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.9 Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.10 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use commercially reasonable efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) disclosed to Bank by a third party if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use the confidential information for reporting purposes and the development and distribution of databases and market analyses so long as such confidential information is aggregated and anonymized prior to distribution, unless otherwise expressly permitted by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.11 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, Bank shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.12 Right of Set Off. Borrower hereby grants to Bank, a lien, security interest and right of set off as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a Bank subsidiary) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.13 Borrower Liability. Either Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Advance, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives any suretyship defenses available to it under the Code or any other applicable law. Each Borrower waives any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or any other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section shall be null and void. If any payment is made to a Borrower in contravention of this Section 12.13, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

12.14 Borrower Agreement; Cross-Collateralization; Cross-Default; Conflicts. Both this Agreement and the EXIM Borrower Agreement shall continue in full force and effect, and all rights and remedies under this Agreement and the EXIM Borrower Agreement are cumulative. The term "Obligations" as used in this Agreement and in the EXIM Borrower Agreement shall include without limitation the obligation to pay when due all loans made pursuant to the EXIM Borrower Agreement (the "**EXIM Loans**") and all interest thereon and the obligation to pay when due all Advances made pursuant to the terms of this Agreement and all interest thereon. Without limiting the generality of the foregoing, the security interest granted herein covering all "Collateral" as defined in this Agreement and as defined in the EXIM Borrower Agreement shall secure all EXIM Loans and all Advances and all interest thereon, and all other Obligations. Any Event of Default under this Agreement shall also constitute a default under the EXIM Borrower Agreement, and any default under the EXIM Borrower Agreement shall also constitute an Event of Default under this Agreement. In the event Bank assigns its rights under this Agreement and/or under any note evidencing Exim Loans and/or its rights under the EXIM Borrower Agreement and/or under any note evidencing Advances, to any third party, including, without limitation, the EXIM Bank, whether before or after the occurrence of any Event of Default, Bank shall have the right (but not any obligation), in its sole discretion, to allocate and apportion Collateral to the EXIM Borrower Agreement and/or note assigned and to specify the priorities of the respective security interests in such Collateral between itself and the assignee, all without notice to or consent of any Borrower. Should any term of the Agreement conflict with any term of the EXIM Borrower Agreement, the more restrictive term in either agreement shall govern Borrower.

12.15 No Novation. Borrower and Bank hereby agree that, effective upon the execution and delivery of this Agreement by each such party, the terms and provisions of the Prior Loan Agreement shall be and hereby are amended, restated and superseded in their entirety by the terms and provisions of this Agreement. Nothing herein contained shall be construed as a substitution or novation of the obligations of Borrower outstanding under the Prior Loan Agreement or instruments securing the same, which obligations shall remain in full force and effect, except to the extent that the terms thereof are modified hereby or by instruments executed concurrently herewith. Nothing expressed or implied in this Agreement shall be construed as a release or other discharge of any Borrower from any of the Obligations or any liabilities under the Prior Loan Agreement or any of the security agreements, pledge agreements, mortgages, guaranties or other Loan Documents executed in connection therewith. Each Borrower hereby (i) confirms and agrees that each Loan Document to which it is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that on and after the Effective Date all references in any such Loan Document to the "Loan and Security Agreement", the "Loan Agreement" the "Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the Prior Loan Agreement shall mean the Prior Loan Agreement as amended and restated by this Agreement; and (ii) confirms and agrees that to the extent that the Prior Loan Agreement or any Loan Document executed in connection therewith purports to assign or pledge to the Bank, or to grant to the Bank a security interest in or lien on, any collateral as security for the Obligations of Borrower or any guarantor from time to time existing in respect of the Prior Loan Agreement, such pledge, assignment or grant of the security interest or lien is hereby ratified and confirmed in all respects and shall remain effective as of the first date it became effective.

12.16 Cowen Intercreditor Agreement. Notwithstanding anything herein to the contrary, the Lien and security interest granted to Bank pursuant to any Loan Document and the exercise of any right or remedy in respect of the Collateral by Bank hereunder or under any other Loan Document are subject to the provisions of the Cowen Intercreditor Agreement. In the event of any conflict between the terms of the Cowen Intercreditor Agreement, this Agreement and any other Loan Document, the terms of the Cowen Intercreditor Agreement shall govern and control with respect to any right or remedy. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, all rights and remedies with respect to the Collateral of the Bank shall be subject to the terms of the Cowen Intercreditor Agreement, and Borrower shall not be required hereunder or under any Loan Document to take any action with respect to the Collateral that is inconsistent with Borrower's obligations under the Cowen Loan Agreement. Bank may not require any Borrower to take any action with respect to the creation, perfection or priority of its security interest, whether pursuant to the express terms hereof or of any other Loan Document or pursuant to the further assurance provisions hereof or any other Loan Document, to the extent that such action would violate the Cowen Intercreditor Agreement or such Borrower's obligations under the Cowen Loan Documents. The delivery of any Collateral to Cowen under the Cowen Loan Documents pursuant to the Cowen Loan Documents shall satisfy any delivery

requirement hereunder or under any other Loan Document to the extent that such delivery is consistent with the terms of the Cowen Intercreditor Agreement. Bank acknowledges that any representations, warranties and agreements made by Borrower herein may be subject to rights, interests and agreements in favor of Cowen under the Cowen Loan Documents.

13 DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Advance**" or "**Advances**" means an advance (or advances) under the Revolving Line.

"**Affiliate**" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Alafi**" is Alafi Capital Company, LLC, a California limited liability company.

"**Alafi Guaranty**" is that certain Second Amended and Restated Guaranty, executed by Alafi as of the date hereof, in favor of Bank.

"**Alafi Letter of Credit**" is that certain $5,000,000 Stand-by Letter of Credit issued by U.S. Bank, on the account of Alafi, or any principal thereof, for the benefit of Bank, dated on or before the Effective Date, and any replacement or renewal thereof, in each case in form and substance acceptable to Bank, in its reasonable discretion.

"**Availability Amount**" is (a) the lesser of (i) the Revolving Line or (ii) the aggregate of (X) the Borrowing Base plus (Y) the Guaranteed Line; minus (b) the outstanding principal balance of any Advances; minus (c) the outstanding principal balance of any Guaranteed Advances. The aggregate amount of all Credit Extensions (other than outstanding principal under the Term Loan) under this Agreement outstanding at any time, together with all outstanding Advances (as defined in the EXIM Loan Agreement) under the EXIM Loan Agreement outstanding at any time shall not exceed Twenty Million Dollars ($20,000,000).

"**Bank**" is defined in the preamble hereof.

"**Bank Expenses**" are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower.

"Bank Services" are any products and/or credit services facilities provided to Borrower by Bank, including, without limitation, all Letters of Credit, guidance facilities, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards and check cashing services) and foreign exchange services as any such products or services may be identified in Bank's various agreements related thereto (each, a "**Bank Services Agreement**").

"**Biosense**" means Biosense Webster, Inc. a California corporation.

"**Biosense Account**" means the gross amount of all payments, revenue share, profit payments, royalties, license fees, settlement payments, judgments, securities, consideration or any other remuneration of any kind payable or received by Borrower under the Biosense Agreement and all accounts (as such term is defined in the New

York Uniform Commercial Code) evidencing or giving rise to any of the foregoing, and any collections, recoveries, payments or other compensation made in lieu thereof and any amounts paid or payable to Stereotaxis and/or any of its Subsidiaries in respect of the Biosense Agreement pursuant to Section 365(n) of the United States Bankruptcy Code.

"**Biosense Agreement**" means that certain Development Alliance and Supply Agreement between Stereotaxis, Inc. and Biosense, dated as of May 7, 2002, as amended by (i) the Amendment to Development and Supply Agreement, dated November 3, 2002, between Stereotaxis and Biosense; (ii) the research and development side letter, dated November 3, 2003, between Stereotaxis and Biosense; (iii) the Alliance Expansion Agreement, dated May 4, 2007, between Stereotaxis and Biosense; (iv) the four side letters, each dated May 4, 2007, between Stereotaxis and Biosense; (v) the Second Amendment to Development Alliance and Supply Agreement, dated July 18, 2008, between Stereotaxis and Biosense; (vi) the Third Amendment to Development Alliance and Supply Agreement, dated December 8, 2009, between Stereotaxis and Biosense; (vii) the Fourth Amendment to Development Alliance and Supply Agreement, dated May 1, 2010, between Stereotaxis and Biosense; (viii) the Fifth Amendment to Development Alliance and Supply Agreement, dated July 30, 2010, between Stereotaxis and Biosense; (ix) the Sixth Amendment and Catheter and Mapping System Extension to Development Alliance and Supply Agreement, dated December 17, 2010, between Stereotaxis and Biosense and (x) the Seventh Amendment to the Development Alliance and Supply Agreement, dated as of the date hereof, between Stereotaxis and Biosense (as so amended, and as amended, amended and restated, supplemented or otherwise modified from time to time after the date hereof in accordance with the terms thereof).

"**Borrower**" is defined in the preamble hereof.

"**Borrower's Books**" are all Borrower's books and records including ledgers, federal and state tax returns, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Borrowing Base**" is (a) without duplication, eighty percent (80%) of Eligible Accounts plus (b) the lesser of (i) forty percent (40%) of the value of Borrower's Eligible Inventory (valued at the lower of cost or wholesale fair market value) or (ii) One Million Dollars ($1,000,000) plus (c) from the 25th day of the third month of each fiscal quarter of the Borrower through and including the last day of each such fiscal quarter, without duplication, eighty percent (80%) of Borrower's Eligible Unbilled Accounts, in each case as determined by Bank from Borrower's most recent Borrowing Base Certificate; provided, however, that Bank may decrease the foregoing amounts and/or percentages in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect the value of the Collateral.

"**Borrowing Base Certificate**" is that certain certificate included within each Transaction Report.

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions adopted by such Person's Board of Directors or other appropriate body and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying that (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that attached as Exhibit A to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

"**Business Day**" is any day that is not a Saturday, Sunday or a day on which Bank is closed.

"**Callable Capital**" is the remaining amount of capital, excluding capital attributable to Defaulting Partners which Sanderling would be able to obtain from the general partner and the limited partners thereof, without condition, upon the proper issuance of capital call notices in accordance with the partnership agreement.

"**Cash Equivalents**" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of Illinois; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of Illinois, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes on the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Communication**" is defined in Section 10.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit B.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn Letters of Credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Cowen**" is Cowen Healthcare Royalty Partners II, L.P., a Delaware limited partnership, together with any other Term Loan Creditors (as such term is defined in the Cowen Intercreditor Agreement) from time to time party to the Cowen Loan Agreement.

"**Cowen Accounts**" is either of the "Company Concentration Account" or the "Lender Concentration Account", as each term is defined in the Cowen Loan Agreement as in effect on the Effective Date, and any other bank account of Borrower established pursuant to the terms and conditions of the Cowen Loan Documents.

"**Cowen Indebtedness**" means all outstanding indebtedness owed by Borrower under the Cowen Loan Documents.

"**Cowen Intercreditor Agreement**" is that certain Intercreditor Agreement by and among Bank, Cowen and each Borrower, dated as of the Effective Date.

"**Cowen Loan Agreement**" means the collective reference to (a) the Cowen Term Loan Agreement (as such term is defined in the Cowen Intercreditor Agreement), and (b) to the extent permitted under Cowen Intercreditor Agreement, any other credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, replace, refinance or refund in whole or in part the indebtedness and other obligations outstanding under the Cowen Term Loan Agreement (as such term is defined in the Cowen Intercreditor Agreement), any Additional Term Loan Agreement (as such term is defined in the Cowen Intercreditor Agreement) or any other agreement or instrument referred to in this clause (b) unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Agreement (as such term is defined in the Cowen Intercreditor Agreement).

"**Cowen Loan Documents**" means the Cowen Loan Agreement, the Note, the Security Documents, the Intercreditor Agreement and the Lockbox Agreement (each as defined in the Cowen Loan Agreement), in each case as in effect on the Effective Date or as modified from time to time to the extent permitted to be so modified under the terms of the Cowen Intercreditor Agreement.

"**Cowen Loan Priority Collateral**" means the Term Loan Priority Collateral, as such term is defined in the Cowen Intercreditor Agreement.

"**Credit Extension**" is any Advance, Guaranteed Advance, Term Loan, Letter of Credit, EXIM Loan, foreign exchange forward contract, amount utilized for cash management services, or any other extension of credit by Bank for Borrower's benefit.

"**Default**" means any event which with notice or passage of time or both, would constitute an Event of Default.

"**Defaulting Partner**" is the general partner or any limited partner of a Sanderling who has previously failed to comply with any portion of a capital call made by Sanderling unless (i) such failure has been cured, or (ii) Sanderling has substituted the Defaulting Partner with another partner, in accordance with the partnership agreement of Sanderling, who is in compliance with such partnership agreement.

"**Default Rate**" is defined in Section 2.3(b).

"**Deferred Revenue**" is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is Borrower's deposit account, account number 501569370, maintained with Bank.

"Dollars," "**dollars**" and "**$**" each mean lawful money of the United States.

"Effective Date" is defined in the preamble hereof.

"**Eligible Accounts**" are Accounts which arise in the ordinary course of Borrower's business that meet all Borrower's representations and warranties in Section 5.3. Bank reserves the right at any time and from time to time after the Effective Date upon notice to Borrower, to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Without limiting the fact that the determination of which Accounts are eligible for borrowing is a matter of Bank's good faith judgment, the following ("Minimum Eligibility Requirements") are the minimum requirements for an Account to be an Eligible Account. Unless Bank agrees otherwise in writing, Eligible Accounts shall not include:

(a) Accounts for which the Account Debtor has not been invoiced or where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);

(b) Accounts that the Account Debtor has not paid within one hundred twenty (120) days of invoice date;

(c) Accounts owing from an Account Debtor, fifty percent (50%) or more of whose Accounts have not been paid within one hundred twenty (120) days of invoice date;

(d) Accounts billed and/or payable outside the United States;

(e) Accounts with credit balances over one hundred twenty (120) days from invoice date;

(f) Accounts owing from an Account Debtor, including Affiliates, whose total obligations to Borrower exceed twenty-five percent (25%) of all Accounts, for the amounts that exceed that percentage, unless Bank approves in writing;

(g) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements where the Account Debtor has a right of offset for damages suffered as a result of Borrower's failure to perform in accordance with the contract (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);

(h) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor's satisfaction of Borrower's complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);

(i) Accounts owing from an Account Debtor which does not have its principal place of business in the United States;

(i) Accounts owing from the United States or any department, agency, or instrumentality thereof except for Accounts of the United States if Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;

(j) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise – sometimes called "contra" accounts, accounts payable, customer deposits or credit accounts), with the exception of customary credits, adjustments and/or discounts given to an Account Debtor by Borrower in the ordinary course of its business;

(k) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a "sale guaranteed", "sale or return", "sale on approval", "bill and hold", or other terms if Account Debtor's payment may be conditional;

(l) Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower's business;

(m) Accounts for which the Account Debtor is Borrower's Affiliate, officer, employee, or agent;

(n) Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business;

(o) Accounts owing from an Account Debtor with respect to which Borrower has received Deferred Revenue (but only to the extent of such Deferred Revenue);

(p) Accounts subject to chargebacks or other payment deductions taken by an Account Debtor;

(q) the Biosense Accounts;

(r) Accounts for which Bank in its good faith business judgment determines collection to be doubtful; and

(s) other Accounts Bank deems ineligible in the exercise of its good faith business judgment.

"**Eligible Inventory**" is Borrower's Inventory located at its principal place of business (or any location permitted under Section 7.2) that complies with representations and warranties in Section 5.2 and is subject to Bank's first priority Lien, but does not include used, returned, obsolete, consigned, demonstrative or custom inventory, supplies, packing or shipping materials, inventory located at customer sites, inventory located at outsource manufacturers which are not subject to a waiver of security interest or subordination/consent agreement, inventory pending approval by the Food and Drug Administration, inventory constituting Cowen Loan Priority Collateral, or any work in process.

"**Eligible Unbilled Accounts**" are Accounts for which the Account Debtor has not been invoiced or where goods or services have not yet been rendered to the Account Debtor but are otherwise Eligible Accounts that are billed and for which goods and services will have been rendered to the applicable Account Debtor within fifteen (15) days of the Funding Date of the applicable Borrowing Base Certificate and which must thereafter satisfy all of the requirements of Eligible Accounts.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employment Retirement Income Security Act of 1974, and its regulations.

"**Event of Default**" is defined in Section 8.

"**EXIM Bank**" is the Export-Import Bank of the United States.

"**EXIM Borrower Agreement**" is defined in the Export-Import Agreement.

"**EXIM Guaranty**" is that certain Master Guarantee Agreement, by and between Bank and EXIM Bank, dated as of November 1, 2005, as amended and in effect as of the date hereof.

"**EXIM Loan Agreement**" is a certain Export-Import Bank Amended and Restated Loan and Security Agreement dated as of the Effective Date by and between Bank and Borrower, and all documents, instruments and agreements executed in connection therewith, including, without limitation, the EXIM Borrower Agreement and the EXIM Promissory Note, as each may be amended from time to time.

"**EXIM Loan Documents**" are all documents and agreements executed in connection with the Export-Import Loan Agreement, including, without limitation, the EXIM Borrower Agreement and the EXIM Promissory Note (as defined in the Export-Import Agreement), as each may be amended from time to time.

"**EXIM Loans**" is defined in Section 12.14.

"**Export-Related Accounts Receivable**" is defined in the EXIM Borrower Agreement.

"**Export-Related Inventory**" is defined in the EXIM Borrower Agreement.

"**Export-Related General Intangibles**" is defined in the EXIM Borrower Agreement.

"**Foreign Accounts**" is defined in Section 6.8(c).

"**Foreign Currency**" means lawful money of a country other than the United States.

"**Funding Date**" is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Guaranteed Advance**" or "**Guaranteed Advances**" is a loan advance (or advances) under the Guaranteed Line.

"**Guaranteed Line**" is a sublimit of the Revolving Line, consisting of a Guaranteed Advance or Guaranteed Advances of up to Ten Million Dollars ($10,000,000), in each case guaranteed by each of Sanderling and Alafi in accordance with the terms of the Sanderling Guaranty and the Alafi Guaranty, respectively.

"Guarantor" is any present or future guarantor of the Obligations, including, without limitation, Alafi and Sanderling.

"**Guaranty**" means (i) on the Effective Date, each of the Sanderling Guaranty and the Alafi Guaranty; and (ii) thereafter, any other guaranty agreement executed by any other Guarantor in favor of Bank.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and Letters of Credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"**IP Agreement**" is that certain Intellectual Property Security Agreement executed and delivered by Borrower to Bank dated as of the date hereof.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Intellectual Property**" means all of Borrower's right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to a Borrower;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"**Jointly Owned Intellectual Property**" is the Intellectual Property of Borrower described on Exhibit C hereto.

means (i) US Patent No. 5654864 for Control Method For Magnetic Stereotaxis System (5236-000103), jointly owned with UVA; (ii) US Patent No. 6834201 for Catheter Navigation Within An MR Imaging Device (5236-000428) jointly owned with Medical College of Virginia; and (iii) application 11/627406 Magnetically Guidable Energy Delivery Apparatus And Method Of Using Same (5236-000762) jointly owned with Bayliss Medical.

"**Letters of Credit**" means any standby letter of credit issued by Bank or another institution based upon an application, guarantee, banker's acceptance, indemnity or similar agreement on the part of Bank.

"**Lien**" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"**Liquidity Ratio**" is, as of any date of measurement, (X) the sum of (i) Borrower's unrestricted cash at Bank plus (ii) Borrower's net billed accounts receivable (excluding the Biosense Accounts) plus (iii) the unused available amount under the Guaranteed Line; divided by (Y) total outstanding Obligations of Borrower owed to Bank.

"**Loan Documents**" are, collectively, this Agreement, any Bank Services Agreement, the EXIM Loan Documents, the Perfection Certificate, the IP Agreement, the Cowen Intercreditor Agreement, the Subordination Agreement, if any, any note or notes, the Sanderling Guaranty, the Alafi Guaranty, the Alafi Letter of Credit, any other guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower any Guarantor and/or for the benefit of Bank in connection with this Agreement and/or any Bank Services, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Bank's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; (c) a material impairment of the prospect of repayment of any portion of the Obligations; or (d) Bank determines, based upon information available to it and in its reasonable judgment, that there is a reasonable likelihood that Borrower shall fail to comply with one or more of the financial covenants in Section 6 during the next succeeding financial reporting period.

"**Minimum Eligibility Requirements**" is defined in the defined term "Eligible Accounts".

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, whether under this Agreement, the EXIM Loan Agreement, the Loan Documents, or otherwise, including, without limitation, all obligations relating to Letters of Credit, cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower's duties under the Loan Documents.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified with the Secretary of State of such Person's state of formation on a date that is no earlier than 30 days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment**" means all checks, wire transfers and other items of payment received by Bank (including proceeds of Accounts and payment of all the Obligations in full) for credit to Borrower's outstanding Credit Extensions or, if the balance of the Credit Extensions has been reduced to zero, for credit to its Deposit Accounts.

"**Perfection Certificate**" is defined in Section 5.1.

"**Permitted Indebtedness**" is:

(a) Borrower's indebtedness to Bank under this Agreement or the Loan Documents (including, without limitation, the EXIM Loan Agreement);

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Indebtedness to trade creditors incurred in the ordinary course of business;

(d) Indebtedness secured by Permitted Liens;

(e) (i) Subordinated Debt and (ii) the Cowen Indebtedness; and

(f) Extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (e) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be

"**Permitted Investments**" are:

(a) Investments shown on the Perfection Certificate and existing on the Effective Date; and

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any state maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (iii) Bank's certificates of deposit issued maturing no more than 1 year after issue, and (iv) any other investments administered through the Bank.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank's security interests;

(c) Purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;

(d) Leases or subleases and non-exclusive licenses or sublicenses granted in the ordinary course of Borrower's business, if the leases, subleases, licenses and sublicenses permit granting Bank a security interest;

(e) Liens in favor of Cowen granted under the Cowen Loan Documents; provided that such Liens are subject to the Cowen Intercreditor Agreement; and

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (e), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase; and

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Prime Rate**" is Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Reserves**" means, as of any date of determination, such amounts as Bank may from time to time establish and revise in good faith reducing the amount of Advances, Letters of Credit and other financial accommodations which would otherwise be available to Borrower under the lending formulas: (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in good faith, do or may affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts), (ii) the assets or business of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines in good faith constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

"**Restricted License**" is any material license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral.

"**Revolving Line**" is an Advance or Advances (including, without limitation, Guaranteed Advances and Advances made pursuant to the EXIM Loan Agreement) in an aggregate amount outstanding at any time under this Agreement and the EXIM Loan Agreement of up to Twenty Million Dollars ($20,000,000).

"**Revolving Line Maturity Date**" is March 31, 2012.

"**Sanderling**" is Sanderling Venture Partners VI Co-Investment Fund, L.P., a California limited partnership.

"**Sanderling Guaranty**" is that certain Second Amended and Restated Guaranty, executed by Sanderling as of the date hereof, in favor of Bank.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Settlement Date**" is defined in Section 2.1.3.

"**Short Term Advances**" are Advances made within five (5) days prior to March 31, June 30, September 30 and December 31 of each fiscal year that are (i) deposited directly into and maintained in the Designated Deposit Account and (ii) repaid in full by Borrower no later than five (5) days after the beginning of the immediately succeeding fiscal quarter of Borrower.

"**Streamline Period**" is, on and after the Effective Date, the period (i) beginning immediately after the forty-fifth (45th) consecutive day in which the Borrower has, for each such consecutive day, maintained a Liquidity Ratio in excess of 1.50:1.00 (the "**Streamline Threshold**"), and (ii) ending on the first day thereafter in which the Borrower does not maintain the Streamline Threshold. Borrower shall be required to maintain the Streamline Threshold for forty-five (45) consecutive days, in Bank's reasonable business judgment, prior to entering into a subsequent Streamline Period. Borrower shall provide prior-written notice of its intention to enter into a Streamline Period**.**

"**Subordinated Debt**" is (i) indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank; and

(ii) any indenture, convertible debt offering, debenture offering or other similar debt instrument of the Borrower, whether now existing or herein after issued.

"**Subordination Agreement**" is any agreement, in form and substance acceptable to Bank in its sole discretion, as required by Bank in its sole discretion, subordinating Subordinated Debt to the Bank.

"**Subsidiary**" means, with respect to any Person, any Person of which more than fifty percent (50.0%) of the voting stock or other equity interests is owned or controlled, directly or indirectly, by such Person or one or more Affiliates of such Person.

"**Tangible Net Worth**" is, on any date, the consolidated total assets of Borrower and its Subsidiaries plus (a) Subordinated Debt plus (b) outstanding Guaranteed Advances minus (c) any amounts attributable to (i) goodwill, (ii) intangible items including unamortized debt discount and expense, patents, trade and service marks and names, copyrights and capitalized research and development expenses (except prepaid expenses), (iii) notes, accounts receivable and other obligations owing to Borrower from its officers or other Affiliates, and (iv) reserves not already deducted from assets, minus (d) Total Liabilities plus (e) mark-to-market expenses incurred in accordance with GAAP as a result of mark-to-market adjustments of the value of warrants of the Borrower, in an aggregate amount not to exceed Four Million Five Hundred Thousand Dollars ($4,500,000).

"**Term Loan**" is defined in Section 2.1.2(a).

"**Term Loan Maturity Date**" is the earliest of (A) December 31, 2013 or (b) the occurrence of an Event of Default.

"**Total Liabilities**" is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness, including, without limitation, all Credit Extensions.

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"**Transaction Report**" is the Bank's standard reporting package provided by Bank to Borrower.

"**Transfer**" is defined in Section 7.1.

"**Unused Revolving Line Facility Fee**" is defined in Section 2.4(d).

"**Warrants**" mean the warrants from time to time executed and issued by Borrower in favor of Sanderling and/or Alafi.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument under the laws of Illinois, as of the Effective Date.

BORROWER:

STEREOTAXIS, INC.

By /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: Chief Financial Officer

STEREOTAXIS INTERNATIONAL, INC.

By /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: President

BANK:

SILICON VALLEY BANK

By /s/ Sheila Colson
Name: Sheila Colson
Title: Advisor

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include more than sixty-five percent (65%) of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any foreign Subsidiary which shares entitle the holder thereof to vote for directors or any other matter.

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date: _____
FROM: STEREOTAXIS, INC. and STEREOTAXIS INTERNATIONAL, INC.

The undersigned authorized officer of StereoTaxis, Inc., a Delaware corporation and StereoTaxis International, Inc. (collectively, jointly and severally, the "**Borrower**") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "**Agreement**"), (1) Borrower is in complete compliance for the period ending with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries, if any, relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with generally GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statement (CPA Audited) + CC	FYE within120 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
A/R & A/P Agings, Deferred Revenue and Inventory Reports	Monthly within 30 days	Yes No
Transaction Reports	Weekly, within 5 days*	Yes No
Projections	Annually within 30 days prior to FYE	Yes No
10% of the outstanding balance of EXIM Bank accounts receivable	Quarterly within 30 days	Yes No

* Monthly during a Streamline Period, within 5 days after the end of each month

The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")

Financial Covenant	Required	Actual	Complies
Maintain as indicated:			
Minimum Tangible Net Worth* (tested quarterly)	**$**	**$**	**Yes No**
Minimum Liquidity Ratio (tested monthly)**	**:1.00**	**:1.00**	**Yes No**
Cowen Loan Proceeds (on or before December 5, 2011)	**$10,000,000**	**$**	**Yes No**

* See Section 6.9(a) of the Loan Agreement
** See Section 6.9(b) of the Loan Agreement

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

STEREOTAXIS, INC.
STEREOTAXIS INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER
Date: _____

Verified: _____
AUTHORIZED SIGNER
Date: _____

Compliance Status: Yes No

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

Dated: _____

I. **Tangible Net Worth** (Section 6.9(a))

Required: Maintain a minimum Tangible Net Worth, tested quarterly, as of the last day of each fiscal quarter of not less than (no worse than) ($17,500,000); provided that in the event that Guaranteed Advances are no longer available under the Guaranteed Line, the foregoing covenant level shall be adjusted by Bank, in its good faith business judgment. Such Tangible Net Worth requirements set forth above shall be increased by fifty percent (50%) of the net proceeds from issuances of equity securities of the Borrower and/or Subordinated Debt (other than the Cowen Indebtedness) issued after the Effective Date.

Actual:

A.	Consolidated total assets of Borrower and its Subsidiaries	$_____
B.	Subordinated Debt	$_____
C.	Outstanding Guaranteed Advances	$_____
D.	Adjusted Assets [line A plus line B plus line C]	$_____
E.	Amounts attributable to Goodwill	$_____
F.	Intangible items including unamortized debt discount and expense, patents, trade and service marks and names, copyrights and capitalized research and development expenses (except prepaid expenses)	$_____
G.	Notes, accounts receivable and other obligations owing to Borrower from its officers or other Affiliates	$_____
H.	Reserves not already deducted from assets	$_____
I.	Intangible assets [line E plus line F plus line G plus line H]	$_____
J.	Total Liabilities	$_____
K.	Mark-to-market expenses incurred in accordance with GAAP as a result of mark-to-market adjustments of the value of Warrants of the Borrower, in an aggregate amount not to exceed $4,500,000	
L.	TANGIBLE NET WORTH [line D minus line I minus line J plus line K]	$_____

Is line L equal to or greater than (no worse than) the sum of ($17,500,000) plus fifty percent (50%) of the net proceeds from issuances of equity securities of the Borrower and/or Subordinated Debt (other than the Cowen Indebtedness) issued after the Effective Date?

_____ No, not in compliance _____ Yes, in compliance

II. **Liquidity Ratio** (Section 6.9(b))

Required: Maintain (i) at all times during the months of January (other than the monthly compliance period ending January 31, 2012), February, April, May, July, August, October and November of each fiscal year, a Liquidity Ratio of not less than 1.50:1.00 (provided, that Bank agrees to waive testing of the Liquidity Covenant for the monthly compliance period ending November 30, 2011); and (ii) at all times during the months of March, June, September and December of each fiscal year, and the monthly compliance period ending January 31, 2012, a Liquidity Ratio of not less than 1.25:1.00, it being understood that Short Term Advances shall be excluded from the foregoing calculation.

Actual:

A.	Borrower's unrestricted cash at Bank	$_____
B.	Borrower's net billed accounts receivable (excluding the Biosense Accounts)	$_____
C.	the unused available amount under the Guaranteed Line	$_____
D.	LIQUIDITY [line A plus line B plus line C]	$_____
E.	Total outstanding Obligations of Borrower owed to Bank	$_____
F.	LIQUIDITY RATIO [line D divided by line E]	$_____

Is line F equal to or greater than [ ]:1.00?

_____ No, not in compliance _____ Yes, in compliance

III. **Cowen Loan Proceeds** (Section 6.9(c).

Required: On or before December 5, 2011, Borrower shall provide Bank evidence satisfactory to Bank, in its sole discretion, that Borrower has received not less than Ten Million Dollars ($10,000,000) in net proceeds from the Loans under the Cowen Loan Agreement.

_____ No, not in compliance _____ Yes, in compliance

EXHIBIT C

JOINTLY OWNED INTELLECTUAL PROPERTY

1 JOINTLY OWNED PATENTS:

(a) US Pending 11/685664 – Jointly owned with Biosense;

(b) US Pending 11/685684 – Jointly owned with Biosense;

(c) US Pending 11/627406 – Jointly Owned with Baylis Medical Company, Inc., Ashwini Panday, former employee of Stereotaxis is under obligation to assign interest and has not assigned to date;

(d) US Patent No. 6834201 – Jointly Owned with Medical College of Virginia; and

(e) US Patent No. 5654864 – Jointly Owned with University of Virginia.

2 OWNERSHIP INTEREST PENDING ASSIGNMENT:

(a) US Pending 12/643357 and Patent No. 7635342 – Former Stereotaxis employee Cam Haberger is under obligation to assign his interest, but has not yet made the assignment;

(b) US Pending 11/146414 – Former Stereotaxis employee John Rausch is under obligation to assign his interest, but has not yet made the assignment.

(c) U.S. Patent No. 7,543,239 – Former Stereotaxis employee John Rausch is under obligation to assign his interest, but has not yet made the assignment.

(d) U.S. Patent No. 7,540,288 – Former Stereotaxis employee John Rausch is under obligation to assign his interest, but has not yet made the assignment.

(e) U.S. Patent No. 7,516,416 – Former Stereotaxis employee John Rausch is under obligation to assign his interest, but has not yet made the assignment.

(f) U.S. Patent No. 7,540,866 – Former Stereotaxis employee John Rausch is under obligation to assign his interest, but has not yet made the assignment.

(g) US Pending 11/446,522 – Collaborator has executed assignment documents, but they have not been recorded.

(h) US Pending 11/480,326 – Collaborator has executed assignment documents, but they have not been recorded.

(i) US Pending 11/874,892 – Collaborator has executed assignment documents, but they have not been recorded.

(j) US Pending 11/392,497 – Collaborator has executed assignment documents, but they have not been recorded.

(k) US Pending 11/511,348 – Collaborator has executed assignment documents, but they have not been recorded.

(l) U.S. Patent No. 7,769,444 – Collaborator has executed assignment documents, but they have not been recorded.

3 OTHER INTELLECTUAL PROPERTY RIGHTS

Jointlyowned intellectual property may be created under the agreements with Company listed below:

(a) Product Integration, Supply and License Agreement between Company and IP Video Systems, Inc. dated December 12, 2007;

(b) Enhanced Cardiop-B-MN and Cardiop-GWN Product Integration, Supply and License Agreement between Company and Paieon, Inc. dated January 31, 2005;

(c) Development and Supply Agreement between Company and Lake Region Manufacturing, Inc. dated September 11, 2008;

(d) Amended and Restated Joint Development Agreement between Company and Phillips Medical Systems Nederland B.V. dated April 1, 2008;

(e) Extended Collaboration Agreement between Company and Siemens Aktiengesellschaft Medical Solutions dated May 27, 2004, as amended on June 30, 2006;

(f) Development, Manufacture and Supply Agreement between Company and I-Tek Medical dated July 12, 2010; and

(g) Consulting Services, License and RF Generator Manufacture and Supply Agreement between Company and Baylis Medical Company, Inc. dated June 29, 2010.

4 AGREEMENTS BETWEEN BIOSENSE WEBSTER INC. AND COMPANY LISTED BELOW:

(a) Development Alliance and Supply Agreement, May 7, 2002;

(b) Amendment to Development and Supply Agreement, November 3, 2002;

(c) Alliance Expansion Agreement, May 4, 2007;

(d) Second Amendment to the Development Alliance and Supply Agreement, July 18, 2008;

(e) Third Amendment to the Development Alliance and Supply Agreement, December 21, 2009;

(f) Fourth Amendment to the Development Alliance and Supply Agreement, May 1, 2010;

(g) Fifth Amendment to the Development Alliance and Supply Agreement, July 30, 2010;

(h) Sixth Amendment and Catheter Mapping System Extension to Development Alliance and Supply Agreement, December 17, 2010; and

(i) Seventh Amendment to Development and Supply Agreement.

AMENDED AND RESTATED
EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT (this "**EXIM Agreement**") dated as of November 30, 2011 (the "**Effective Date**") by and between (i) **SILICON VALLEY BANK**, a California corporation with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at 7000 North MoPac Expressway, Suite 360, Austin, Texas 78731 ("**Bank**"), and (ii) **STEREOTAXIS, INC.**, a Delaware corporation and **STEREOTAXIS INTERNATIONAL, INC.**, a Delaware corporation, each with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108 ("**Borrower**"), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. This EXIM Agreement amends and restates in its entirety that certain Export-Import Bank Loan and Security Agreement dated as of March 11, 2009, as amended by a certain Export-Import Bank First Loan Modification Agreement, dated as of December 15, 2009, as further amended by a certain Export-Import Bank Second Loan Modification Agreement dated as of December 17, 2010 and as further amended by a certain Third Loan Modification Agreement dated as of September 30, 2011 (as amended, the "**Prior EXIM Loan Agreement**"). The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

(a) Borrower and Bank are parties to that certain Second Amended and Restated Loan and Security Agreement dated as of November 30, 2011 (as may be amended from time to time, the "**Domestic Agreement**"), together with related documents executed in conjunction therewith, (as may be amended from time to time, the "**Domestic Loan Documents**").

(b) Borrower and Bank desire in this EXIM Agreement to set forth their agreement with respect to a working capital facility to be guaranteed by the EXIM Bank.

(c) Accounting terms not defined in this EXIM Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this EXIM Agreement shall have the meanings set forth in Section 13 of the Domestic Agreement. All other terms contained in this EXIM Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally, jointly and severally, promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this EXIM Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this EXIM Agreement and to deduction of Reserves, Bank shall make Advances to Borrower up to the Availability Amount. Amounts borrowed under the Revolving Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Revolving Line terminates on the earlier of (i) the Revolving Line Maturity Date or (ii) the termination of the Domestic Revolving Line, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.2 Overadvances. If, at any time the total of all outstanding Advances and all other monetary Obligations exceeds the Availability Amount (such excess amount being an "**Overadvance**"), Borrower shall immediately pay to Bank in cash such Overadvance. Without limiting Borrower's obligation to repay Bank any amount of theOveradvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at the Default Rate.

2.3 Payment of Interest on the Credit Extensions.

(a) Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one and three-fourths of one percent (1.75%) and (Y) seven percent (7.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate effective immediately before the occurrence of the Event of Default (the "**Default Rate**"). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) 360-Day Year. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(e) Debit of Accounts. Bank may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

(f) Payment; Interest Computation; Float Charge. Interest is payable monthly in arrears on the first calendar day of each month. In computing interest on the Obligations, all Payments received after 12:00 noon Eastern time on any day shall be deemed received on the next Business Day. In addition, Bank shall be entitled to charge Borrower a "float" charge in an amount equal to one (1) Business Day's interest, at the interest rate applicable to the Advances, on all Payments received by Bank. The float charge for each month shall be payable in arrears, on the first day of the month. Bank shall not, however, be required to credit Borrower's account for the amount of any item of payment which is unsatisfactory to Bank in its good faith business judgment, and Bank may charge Borrower's Designated Deposit Account for the amount of any item of payment which is returned to Bank unpaid.

2.4 Fees. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee, payable on the Effective Date in accordance with the terms and conditions of the Domestic Agreement;

(b) Termination Fee. Subject to the terms of Section 12.1, a termination fee; and

(c) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this EXIM Agreement) incurred through and after the Effective Date, when due.

2.5 Use of Proceeds. Borrower will use the proceeds of the EXIM Advances only for the purposes specified in the EXIM Borrower Agreement. Borrower will not use the proceeds of the EXIM Advances for any purpose prohibited by the EXIM Borrower Agreement.

2.6 EXIM Guaranty. To facilitate the financing of Eligible EXIM Accounts, the EXIM Bank has agreed to guarantee the EXIM Loans made under this EXIM Agreement, pursuant to a Master Guarantee Agreement, Loan Authorization Agreement and (to the extent applicable) Delegated Authority Letter Agreement (collectively, the "**EXIM Guaranty**"). If, at any time after the EXIM Guaranty has been entered into by Bank, for any reason other than due to any action or inaction of Borrower under the EXIM Guaranty, (a) the EXIM Guaranty shall cease to be in full force and effect, or (b) if the EXIM Bank declares the EXIM Guaranty void or revokes any obligations thereunder or denies liability thereunder, Borrower shall immediately repay all outstanding Advances

hereunder, and Borrower shall cash collateralize all issued and undrawn letters of credit issued by Bank, if any. If, at any time after the EXIM Guaranty has been entered into by Bank, for any reason other than as described in the foregoing sentence, (x) the EXIM Guaranty shall cease to be in full force and effect, or (y) the EXIM Bank declares the EXIM Guaranty void or revokes any obligations thereunder or denies liability thereunder, any such event shall constitute an Event of Default under this EXIM Agreement. Nothing in any confidentiality agreement, in this EXIM Agreement or in any other agreement, shall restrict Bank's right to make disclosures and provide information to the EXIM Bank in connection with the EXIM Guaranty.

2.7 EXIM Borrower Agreement. Borrower shall execute and deliver a Borrower Agreement, in the form specified by the EXIM Bank (attached hereto as **Annex A**), in favor of Bank and the EXIM Bank, together with an amendment thereto approved by the EXIM Bank to conform certain terms of such Borrower Agreement to the terms of this EXIM Agreement (as amended, the "**EXIM Borrower Agreement**"). When the EXIM Borrower Agreement is entered into by Borrower and the EXIM Bank and delivered to Bank, this EXIM Agreement shall be subject to all of the terms and conditions of the EXIM Borrower Agreement, all of which are hereby incorporated herein by this reference. From and after the time Borrower and the EXIM Bank have entered into the EXIM Borrower Agreement and delivered the same to Bank, Borrower expressly agrees to perform all of the obligations and comply with all of the affirmative and negative covenants and all other terms and conditions set forth in the EXIM Borrower Agreement as though the same were expressly set forth herein. In the event of any conflict between the terms of the EXIM Borrower Agreement (if then in effect) and the other terms of this EXIM Agreement, whichever terms are more restrictive shall apply. Borrower acknowledges and agrees that it has received a copy of the Loan Authorization Agreement which is referred to in the EXIM Borrower Agreement. If the EXIM Borrower Agreement is entered into by Borrower and the EXIM Bank and delivered to Bank, Borrower agrees to be bound by the terms of the Loan Authorization Agreement, including, without limitation, by any additions or revisions made prior to its execution on behalf of EXIM Bank. Upon the execution of the Loan Authorization Agreement by EXIM Bank and Bank, it shall become an attachment to the EXIM Borrower Agreement. Borrower shall reimburse Bank for all fees and all out of pocket costs and expenses incurred by Bank with respect to the EXIM Guaranty and the EXIM Borrower Agreement, including, without limitation, all facility fees and usage fees, and Bank is authorized to debit any of Borrower's deposit accounts with Bank for such fees, costs and expenses when paid by Bank.

3 <u>CONDITIONS OF LOANS</u>

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Advance hereunder on or after the Effective Date is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) Borrower shall have delivered duly executed original signatures to the Loan Documents to which it is a party;

(b) Borrower shall have delivered the Economic Impact Certification, Loan Authorization Notice and EXIM Bank Application Form;

(c) Borrower shall have delivered duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(d) Borrower shall have delivered a legal opinion of Borrower's counsel dated as of the Effective Date together with the duly executed original signatures thereto;

(e) Borrower shall have paid the fees and Bank Expenses then due as specified in Section 2.4 hereof; and

(f) Borrower shall have delivered all such other documents as Bank reasonably deems necessary or appropriate.

3.2 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of any export purchase order and an EXIM Borrowing Base Certificate relating to the request;

(b) timely receipt of an executed Transaction Report;

(c) the representations and warranties in Section 5 shall be true, accurate and complete in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true, accurate and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(d) in Bank's sole discretion, since the date of this EXIM Agreement, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, or any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank; and

(e) the EXIM Guaranty shall be in full force and effect.

3.3 Covenant to Deliver.

Borrower agrees to deliver to Bank each item required to be delivered to Bank under this EXIM Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Bank's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this EXIM Agreement, to obtain an Advance, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 noon Eastern time on the Funding Date of the Advance. Together with such notification, Borrower must promptly deliver to Bank by electronic mail or facsimile a completed Transaction Report executed by a Responsible Officer or his or her designee. Bank shall credit Advances to the Designated Deposit Account. Bank may make Advances under this EXIM Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under this EXIM Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this EXIM Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

Notwithstanding the foregoing, it is expressly acknowledged and agreed that the security interest created in this EXIM Agreement in all of the Collateral (with the exception of Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles) is subject to and subordinate to the security interest granted to Bank in the Domestic Agreement and the security interest created in the Domestic Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles is subject to and subordinate to the security interest granted to Bank in this EXIM Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and any Export-Related General Intangibles.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Without limiting the foregoing, Borrower hereby authorizes Bank to file financing statements which describe the collateral as "all assets" and/or "all personal property" of Borrower or words of similar import.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows at all times unless expressly provided below:

5.1 Domestic Loan Documents. The representations and warranties contained in the Domestic Loan Documents, which are incorporated into this EXIM Agreement by reference, are true and correct, and shall survive the termination of the Domestic Agreement.

5.2 EXIM Borrower Agreement. The representations and warranties contained in the EXIM Borrower Agreement, which are incorporated by reference into this EXIM Agreement, are true and correct in all material respects.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall meet the Minimum EXIM Eligibility Requirements set forth in Section 13 below.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are an Eligible EXIM Account in any EXIM Borrowing Base Certificate. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Domestic Loan Documents. Borrower shall comply in all material respects with the terms and provisions of the Domestic Loan Documents, which terms and provisions are incorporated into this EXIM Agreement and shall survive the termination of the Domestic Agreement, which shall include, without limitation, compliance with the financial reporting requirements set forth in the Domestic Agreement and the financial covenants set forth in the Domestic Agreement.

6.2 EXIM Borrower Agreement. Borrower shall comply with all of the terms of the EXIM Borrower Agreement, including without limitation, the delivery of an EXIM Borrowing Base Certificate within five (5) days after the end of each week (monthly, within five (5) days after the end of each month during a Streamline Period) any and all notices required pursuant to the EXIM Borrower Agreement. In the event of any conflict or inconsistency between any provision contained in the EXIM Borrower Agreement with any provision contained in this EXIM Agreement, the more strict provision, with respect to Borrower, shall control.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping

instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary endorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts (i) in excess of Fifty Thousand Dollars ($50,000) for any individual Account Debtor and (ii) in excess of Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate for all Account Debtors in any calendar year. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Default or Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the lesser of the Revolving Line or the aggregate EXIM Borrowing Base.

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until a Default or an Event of Default has occurred and is continuing. All payments on, and proceeds of, Accounts (other than, prior to the Term Loan Obligations Payment Date (as such term is defined in the Cowen Intercreditor Agreement), the Biosense Accounts), shall be deposited directly by the applicable Account Debtor into a lockbox account, or such other "blocked account" as Bank may specify, pursuant to a blocked account agreement in form and substance satisfactory to Bank in its sole discretion. Whether or not an Event of Default has occurred and is continuing, Borrower shall immediately deliver all payments on and proceeds of Accounts (other than, prior to the Term Loan Obligations Payment Date (as such term is defined in the Cowen Intercreditor Agreement), the Biosense Accounts), to an account maintained with Bank to be applied (i) prior to an Event of Default, to the Revolving Line pursuant to the terms of Section 2.5(b) of the Domestic Agreement, and (ii) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided, that during a Streamline Period, such proceeds shall promptly be transferred to Borrower's Designated Deposit Account.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(e) Verification. Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose.

(f) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 EXIM Insurance. If required by Bank, Borrower will obtain, and pay when due all premiums with respect to, and maintain uninterrupted foreign credit insurance. In addition, if requested by Bank, Borrower will execute in favor of Bank an assignment of proceeds of any insurance policy obtained by Borrower and issued by EXIM Bank insuring against comprehensive commercial and political risk (the "**EXIM Bank Policy**"). The insurance proceeds from the EXIM Bank Policy assigned or paid to Bank will be applied to the balance outstanding under this EXIM Agreement. Borrower will immediately notify Bank and EXIM Bank in writing upon submission of any claim under the EXIM Bank Policy.

6.5 Further Assurances. Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this EXIM Agreement.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Domestic Loan Documents. Violate or otherwise fail to comply with any provisions of the Domestic Loan Documents, which provisions are incorporated into this EXIM Agreement by reference, and shall survive the termination of Domestic Agreement.

7.2 EXIM Borrower Agreement. Violate or otherwise fail to comply with any provision of the EXIM Borrower Agreement, including, without limitation, the negative covenants set forth therein.

7.3 EXIM Guaranty. Take any action, or permit any action to be taken, that causes or, with the passage of time, could cause, the EXIM Guaranty to cease to be in full force and effect.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this EXIM Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable. During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this EXIM Agreement, or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.4 Domestic Default. The occurrence of an Event of Default under the Domestic Loan Documents. The terms and provisions of Sections 6.2, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.13, 6.14 and Section 7 of the Domestic Agreement are hereby incorporated by reference and shall survive the termination of the Domestic Agreement.

8.5 EXIM Guaranty. If the EXIM Guaranty ceases for any reason to be in full force and effect, or if the EXIM Bank declares the EXIM Guaranty void or revokes any obligations under the EXIM Guaranty.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.3 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this EXIM Agreement or under any other agreement between Borrower and Bank;

(c) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank's security interest in such funds, and verify the amount of such account;

(d) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(g) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of Borrower's Books; and

(i) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.4 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this EXIM Agreement or any other Loan Document, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest applicable rate charged by Bank, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. 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 to 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.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this EXIM Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Bank and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this EXIM Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

9.8 EXIM Direction. Upon the occurrence of an Event of Default, EXIM Bank shall have right to (i) direct Bank to exercise the remedies specified in Section 9.1 hereof and (ii) request that Bank accelerate the maturity of any other loans to Borrower.

9.9 EXIM Notification. Bank has the right to immediately notify EXIM Bank in writing if it has knowledge of any of the following events: (1) any failure to pay any amount due under this EXIM Agreement; (2) the EXIM Borrowing Base is less than the sum of the outstanding Credit Extensions; (3) any failure to pay when due any amount payable to Bank under any Loan Documents owing by Borrower to Bank; (4) the filing of an action for debtor's relief by, against or on behalf of Borrower; or (5) any threatened or pending material litigation against Borrower, or any material dispute involving Borrower.

If Bank sends a notice to EXIM Bank, Bank has the right to send EXIM Bank a written report on the status of events covered by the notice every thirty (30) days after the date of the original notification, until Bank files a claim with EXIM Bank or the defaults have been cured (but no EXIM Advances may be required during the cure period unless EXIM Bank gives its written approval). If directed by EXIM Bank, Bank will have the right to exercise any rights it may have against the Borrower to demand the immediate repayment of all amount outstanding under the Loan Documents.

10 <u>NOTICES</u>

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**"), other than Advance requests made pursuant to Section 3.4, by any party to this EXIM Agreement or any other Loan Document must be in writing and be delivered or sent by facsimile at the addresses or facsimile numbers listed below. Bank or Borrower may change its notice address by giving the other party written notice thereof. Each such Communication shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, registered or certified mail, return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission (with such facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated below. Advance requests made pursuant to Section 3.4 must be in writing and may be in the form of electronic mail, delivered to Bank by Borrower at the e-mail address of Bank provided below and shall be deemed to have been validly served, given, or delivered when sent (with such electronic mail promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10). Bank or Borrower may change its address, facsimile number, or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	Stereotaxis, Inc. Stereotaxis International, Inc. c/o Stereotaxis, Inc. 4320 Forest Park Avenue, Suite 100 St. Louis, Missouri 63108 Attn: Mr. Sam Duggan Fax: (314) 615-6922 Email: sam.duggan@stereotaxis.com
If to Bank:	Silicon Valley Bank 7000 North MoPac Expressway, Suite 360 Austin, Texas 78731 Attention: Sheila Colson Telephone No.: (512) 372-6753 Facsimile No.: Email: scolson@svb.com
with a copy to:	Riemer & Braunstein LLP Three Center Plaza Boston, Massachusetts 02108 Attn: Charles W. Stavros, Esquire Fax: (617) 880-3456 Email: cstavros@riemerlaw.com

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Illinois; provided, however, that nothing in this EXIM Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this EXIM Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREINABOVE, BANK SHALL SPECIFICALLY HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH BANK DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE BANK'S RIGHTS AGAINST BORROWER OR ITS PROPERTY.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS EXIM AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS EXIM AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date. This EXIM Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank or if Bank's obligation to fund Credit Extensions terminates pursuant to the terms of Section 2.1.1(b). Notwithstanding any such termination, Bank's lien and security interest in the Collateral shall continue until

Borrower fully satisfies its Obligations. If such termination is at Borrower's election or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to one percent (1.00%) of the Revolving Line (i.e. One Hundred Thousand Dollars ($100,000) (unless otherwise payable pursuant to Section 12.1 of the Domestic Agreement); provided, that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Upon payment in full of the Obligations and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.

12.2 Successors and Assigns. This EXIM Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this EXIM Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this EXIM Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Bank's gross negligence or willful misconduct.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this EXIM Agreement.

12.5 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.6 Severability of Provisions. Each provision of this EXIM Agreement is severable from every other provision in determining the enforceability of any provision.

12.7 Amendments in Writing; Integration. All amendments to this EXIM Agreement must be in writing signed by both Bank and Borrower. This EXIM Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this EXIM Agreement and the Loan Documents merge into this EXIM Agreement and the Loan Documents.

12.8 Counterparts. This EXIM Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one EXIM Agreement.

12.9 Survival. All covenants, representations and warranties made in this EXIM Agreement continue in full force until this EXIM Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this EXIM Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.10 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use commercially reasonable efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) disclosed to Bank by a third party if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use the confidential information for reporting purposes and the development and distribution of databases and market analyses so long as such confidential information is aggregated and anonymized prior to distribution, unless otherwise expressly permitted by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this EXIM Agreement.

12.11 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, Bank shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.12 Right of Set Off. Borrower hereby grants to Bank, a lien, security interest and right of set off as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a Bank subsidiary) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.13 EXIM Borrower Agreement; Cross-Collateralization; Cross-Default; Conflicts. Both this EXIM Agreement and the EXIM Borrower Agreement shall continue in full force and effect, and all rights and remedies under this EXIM Agreement and the EXIM Borrower Agreement are cumulative. The term "Obligations" as used in this EXIM Agreement and in the EXIM Borrower Agreement shall include without limitation the obligation to pay when due all loans made pursuant to the EXIM Borrower Agreement (the "**EXIM Loans**") and all interest thereon and the obligation to pay when due all Advances made pursuant to the terms of this EXIM Agreement and all interest thereon. Without limiting the generality of the foregoing, the security interest granted herein covering all "Collateral" as defined in this EXIM Agreement and as defined in the EXIM Borrower Agreement shall secure all EXIM Loans and all Advances and all interest thereon, and all other Obligations. Any Event of Default under this EXIM Agreement shall also constitute a default under the EXIM Borrower Agreement, and any default under the EXIM Borrower Agreement shall also constitute an Event of Default under this EXIM Agreement. In the event Bank assigns its rights under this EXIM Agreement and/or under any note evidencing EXIM Loans and/or its rights under the EXIM Borrower Agreement and/or under any note evidencing Advances, to any third party, including, without limitation, the EXIM Bank, whether before or after the occurrence of any Event of Default, Bank shall have the right (but not any obligation), in its sole discretion, to allocate and apportion Collateral to the EXIM Borrower Agreement and/or note assigned and to specify the priorities of the respective security interests in such Collateral between itself and the assignee, all without notice to or consent of the Borrower. Should any term of the EXIM Agreement conflict with any term of the EXIM Borrower Agreement, the more restrictive term in either agreement shall govern Borrower.

12.14 Borrower Liability. Either Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Advance, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives any suretyship defenses available to it under the Code or any other applicable law. Each Borrower waives any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this EXIM Agreement or any other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this EXIM Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this EXIM Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this EXIM Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 12.14 shall be null and void. If any payment is made to a Borrower in contravention of this Section 12.14, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

12.15 No Novation. Borrower and Bank hereby agree that, effective upon the execution and delivery of this Agreement by each such party, the terms and provisions of the Prior EXIM Loan Agreement shall be and hereby are amended, restated and superseded in their entirety by the terms and provisions of this EXIM Agreement. Nothing herein contained shall be construed as a substitution or novation of the obligations of Borrower outstanding under the Prior EXIM Loan Agreement or instruments securing the same, which obligations shall remain in full force and effect, except to the extent that the terms thereof are modified hereby or by instruments executed concurrently herewith. Nothing expressed or implied in this EXIM Agreement shall be construed as a release or other discharge of any Borrower from any of the Obligations or any liabilities under the Prior EXIM Loan Agreement or any of the security agreements, pledge agreements, mortgages, guaranties or other Loan Documents executed in connection therewith. Each Borrower hereby (i) confirms and agrees that each Loan Document to which it is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that on and after the Effective Date all references in any such Loan Document to the "EXIM Agreement" the "Domestic Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the EXIM Loan Agreement shall mean the Prior EXIM Loan Agreement as amended and restated by this EXIM Agreement; and (ii) confirms and agrees that to the extent that the Prior Loan Agreement or any Loan Document executed in connection therewith purports to assign or pledge to the Bank, or to grant to the Bank a security interest in or lien on, any collateral as security for the Obligations of Borrower or any guarantor from time to time existing in respect of the Prior EXIM Loan Agreement, such pledge, assignment or grant of the security interest or lien is hereby ratified and confirmed in all respects and shall remain effective as of the first date it became effective.

13 DEFINITIONS

13.1 Definitions. Except as otherwise defined, terms that are capitalized in this EXIM Agreement shall have the meaning assigned in the Domestic Agreement. As used in this EXIM Agreement, the following terms have the following meanings:

"**Advance**" or "**Advances**" means an advance (or advances) under the Revolving Line.

"**Availability Amount**" is (a) the lesser of (i) the Revolving Line or (ii) the EXIM Borrowing Base minus (b) the outstanding principal balance of any Advances. In no event shall the aggregate amount of all Credit Extensions under this EXIM Agreement outstanding at any time together with all other Credit Extensions (as defined in the Domestic Agreement) under the Domestic Agreement (other than outstanding principal under the Term Loan 2010) exceed Twenty Million Dollars ($20,000,000).

"**Bank**" is defined in the preamble hereof.

"**Borrower**" is defined in the preamble hereof.

"**Capital Goods**" is defined in the EXIM Borrower Agreement.

"**Country Limitation Schedule**" is defined in the EXIM Borrower Agreement.

"**Credit Extension**" is any Advance or any other extension of credit by Bank for Borrower's benefit.

"**Default Rate**" is defined in Section 2.3(b).

"**Domestic Agreement**" is defined in Section 1.1(a).

"**Domestic Loan Documents**" is defined in Section 1.1(a).

"**Domestic Revolving Line**" means the Revolving Line, as such term is defined in the Domestic Agreement.

"**Effective Date**" is defined in the preamble hereof.

"**Eligible EXIM Accounts**" Subject to exceptions approved in writing by EXIM Bank, receivables held as collateral must be payable to the Borrower in the U.S. and must be denominated in U.S. dollars. Receivables **not** eligible for inclusion in the EXIM Borrowing Base are listed below. In no event shall Export-Related Accounts Receivable or Export-Related Overseas Accounts Receivable include any Account Receivable:

(a) that does not arise from the sale of Items in the ordinary course of the Borrower's business;

(b) that is not subject to a valid, perfected, and enforceable first priority security interest in favor of the Bank;

(c) as to which any covenant, representation or warranty contained in the Loan Documents relating to such Account has been breached;

(d) that is not owned by the Borrower or is subject to any right, claim, or interest of another party other than the Lien in favor of the Bank;

(e) with respect to which an invoice has not been sent;

(f) that is generated by the sale or provision of defense articles or services, subject to exceptions approved in writing by EXIM Bank;

(g) that is due and payable from a military buyer, subject to exceptions approved in writing by EXIM Bank;

(h) that is due and payable from a foreign buyer located in a country with which EXIM Bank is legally prohibited from doing business as set forth in the current Country Limitation Schedule. (Note: If the Borrower has knowledge that an export to a country in which EXIM Bank may do business, as set forth in the current Country Limitation Schedule, will be re-exported to a country with which EXIM Bank is legally prohibited from doing business, the corresponding receivables (or a pro-rata portion thereof) are not eligible for inclusion in the Export-Related Borrowing Base.);

(i) that does not comply with the requirements of the Country Limitation Schedule;

(j) that by its original terms is due and payable more than one-hundred-eighty (180) days from the date of invoice;

(k) that is not paid within sixty (60) calendar days from its original due date unless insured through EXIM Bank (or other acceptable) export credit insurance for comprehensive commercial and political risk, in which case ninety (90) calendar days shall apply;

(l) that arises from a sale of goods to or performance of services for an employee, stockholder, or subsidiary of the Borrower, intra-company receivables or any receivable from a stockholder, any person or entity with a controlling interest in the Borrower or which shares common controlling ownership with the Borrower;

(m) that is backed by a letter of credit where the Items covered by the subject letter of credit have not yet been shipped, or where the covered services have not yet provided;

(n) that the Bank or EXIM Bank, in its reasonable judgment, deem uncollectible or unacceptable; this category includes, but is not limited to, finance charges or late charges imposed on the foreign buyer by the Borrower as a result of the foreign buyer's past due status;

(o) that is denominated in non-U.S. currency, unless pre-approved in writing by EXIM Bank;

(p) that does not comply with the terms of sale as set forth by EXIM Bank;

(q) that is due and payable from a buyer who becomes unable to pay its debts or whose ability to pay its debts becomes questionable;

(r) that arises from a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment, or any other repurchase or return basis or is evidenced by chattel paper;

(s) for which the Items giving rise to such Accounts have not been shipped to the buyer or when the Items are services, such services have not been performed or when the export order specifies a timing for invoicing the Items other than shipment or performance and the Items have not been invoiced in accordance with such terms of the export order, or the Accounts do not otherwise represent a final sale;

(t) that is subject to any offset, deduction, defense, dispute, or counterclaim, or the Buyer is also a creditor or supplier of the Borrower, or the Account is contingent in any respect or for any reason;

(u) for which the Borrower has made any agreement with the buyer for any deduction therefrom, except for discounts or allowances made in the ordinary course of business for prompt payment;

(v) for which any of the Items giving rise to such Accounts have been returned, rejected, or repossessed;

(w) the Biosense Accounts;

(x) that arises from the sale of Items that do not meet 50% U.S. Content requirements; and

(y) that is deemed to be ineligible by EXIM Bank.

"**Export-Related Inventory**" is Inventory located at its principal place of business (or any location permitted under Section 7.2 of the Domestic Agreement) and valued at the lower of actual cost or market value as determined in accordance with GAAP or the appraised, or orderly liquidation value if the Bank has other loans to a Borrower with the same valuation or unless pre-approved by EXIM Bank. Exported-Related Inventory may include raw materials, work-in-process and finished goods.

Export-Related Inventory not eligible for inclusion in the Export-Related Borrowing Base is listed below. In no event shall Export-Related Inventory include any Inventory:

(a) that is not subject to a valid, perfected, and enforceable first priority Lien in favor of the Bank;

(b) that is located at an address that has not been disclosed to the Bank in writing;

(c) that is not located in the United States, unless pre-approved by EXIM Bank in writing;

(d) that is placed by the Borrower on consignment or held by the Borrower on consignment;

(e) that is in the possession of a processor or bailee, or located on premises leased or subleased to the Borrower, or on premises subject to a mortgage in favor of a party other than the Bank, unless such processor or bailee or lessor or sublessor or mortgagee (as applicable) of such premises has executed and delivered all documentation which the Bank shall require to evidence its priority with respect to such Inventory as well as its right to gain access to such Inventory;

(f) that is produced in violation of the Fair Labor Standards Act or subject to the "hot goods" provisions contained in 29 U.S.C. 215 or any successor statute or section;

(g) as to which any covenant, representation, or warranty with respect to such Inventory contained in the Loan Documents has been breached;

(h) that is an Item or is to be incorporated into Items that do not meet 50% U.S. Content requirements;

(i) that is demonstration Inventory;

(j) that consists of proprietary software (i.e., software designed solely for the Borrower's internal use and not intended for resale);

(k) that is damaged, obsolete, returned, defective, recalled or unfit for further processing;

(l) that has previously been exported from the U.S.;

(m) that constitutes or will be incorporated into Items that constitute, defense articles or services;

(n) that is an Item or will be incorporated into Items that will be used in the construction, alteration, operation or maintenance of nuclear power, enrichment, reprocessing, research or heavy water production facilities unless with EXIM Bank's prior written consent;

(o) that is an Item or to be incorporated into Items destined for shipment to a country with which EXIM Bank is legally prohibited from doing business as designated in the current Country Limitation Schedule, or that the Borrower has knowledge will be re-exported by a foreign Buyer to a country in which EXIM Bank is legally prohibited from doing business;

(p) that is an Item or is to be incorporated into Items destined for shipment to a Buyer in a country in which EXIM Bank coverage is not available for commercial reasons as designated in the current Country Limitation Schedule, unless and only to the extent that such Inventory is sold to the foreign Buyer on terms of an irrevocable letter of credit confirmed by a bank acceptable to EXIM Bank;

(q) that constitutes or is to be incorporated into Items whose sale would result in an Account Receivable that would not be an Eligible Export-Related Account Receivable;

(r) inventory used in generating a Biosense Account under the Biosense Agreement, if any;

(s) that is included as eligible inventory under any other credit facility to which Borrower is a party; or

(t) that is, or is to be incorporated into, an Item that is a Capital Good unless the transaction is in accordance with Section 2.14 "Economic Impact Approval" of the EXIM Borrower Agreement.

"**Eligible Export-Related Accounts Receivable**" is defined in the EXIM Borrower Agreement.

"**Event of Default**" is defined in Section 8.

"**EXIM Bank**" means Export-Import Bank of the United States.

"**EXIM Borrower Agreement**" is defined in Section 2.7.

"**EXIM Borrowing Base**" is (a) ninety percent (90%) of Hedged Eligible EXIM Accounts plus (b) seventy percent (70%) of all other Eligible EXIM Accounts plus (c) the lesser of sixty-five percent (65%) of the value of Export-Related Inventory (valued at the lower of cost or wholesale fair market value) or Two Million Dollars ($2,000,000); in each case as determined by Bank from Borrower's most recent EXIM Borrowing Base Certificate; provided, however, that Bank may decrease the foregoing amounts and/or percentages in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect Collateral.

"**EXIM Borrowing Base Certificate**" is that certain certificate describing the calculation of the EXIM Borrowing Base, provided to Borrower by Bank.

"**EXIM Guaranty**" is defined in Section 2.6.

"**EXIM Loans**" is defined in Section 12.13.

"**EXIM Promissory Note**" is a certain Promissory Note of even date executed by Borrower in connection with this EXIM Agreement.

"**Export-Related Accounts Receivable**" is defined in the EXIM Borrower Agreement.

"**Export-Related General Intangibles**" is defined in the EXIM Borrower Agreement.

"**Export-Related Inventory**" is defined in the EXIM Borrower Agreement.

"**Foreign Currency Hedge Agreement**": any agreement with respect to any swap, hedge, forward, future or derivative transaction or option or similar other similar agreement or arrangement, each of which is (i) for the purpose of hedging the foreign currency fluctuation exposure associated with Borrower's operations and Accounts, (ii) acceptable to Bank, in its reasonable discretion, and (iii) not for speculative purposes.

"**Hedged Eligible EXIM Accounts**" are Eligible EXIM Accounts in which either (i) all invoices are denominated in Dollars, or (ii) all invoices are in foreign currencies that are subject to a Foreign Currency Hedge Agreement.

"**Item"** and **"Items**" is defined in the EXIM Borrower Agreement.

"**Loan Documents**" are, collectively, this EXIM Agreement, the Perfection Certificate, the Subordination Agreement, the Domestic Agreement, the Domestic Loan Documents, the EXIM Borrower Agreement, the EXIM Guaranty, the EXIM Promissory Note, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower any Guarantor and/or for the benefit of Bank in connection with this EXIM Agreement, all as amended, restated, or otherwise modified.

"**Minimum EXIM Eligibility Requirements**" is defined in the defined term "Eligible EXIM Accounts".

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, whether under this EXIM Agreement, the Domestic Agreement, the other Loan Documents, or otherwise, including, without limitation, all obligations relating to letters of credit, cash management services, if any, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower's duties under the Loan Documents.

"**Perfection Certificate**" is defined in Section 5.1.

"**Prime Rate**" is the Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"**Revolving Line**" is an Advance or Advances in an aggregate amount of up to Ten Million Dollars ($10,000,000) outstanding at any time.

"Revolving Line Maturity Date" is March 31, 2012.

"**Transfer**" is defined in Section 7.1.

[Signature page follows.**]**

IN WITNESS WHEREOF, the parties hereto have caused this EXIM Agreement to be executed as of the Effective Date.

BORROWER:

STEREOTAXIS, INC.

By /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: Chief Financial Officer

STEREOTAXIS INTERNATIONAL, INC.

By /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: President

BANK:

SILICON VALLEY BANK

By /s/ Sheila Colson
Name: Sheila Colson
Title: Advisor

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Annex A

EXIM BORROWER AGREEMENT

Exhibit 10.22a

Execution Version

$20,000,000
LOAN AGREEMENT

Dated as of November 30, 2011

between

COWEN HEALTHCARE ROYALTY PARTNERS II, L.P.,

as Lender,

and

STEREOTAXIS, INC.,

as a Borrower

and

STEREOTAXIS INTERNATIONAL, INC.,

as a Borrower

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ARTICLE XII.
INDEMNIFICATION

ARTICLE XIII.
MISCELLANEOUS

Exhibits

This LOAN AGREEMENT is dated as of November 30, 2011, by and between COWEN HEALTHCARE ROYALTY PARTNERS II, L.P., a Delaware limited partnership (the "Lender"), as Lender, and STEREOTAXIS, INC., a Delaware corporation, and STEREOTAXIS INTERNATIONAL, INC., a Delaware corporation (each, a "Borrower" and together, "Borrowers"). The Lender and Borrowers are hereinafter referred to collectively as the "Parties" or individually as a "Party."

W I T N E S S E T H:

WHEREAS, Borrowers are the owners of the Collateral (as hereinafter defined);

WHEREAS, Borrowers have the right to payments under the Biosense Agreement (as hereinafter defined);

WHEREAS, Borrowers propose to borrow from the Lender, and the Lender proposes to lend to Borrowers, an aggregate principal amount of $20,000,000; and

WHEREAS, in order to induce the Lender to enter into this Agreement and to extend credit hereunder, Borrowers have agreed to grant the Lender a security interest in the Collateral (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual promises of the Parties, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed by the Parties as follows:

ARTICLE I.
CERTAIN DEFINITIONS

SECTION 1.01. Definitions. As used herein:

"Accreted Principal" has the meaning specified in Section 4.01(a).

"Affiliate" means any Person that controls, is controlled by, or is under common control with another Person. For purposes of this definition, "control" shall mean (i) in the case of corporate entities, direct or indirect ownership of at least ten percent (10%) of the stock or shares having the right to vote for the election of directors, and (ii) in the case of non-corporate entities, direct or indirect ownership of at least ten percent (10%) of the equity interest with the power to direct the management and policies of such non-corporate entities.

"Agreement" means this Loan Agreement.

"Alafi" means Alafi Capital Company, LLC, a California limited liability company.

"Assignee" has the meaning specified in Section 13.01(b).

"Assignment and Acceptance" has the meaning specified in Section 13.01(c).

"Bankruptcy Event" means the occurrence of any of the following:

(i) (A) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (x) relief in respect of any Borrower or any Significant Subsidiary, or of a substantial part of the property of any Borrower or any Significant Subsidiary, under any Bankruptcy Law now or hereafter in effect, (y) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of the property of any Borrower or any Significant Subsidiary or (z) the winding-up or liquidation of any Borrower or any Significant Subsidiary, which proceeding or petition shall continue undismissed for 60 calendar days or (B) an Order approving or ordering any of the foregoing shall be entered;

(ii) any Borrower or any Significant Subsidiary shall (A) voluntarily commence any proceeding or file any petition seeking relief under any Bankruptcy Law now or hereafter in effect, (B) apply for the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of the property of any Borrower or any Significant Subsidiary, (C) fail to contest in a timely and appropriate manner any proceeding or the filing of any petition described in clause (i) of this definition, (D) file an answer admitting the material allegations of a petition filed against it in any proceeding described in clause (i) of this definition, (E) make a general assignment for the benefit of creditors or (F) wind up or liquidate;

(iii) there shall be commenced against any Borrower or any Significant Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against any Product or any Stereotaxis Intellectual Property Rights, which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within 60 calendar days from the entry thereof;

(iv) any Borrower or any Significant Subsidiary shall take any action in furtherance of or for the purpose of effecting, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) of this definition;

(v) any Borrower or any Significant Subsidiary shall become unable, admit in writing its inability, or fail generally, to pay its debts as they become due; or

(vi) any Borrower shall be in a financial condition such that the sum of its debts, as they become due and mature, is greater than the fair value of its property, when taken together on a consolidated basis with its Subsidiaries.

"Bankruptcy Law" means Title 11 of the United States Code entitled "Bankruptcy" and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Biosense" means Biosense Webster, Inc., a corporation organized under the laws of the State of California.

"Biosense Agreement" means that certain Development Alliance and Supply Agreement between Stereotaxis, Inc. and Biosense, dated as of May 7, 2002, as amended by (i) the Amendment to Development and Supply Agreement, dated November 3, 2002, between Stereotaxis and Biosense; (ii) the research and development side letter, dated November 3, 2003, between Stereotaxis and Biosense; (iii) the Alliance Expansion Agreement, dated May 4, 2007, between Stereotaxis and Biosense; (iv) the four side letters, each dated May 4, 2007, between Stereotaxis and Biosense; (v) the Second Amendment to Development Alliance and Supply Agreement, dated July 18, 2008, between Stereotaxis and Biosense; (vi) the Third Amendment to Development Alliance and Supply Agreement, dated December 8, 2009, between Stereotaxis and Biosense; (vii) the Fourth Amendment to Development Alliance and Supply Agreement, dated May 1, 2010, between Stereotaxis and Biosense; (viii) the Fifth Amendment to Development Alliance and Supply Agreement, dated July 30, 2010, between Stereotaxis and Biosense; (ix) the Sixth Amendment and Catheter and Mapping System Extension to Development Alliance and Supply Agreement, dated December 17, 2010, between Stereotaxis and Biosense and (x) the Seventh Amendment to Development Alliance and Supply Agreement, to be dated the Funding Date (as so amended, and as amended, amended and restated, supplemented or otherwise modified from time to time after the date hereof in accordance with the terms thereof).

"Biosense Arrangement" means the arrangement between Biosense and Stereotaxis, as evidenced by the Biosense Agreement, whereby Biosense and Stereotaxis agree to jointly contribute to the development of the Products and jointly share in the revenues generated from those Products.

"Biosense Consent" means the executed letter to be dated the Funding Date between the Lender and Biosense.

"Biosense Report" means a report in a form agreed upon between the parties and based on Exhibit A, providing information on current activities relating to the Biosense Arrangement.

"Borrower" has the meaning set forth in the preamble of this Agreement.

"Borrower Documents" means the certificate of incorporation of each Borrower certified by the Delaware Secretary of State and the by-laws of each Borrower (and any similar documentation of any Subsidiary of either Borrower that becomes party to the Loan Documents).

"Business Day" means any day, except a Saturday, Sunday or other day on which commercial banks in New York are required or authorized by law to close.

"Capital Stock" of any Person means any and all shares, interests, ownership interest units, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"Change of Control" means:

(i) the acquisition by any Person or group (within the meaning of Sections 13(d)(3) or 14(d)(2) of the Exchange Act) (other than any trustee or other fiduciary holding securities under an employee benefit plan of Stereotaxis or any entity controlled, directly or indirectly, by Stereotaxis) of beneficial ownership of any capital stock of Stereotaxis, if after such acquisition, such Person or group would be the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Stereotaxis representing more than thirty-five percent (35%) of the combined voting power of Stereotaxis' then outstanding securities entitled to vote generally in the election of directors; or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of Stereotaxis (together with any new directors (other than a director designated by a Person who has entered into an agreement with Stereotaxis to effect a transaction described in clause (i) or (ii) of this definition of "Change of Control"), whose election by such Board of Directors or nomination for election by Stereotaxis' shareholders, as applicable, was approved by a vote of a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute at least a majority of the Board of Directors of Stereotaxis then in office; or

(iii) any "Change of Control" or similar event occurs under the Working Capital Agreements or any other agreement or instrument evidencing any Indebtedness having an aggregate principal amount in excess of $500,000.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning specified in the Security Agreement.

"Commitment" means the Term Loan Commitment, the Delayed Draw A Commitment or Delayed Draw B Commitment.

"Consultation Right" has the meaning specified in Section 9.13(e).

"Contract" has the meaning specified in Section 8.01(i).

"Control" means, with respect to an Intellectual Property Right, the right by a Borrower to control or otherwise direct the preparation, filing, registration, prosecution or maintenance of the Intellectual Property Right

"Controlled Affiliate" with respect to any Person means any Person directly or indirectly controlling, controlled by or under common control with, such Person. For the purposes of this Agreement, "control" (including, with correlative meaning, the terms "controlling" and "controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Default" means any condition or event which constitutes an Event of Default or which, with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means, for any period for which an amount is overdue, a rate per annum equal for each day in such period to the lesser of (i) 3.00% plus the rate otherwise applicable to the Loans as provided in Section 4.01 and (ii) the maximum rate of interest permitted under applicable Law.

"Deficiency Amount" has the meaning specified in Section 4.01(a).

"Delayed Draw Loan A" at any time means the aggregate principal amount advanced to Borrowers on the Delayed Draw Loan A Funding Date plus any Accreted Principal thereon outstanding at such time.

"Delayed Draw Loan A Commitment" means $2,500,000.

"Delayed Draw Loan A Commitment Termination Date" means August 14, 2012; provided that if such date is not a Business Day, the "Delayed Draw Loan A Commitment Termination Date" will be the preceding Business Day.

"Delayed Draw Loan A Funding Date" means the date upon which the conditions precedent under Section 7.02 have been satisfied to the satisfaction of the Lender.

"Delayed Draw Loan B" at any time means the aggregate principal amount advanced to Borrowers on the Delayed Draw Loan B Funding Date plus any Accreted Principal thereon outstanding at such time.

"Delayed Draw Loan B Commitment" means $5,000,000 less the amount of any Delayed Draw Loan A received by Borrowers on the Delayed Draw Loan A Funding Date pursuant to Section 2.01(b).

"Delayed Draw Loan B Commitment Termination Date" means February 14, 2013; provided that if such date is not a Business Day, the "Delayed Draw Loan B Commitment Termination Date" will be the preceding Business Day.

"Delayed Draw Loan B Funding Date" means the date upon which the conditions precedent under Section 7.03 have been satisfied to the satisfaction of the Lender.

"Dispute" has the meaning specified in Section 8.01(q)(vi).

"Disqualified Capital Stock" of any Person means any class of Capital Stock of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Loan; provided, however, that any class of Capital Stock of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Capital Stock that are not Disqualified Capital Stock, and that is not convertible, puttable or exchangeable for Disqualified Capital Stock or Indebtedness, will not be deemed to be Disqualified Capital Stock so long as such Person satisfies its obligations with respect thereto solely by the delivery of Capital Stock that are not Disqualified Capital Stock.

"Dollars" or "$" means lawful money of the United States of America.

"Domestic Agreement" means that amended and restated loan and security agreement dated as of November 30, 2011 among Borrowers and Silicon Valley Bank.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"ERISA Affiliate" at any time means each trade or business (whether or not incorporated) that would, at any time, be treated, together with Borrowers or any of their respective Subsidiaries, as a single employer under Title IV or Section 302 of ERISA or Section 412 of the Code.

"Event of Default" has the meaning specified in Section 11.01.

"Exchange Act" means the Securities Exchange Act of 1934 and the regulations promulgated thereunder.

"Excluded Taxes" means (i) any Taxes imposed on (or measured by) net income (including branch profits Taxes) of the Lender, or any franchise or similar Taxes imposed in lieu thereof, by any Governmental Authority or taxing authority by the jurisdiction under the laws of which the Lender is organized or any jurisdiction in which the Lender is a resident, has an office, conducts business or has another connection (other than being deemed to conduct business or having connection arising from the Lender having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document) and (ii) in the case of a Foreign Lender, any U.S. federal withholding tax that is imposed on amounts payable to such Foreign Lender (a) under law in effect at the time such Foreign Lender becomes a party to this Agreement (or designates a new Office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Office (or assignment), to receive additional amounts from Borrowers with respect to such withholding tax pursuant to Section 5.01(a) or (b) that is attributable to such Foreign Lender's failure to comply with Section 5.01(b).

"Exclusive Period" has the meaning set forth in the Biosense Agreement.

"EXIM Agreement" means that amended and restated export-import bank loan and security agreement dated as of November 30, 2011 among Borrowers and Silicon Valley Bank, which agreement is guaranteed by EXIM Bank.

"EXIM Bank" means Export-Import Bank of the United States.

"Existing Stereotaxis Intellectual Property Rights" means the Stereotaxis Intellectual Property Rights as of the Funding Date.

"Existing Stereotaxis Patent Rights" means the Patent Rights included in the Stereotaxis IP as of the Funding Date

"FDA" means the United States Food and Drug Administration.

"Financial Statements" means (i) the consolidated balance sheets of Stereotaxis and its Subsidiaries, audited at December 31, 2008, December 31, 2009 and December 31, 2010 and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity of Stereotaxis and its Subsidiaries audited for the years ended December 31, 2008, December 31, 2009 and December 31, 2010, and the accompanying footnotes thereto, as filed with the SEC, including the Management's Discussion and Analysis of Financial Condition and Results of Operations contained therein and (ii) the unaudited consolidated balance sheets of Stereotaxis and its Subsidiaries as of September 30, 2011 and September 30, 2010 and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity of Stereotaxis and its Subsidiaries the nine-month period ended September 30, 2011 and for the comparable period of the preceding fiscal year, in each case, certified by the chief financial officer of Stereotaxis.

"Foreign Lender" has the meaning specified in Section 5.01(b).

"Funding Date" means the date upon which the conditions precedent under Section 7.01 have been satisfied to the satisfaction of the Lender.

"GAAP" means the generally accepted accounting principles in the United States of America in effect from time to time. Notwithstanding any other provision contained in the Loan Documents, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to in the Loan Documents shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of Borrowers or any of their respective Subsidiaries at "fair value," as defined therein.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government.

"Guarantee" means, as to any Person: (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of

such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part); or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person.

"Included Payments" means all Payments arising under and payable to Stereotaxis and/or any of its Subsidiaries with respect to the Biosense Agreement but only to the extent actually received, and any collections, recoveries, payments or other compensation made in lieu thereof and any amounts paid or payable to Stereotaxis and/or any of its Subsidiaries in respect of the Biosense Agreement pursuant to Section 365(n) of the United States Bankruptcy Code, in each case, since October 1, 2011.

"Indebtedness" with respect to any Person means any amount (absolute or contingent) payable by such Person as debtor, borrower, issuer, guarantor or otherwise (i) pursuant to an agreement or instrument involving or evidencing money borrowed, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase, (ii) pursuant to a lease with substantially the same economic effect as any such agreement or instrument, (iii) pursuant to any equity interest with a mandatory obligation to repurchase, (iv) pursuant to indebtedness of a third party secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on assets owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (v) pursuant to an interest rate protection agreement, foreign currency exchange agreement or other hedging arrangement, (vi) pursuant to a letter of credit issued for the account of such Person, or (vii) all Guarantees with respect to Indebtedness of the types specified in clauses (i) through (vi) above of another Person. For the avoidance of doubt, the Indebtedness of any Person shall include the Indebtedness of any other entity to the extent such Person is directly liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Liabilities" mean, collectively, any and all liabilities, obligations, losses, damages, penalties, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the actual, reasonable documented out-of-pocket costs, fees, expenses and disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such Indemnitee shall be designated as a party or a potential party thereto, and any fees or expenses actually incurred by Indemnitees in enforcing the indemnity provided herein), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations), on common law or equitable cause or on contract or otherwise, imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby (including any enforcement of any of the Loan Documents (including any sale of, collection from, or other realization upon any of the Collateral (as defined in the Security Agreement)).

"Indemnified Taxes" has the meaning specified in Section 5.01(a).

"Indemnitee" has the meaning specified in Section 12.02.

"Information" has the meaning specified in Section 13.20.

"Intellectual Property Rights" means all rights in or arising under: (i) patents; (ii) all copyrights in both published and unpublished works, all registrations and applications therefor and all associated moral rights; (iii) all know-how, trade secrets, confidential information, software, technical information, data, process technology, plans drawings and blueprints; (iv) databases, data compilations and collections and technical data; and (v) any other similar rights in or arising under Technology worldwide, in each case, whether arising under the laws of the United States or any other state, country or jurisdiction.

"Intercreditor Agreement" means the intercreditor agreement dated as of the Funding Date among Silicon Valley Bank, Cowen Healthcare Royalty Partners II, L.P. and Borrowers.

"Interest Payment Date" means each April 30, July 30, October 30 and January 30, or, if any such day is not a Business Day, the next succeeding Business Day, beginning on January 30, 2012.

"Interest Period" means, initially the period commencing on the Funding Date and ending on the next applicable Interest Payment Date and thereafter the period from the prior Interest Payment Date to the next applicable Interest Payment Date.

"Knowledge" means, with respect to Borrowers, as applicable, the knowledge of an officer or senior manager or other individual with similar responsibility, regardless of title, of any Borrower and/or any of their Subsidiaries relating to a particular matter; provided, however, that an individual charged with responsibility for the aspect of the business relevant or related to the matter at issue shall be deemed to have knowledge of a particular matter if, in the prudent exercise of his or her duties and responsibilities in the ordinary course of business, such individual should have known of such matter.

"Law" means any federal, state, local or foreign law or treaty, including common law, and any regulation, rule, requirement, policy, judgment, order, writ, decree, ruling, award, approval, authorization, consent, license, waiver, variance, guideline or permit of, or any agreement with, any Governmental Authority.

"Lender" means the Lender (as defined in the preamble of this Agreement) and any Assignee. References herein to "the Lender" following any assignment under Section 13.01(b) shall be to such Lenders collectively in accordance with their interests hereunder.

"Lender Bank Account" means Cowen Healthcare Royalty Partners II, L.P.'s account at JP Morgan Chase Bank.

"Lender Concentration Account" means a segregated account established for the benefit of the Lender and maintained at the Lockbox Bank pursuant to the terms of a Lockbox Agreement and this Agreement. The Lender Concentration Account shall be the account into which the funds held in the Lockbox Account which are payable to the Lender pursuant to this Agreement are swept in accordance with the terms of this Agreement and the Lockbox Agreement.

"License Agreement" means the License Agreement, dated the Funding Date, substantially in the form of Exhibit N hereto, between the Lender and Borrowers.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, lien, charge, attachment, set-off, encumbrance or other security interest in the nature thereof (including any conditional sale agreement, equipment trust agreement or other title retention agreement, a lease with substantially the same economic effect as any such agreement or a transfer or other restriction) or other encumbrance of any nature whatsoever.

"Loan" at any time means the sum of the Term Loan, the Delayed Draw Loan A and the Delayed Draw Loan B at such time.

"Loan Documents" means this Agreement, the Note, the Security Documents, the License Agreement, the Intercreditor Agreement and the Lockbox Agreement.

"Lockbox Account" means, collectively, any lockbox and segregated lockbox account established and maintained at the Lockbox Bank pursuant to a Lockbox Agreement and this Agreement.

"Lockbox Agreement" means any agreement entered into by the Lockbox Bank, Borrowers and the Lender substantially in the form attached hereto as Exhibit C, pursuant to which, among other things, the Lockbox Account and the Lender Concentration Account shall be established and maintained.

"Lockbox Bank" means JP Morgan Chase Bank or such other bank or financial institution approved by each of the Lender and Borrowers.

"Material Adverse Effect" means (i) a material adverse effect on the business, results of operations, assets, prospects or financial condition of Borrowers and their Subsidiaries, taken as a whole, (ii) a material reduction or other material impairment of the value of the Included Payments or any Stereotaxis Intellectual Property Rights, (iii) a material impairment of the ability of Borrowers and/or any of their Subsidiaries to perform their obligations under, or affecting the validity or enforceability of, the Biosense Agreement or (iv) an impairment of the ability of Borrowers and/or any of their Subsidiaries to perform their obligations under, or affecting the validity or enforceability of, any Loan Document or Borrower Document.

"Maturity Date" means December 31, 2018; provided, however, that if such date is not a Business Day, the Maturity Date shall be the preceding Business Day.

"Note" means a promissory note, substantially in the form set forth in Exhibit D-1, Exhibit D-2 or Exhibit D-3, in the amount of the Loan, evidencing the Term Loan, Delayed Draw Loan A and Delayed Draw Loan B, as applicable.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Prepayment" has the meaning specified in Section 3.02(a).

"Notices" has the meaning specified in Section 13.03.

"Office" means, with respect to the Lender, its Stamford, Connecticut office, and with respect to any other Lender, the office of such Lender designated as its "Office" in an Assignment and Acceptance, or such other office as may be otherwise designated in writing from time to time by such Lender to Borrowers.

"Obligations" mean, without duplication, the Loan and all present and future Indebtedness, taxes, liabilities, obligations, covenants, duties, and debts, owing by Borrowers to the Lender, arising under or pursuant to the Loan Documents, including all principal, interest, charges, expenses, fees and any other sums chargeable to Borrower hereunder and under the other Loan Documents (and including any interest, fees and other charges that would accrue but for the occurrence of a Bankruptcy Event with respect to any Borrower, whether or not such claim is allowed in such bankruptcy action).

"Party" and "Parties" have the meanings specified in the preamble of this Agreement.

"Patent Office" means the applicable patent office (foreign or domestic) for any patent.

"Patriot Act" has the meaning specified in Section 13.18.

"Patent Rights" means all classes or types of patents, utility models and design patents including, without limitation, originals divisions, continuations, continuations-in-part, extensions or reissues and patent applications for these classes or types of patent rights, in all countries of the world.

"Payments" means the gross amount of all payments, revenue share, profit payments, royalties, license fees, settlement payments, judgments, securities, consideration or any other remuneration of any kind payable or received under the Biosense Agreement and all accounts (as such term is defined in the New York Uniform Commercial Code) evidencing or giving rise to any of the foregoing.

"Permitted Liens" has the meaning specified in Section 10.03.

"Perfection Certificate" means a certificate in the form of Exhibit N.

"Person" means an individual, corporation, association, limited liability company, limited liability partnership, partnership, estate, trust, unincorporated organization or a government or any agency or political subdivision thereof.

"Plan" has the meaning specified in Section 10.07(a).

"Plan Assets" means assets of any (i) employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (ii) plan (as defined in Section 4975(e)(1) of the Code) subject to Section 4975 of the Code or (iii) entity whose underlying assets include assets of any such employee benefit plan or plan by reason of the investment by an employee benefit plan or other plan in such entity.

"Prepayment Amount" means (a) if the prepayment of the Loan occurs prior to the third anniversary of the Funding Date, an amount equal to 150% of the principal amount of the Loans funded to Borrowers on or prior to the Prepayment Date (excluding any Accreted Principal) plus then accrued and unpaid interest to but excluding the Payment Date less all payments of cash interest and cash payments of principal paid prior to the Prepayment Date and (b) if the prepayment of the Loan occurs on or after the third anniversary of the Funding Date, an amount equal to (x)(i) the then outstanding principal amount of the Loan, plus (ii) all accrued and unpaid interest thereon to the Prepayment Date, multiplied by (y) the applicable percentage listed below:

Prepayment Date	Prepayment Premium
On and after the third anniversary and prior to the fourth anniversary of the Funding Date	108%
On and after the fourth anniversary and prior to the fifth anniversary of the Funding Date	104%
On and after the fifth anniversary of the Funding Date	100%

"Prepayment Date" has the meaning specified in Section 3.02(a).

"Proceeding" has the meaning specified in Section 13.11.

"Products" means the products that are the subject of the Biosense Agreement.

"Qualified Capital Stock" of any Person means Capital Stock of such Person other than Disqualified Capital Stock; provided that such Capital Stock shall not be deemed Qualified Capital Stock to the extent sold or owed to a Subsidiary of such Person or financed, directly or indirectly, using funds (i) borrowed from such Person or any Subsidiary of such Person until and to the extent such borrowing is repaid or (ii) contributed, extended, guaranteed or advanced by such Person or any Subsidiary of such Person (including, without limitation, in respect of any employee stock ownership or benefit plan). Unless otherwise specified, Qualified Capital Stock refers to Qualified Capital Stock of a Borrower.

"Regulatory Agency" means a Governmental Authority with responsibility for the regulation of the research, development, marketing or sale of drugs or pharmaceuticals in any jurisdiction, including the FDA, the U.S. National Institutes of Health and the EMEA.

"Restricted Payment" means any of the following:

(i) the declaration or payment of any dividend or any other distribution on Capital Stock of Borrowers or any Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of Borrowers or any Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving Borrowers but excluding (a) dividends or distributions payable solely in Qualified Capital Stock or through accretion or accumulation of such dividends on such Capital Stock and (b) in the case of Subsidiaries, dividends or distributions payable to a Borrower or to a Subsidiary and pro rata dividends or distributions payable to minority stockholders of any Subsidiary; or

(ii) the redemption of any Capital Stock of Borrowers or any Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving Borrowers but excluding any such Capital Stock held by Borrowers or any Subsidiary.

"SEC" means the United States Securities and Exchange Commission.

"Secured Parties" has the meaning ascribed to it in the Security Agreement.

"Security Agreement" means the Security Agreement, dated the Funding Date, substantially in the form of Exhibit F hereto, between the Lender and Borrowers securing the Obligations of Borrowers hereunder and the other Loan Documents as supplemented by any amendments or joinders thereto.

"Security Documents" means the Security Agreement and each other security document or pledge agreement delivered in accordance with applicable Laws to grant a valid, perfected security interest in any property as collateral for the Obligations of Borrowers hereunder and the other Loan Documents, and all UCC or other financing statements or instruments of perfection required by this Agreement, the Security Agreement or any other such security document or pledge agreement to be filed with respect to the security interest in property created pursuant to the Security Agreement and any other document or instrument utilized to pledge or grant or purport to pledge or grant a security interest or lien on any property as collateral for the Obligations of Borrowers hereunder and the other Loan Documents.

"Senior Officer" means, as to any Person, the chief executive officer, chief financial officer or Secretary of such Person or any other officer of such Person reasonably acceptable to the Lender.

"Significant Subsidiary" means any Subsidiary of a Borrower which would constitute a "significant subsidiary" as defined in Rule 1.02 of Regulation S-X under the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended.

"Signing Date" means the date of execution and delivery of this Agreement by the Parties hereto.

"Silicon Valley Bank" means Silicon Valley Bank, a California corporation.

"Stereotaxis" means Stereotaxis, Inc., a Delaware corporation.

"Stereotaxis Intellectual Property Rights" means (i) the Stereotaxis IP; and (ii) the other Intellectual Property Rights that are licensed to or licensed by Stereotaxis or any of its Subsidiaries pursuant to, or are otherwise owned by Stereotaxis or any of its Subsidiaries and used in or necessary for, the Biosense Arrangement at any time from the Funding Date through the Maturity Date.

"Stereotaxis International" means Stereotaxis International, Inc., a Delaware corporation.

"Stereotaxis IP" means (a) the Patents listed on Schedule 8.01(q)(ii) and any later-filed patent application thereof, and (b) all other know-how, materials, trademarks, patents, service marks, trade names and goodwill associated therewith, trade secrets, data, formulations, processes, franchises, inventions, software, copyrights, and all intellectual property, and all registrations of any of the foregoing, or applications therefor that are, in the case of this clause (b), (i) owned by, controlled by, issued to, licensed to, or licensed by Borrowers to Biosense and (ii) used in the performance of the Biosense Agreement as presently conducted by Borrowers or as conducted by Borrowers as of the Funding Date or during the term of this Agreement.

"Subsidiary" means, with respect to any Person, at any time, any entity of which more than fifty percent (50%) of the outstanding Voting Stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) is at the time beneficially owned or controlled directly or indirectly by such Person, by one or more such entities or by such Person and one or more such entities.

"Surviving Person" means, with respect to any Person involved in or that makes any disposition, the Person formed by or surviving such disposition or the Person to which such disposition is made.

"System" means the Niobe Epoch system.

"Taxes" has the meaning specified in Section 5.01(a).

"Technology" means (i) works of authorship including, without limitation, computer programs, algorithms, routines, source code and executable code, whether embodied in software or otherwise, documentation, designs, files, records and data; (ii) inventions (whether or not patentable), improvements, and technology; (iii) proprietary and confidential information, including technical data and customer and supplier lists, trade secrets, show how, know how and techniques; and (iv)processes, devices, prototypes, schematics, bread boards, net lists, mask works, test methodologies and hardware development tools and all instantiations of the foregoing in any form and embodied by any media.

"Term Loan" at any time means the aggregate principal amount advanced to Borrowers on the Funding Date plus any Accreted Principal thereunder outstanding at such time.

"Term Loan Commitment" means $15,000,000.

"Term Loan Priority Collateral" has the meaning ascribed to it in the Intercreditor Agreement.

"Term Loan Representative" has the meaning ascribed to it under the Intercreditor Agreement.

"Transaction Documents" means the Loan Documents and the Biosense Agreement.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time (except as otherwise specified) in any applicable state or jurisdiction.

"U.S." means the United States of America.

"Voting Stock" means Capital Stock issued by a company, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or individuals performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such contingency.

"Wholly Owned Subsidiary" means, as to any Person, (a) any corporation 100% of whose capital stock (other than directors' qualifying shares) is at the time owned by such Person and/or one or more Wholly Owned Subsidiaries of such Person and (b) any partnership, association, joint venture, limited liability company or other entity in which such Person and/or one or more Wholly Owned Subsidiaries of such Person have a 100% equity interest at such time.

"Working Capital Agreements" means the collective reference to (a) the Domestic Agreement, (b) the EXIM Agreement and (c) any other credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, replace, refinance or refund in whole or in part the indebtedness and other obligations outstanding under the Domestic Agreement or the EXIM Agreement (regardless of whether such replacement, refunding or refinancing is a "working capital" facility, asset-based facility or otherwise), or any other agreement or instrument referred to in this clause (c) unless such agreement or instrument expressly provides that it is not intended to be and is not a Working Capital Agreement hereunder. Any reference to the Working Capital Agreement hereunder shall, unless otherwise specified, be deemed a reference to any Working Capital Agreement then extant.

"Working Capital Representative" has the meaning ascribed to it under the Intercreditor Agreement.

SECTION 1.02. Interpretation; Headings. Each term used in any Exhibit to this Agreement and defined in this Agreement but not defined therein shall have the meaning set forth in this Agreement. Unless the context otherwise requires, (a) "including" means "including, without limitation" and (b) words in the singular include the plural and words in the plural include the singular. A reference to any party to this Agreement, any other Transaction Document or any other agreement or document shall include such party's successors and permitted assigns. A reference to any agreement or order shall include any amendment of such agreement or order from time to time in accordance with the terms herewith and therewith. A reference to any legislation, to any provision of any legislation or to any regulation issued thereunder shall include any amendment thereto, any modification or re-enactment thereof, any legislative provision or regulation substituted therefore and all regulations and statutory instruments issued thereunder or pursuant thereto. The headings contained in this Agreement are for convenience and reference only and do not form a part of this Agreement. Section, Article and Exhibit references in this Agreement refer to sections or articles of, or exhibits to, this Agreement unless otherwise specified. Borrowers acknowledge and agree that they were represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

ARTICLE II.
COMMITMENT; DISBURSEMENT; FEES

SECTION 2.01. Commitment to Lend.

(a) On the terms and subject to the conditions set forth herein, the Lender shall, on the Funding Date, make a loan hereunder to Borrowers in a principal amount equal to the Term Loan Commitment.

(b) On the terms and subject to the conditions set forth herein (including but not limited to Section 7.02), the Lender shall, on the Delayed Draw Loan A Funding Date (which shall be a Business Day after June 30, 2012 but prior to the Delayed Draw Loan A Commitment Termination Date), make a loan in a principal amount equal to the Delayed Draw Loan A Commitment.

(c) On the terms and subject to the conditions set forth herein (including, but not limited to Section 7.03), the Lender shall, on the Delayed Draw Loan B Funding Date (which shall be a Business Day after December 30, 2012 but prior to the Delayed Draw Loan B Commitment Termination Date), make a loan in a principal amount equal to the Delayed Draw Loan B Commitment.

SECTION 2.02. Notice of Borrowings.

(a) Subject to Section 2.01, Borrowers shall, on or before 5:00 p.m. (New York time) on the third Business Day prior to the Funding Date, give the Lender irrevocable notice, substantially in the form set forth in Exhibit G (a "Notice of Borrowing"), of the date Borrowers wish to borrow the Term Loan hereunder. The Term Loan Commitment shall automatically terminate upon funding of the Term Loan on the Funding Date.

(b) Subject to Section 2.01, Borrowers shall, on or before 5:00 p.m. (New York time) on the fifteenth Business Day prior to the Delayed Draw Loan A Funding Date, give the Lender a an irrevocable Notice of Borrowing of the date Borrowers wish to borrow the Delayed Draw Loan A hereunder. The Delayed Draw Loan A Commitment shall automatically terminate upon the earlier of (i) funding of the Delayed Draw Loan A on the Delayed Draw Loan A Funding Date and (ii) the Delayed Draw Loan A Commitment Termination Date.

(c) Subject to Section 2.01, Borrowers shall, on or before 5:00 p.m. (New York time) on the fifteenth Business Day prior to the Delayed Draw Loan B Funding Date, give the Lender an irrevocable Notice of Borrowing of the date Borrowers wish to borrow the Delayed Draw Loan B hereunder. The Delayed Draw Loan B Commitment shall automatically terminate upon the earlier of (i) funding of the Delayed Draw Loan B on the Delayed Draw Loan B Funding Date and (ii) the Delayed Draw Loan B Commitment Termination Date.

SECTION 2.03. Disbursement. On the terms and subject to the conditions set forth herein, the Lender shall, on the Funding Date, credit, in same day funds, an amount equal to the amount specified in the Notice of Borrowing to the account of Borrowers that Borrowers shall have designated for such purpose in the Notice of Borrowing less, in the case of the Term Loans, the initial expenses referred to in Section 4.04 for which invoices have been received by Borrowers.

SECTION 2.04. Commitment Not Revolving. The Lender's commitment to lend hereunder is not revolving in nature, and any amount of the Loan repaid or prepaid may not be reborrowed.

ARTICLE III.
REPAYMENT

SECTION 3.01. Amortization; Maturity Date.

(a) On each Interest Payment Date (except as otherwise expressly provided herein), Borrowers shall repay principal on the Loan at par which is equal to the amount, if any, by which Included Payments exceed interest accrued and payable on such Interest Payment Date.

(b) The balance of the outstanding principal amount of the Loan, together with any accrued and unpaid interest, shall be due and payable in cash on the earlier of the Maturity Date and the Prepayment Date.

SECTION 3.02. Optional Prepayment; Mandatory Prepayment.

(a) Borrowers may, together with amounts owed under Section 12.01, prepay the Loan in whole (but not in part) at any time by paying the Lender an amount equal to the Prepayment Amount. If Borrowers wish to make such a prepayment, they shall give the Lender irrevocable notice in the form set forth in Exhibit H (a "Notice of Prepayment") to that effect not later than the 30th day before the date of the prepayment (the "Prepayment Date"), specifying the Prepayment Date (which shall be a Business Day) and showing the calculation of the amount to be prepaid. Such Notice of Prepayment shall constitute Borrowers' irrevocable commitment to prepay the Prepayment Amount on that date.

(b) If a Change of Control or an Event of Default occurs, then the Lender may request that Borrowers prepay the Loan in whole (but not in part) by paying the Lender an amount equal to the Prepayment Amount on the date of such Change of Control or five days after the occurrence of an Event of Default. Such Prepayment Amount shall be due and payable hereunder, to the extent permitted by law, and shall be deemed part of the amounts due and payable hereunder subject to acceleration (either declared or immediate as provided in Section 11.02).

SECTION 3.03. Illegality. If the Lender determines at any time that any Law or treaty or any change therein or in the interpretation or application thereof makes or will make it unlawful for the Lender to fulfill its commitment in accordance with Section 2.01, to maintain the Loan (including additional amounts pursuant to Section 4.01(a)) or to claim or receive any amount payable to it hereunder, the Lender shall give Notice of that determination to Borrowers, whereupon the obligations of the Lender hereunder shall terminate. If any such Notice is given, Borrowers shall prepay the Loan at par plus accrued and unpaid interest on the Interest Payment Date following the date the Notice is given; provided, however, that if the Lender certifies to Borrowers that earlier prepayment is necessary in order to enable the Lender to comply with the relevant Law, treaty or change and specifies an earlier date for the prepayment, Borrowers shall make the prepayment on the date so specified. Prepayment pursuant to this Section 3.03 shall be made together with interest accrued and unpaid on the Loan to the date of prepayment and all other amounts then payable to the Lender hereunder. Each Notice delivered pursuant to this Section 3.03 shall be effective when sent.

ARTICLE IV.
INTEREST; EXPENSES; PAYMENTS

SECTION 4.01. Interest Rate.

(a) Except as otherwise expressly provided in Section 4.03, the Loans shall bear interest at a rate per annum equal to 16.00% and shall be paid in cash to the Lender into the Lockbox Account as provided in Section 4.01(c); provided that if the Included Payments for the applicable Interest Period are insufficient to pay all amounts of interest due on the Loan for such Interest Period (any such deficiency, the "Deficiency Amount"), then any such Deficiency Amount shall increase the outstanding principal amount of the Loan by an amount equal to the Deficiency Amount for the applicable Interest Period (rounded up to the nearest whole dollar) and the Lender shall be deemed to have made an additional term loan in a principal amount equal to the aggregate amount of the Deficiency Amount (such additional term loan, "Accreted Principal"). Accreted Principal shall be deemed to be part of the Loan made to Borrowers for all purposes under this Agreement, and the Loan shall bear interest on such increased principal amount from and after the applicable Interest Payment Date in accordance with this Section 4.01.

(b) All interest hereunder shall be computed on the basis of a 360-day year of twelve 30-day months.

(c) Accrued interest on each Loan shall be payable to the Lender at the Lockbox Account.

(d) Notwithstanding anything to the contrary contained herein, any payment stated to be due hereunder or under the Note on a given day in a specified month shall be made or shall end (as the case may be), (i) if there is no such given day or corresponding day, on the last Business Day of such month or (ii) if such given day or corresponding day is not a Business Day, on the next succeeding Business Day, unless such next succeeding Business Day falls in a different calendar month, in which case such payment shall be made on the next preceding Business Day.

SECTION 4.02. Lockbox Account.

(a) On the Funding Date, the Parties shall enter into a Lockbox Agreement with the Lockbox Bank, which Lockbox Agreement will provide for, among other things, the establishment and maintenance of a Lockbox Account and a Lender Concentration Account in accordance with the terms herein and therein.

(b) The Lender Concentration Account shall be held solely for the benefit of the Lender, subject to the terms and conditions of this Agreement. The Lender shall have immediate and full access to any funds held in the Lender Concentration Account and such funds shall not be subject to any conditions or restrictions whatsoever.

(c) Sweeps from the Lockbox Account shall be made to the Lender on the same day the Included Payments are received from Biosense and shall be applied to interest accrued and, as appropriate, principal outstanding, on the Loans on the same Business Day as such Included Payments become collected funds.

(d) Borrowers shall pay for all fees, expenses and charges of the Lockbox Bank by depositing sufficient funds into the Lockbox Account when such fees, expenses and charges are due.

(e) Borrowers shall, immediately upon the execution of the Lockbox Agreement (i) instruct Biosense in writing to remit to the Lockbox Account when due all Payments that are due and payable to Borrowers in respect of or derived from the Biosense Agreement and (ii) promptly provide to the Lender a copy of each such notification.

(f) Borrowers shall have no right to terminate the Lockbox Account without the Lender's prior written consent. Any such consent, which the Lender may grant or withhold in its discretion, shall be subject to the satisfaction of each of the following conditions to the satisfaction of the Lender:

(i) the successor Lockbox Bank shall be acceptable to the Lender;

(ii) the Lender, Borrowers and the successor Lockbox Bank shall have entered into a lockbox agreement substantially in the form of the Lockbox Agreement initially entered into;

(iii) all funds and items in the accounts subject to the Lockbox Agreement to be terminated shall be transferred to the new accounts held at the successor Lockbox Bank prior to the termination of the then existing Lockbox Bank; and

(iv) Borrowers and the Lender shall have received evidence that Biosense has been instructed to remit all future payments to the new accounts held at the successor Lockbox Bank.

(g) All Included Payments shall be paid into the Lockbox Account or to any other account(s) designated in writing by the Lender to Borrowers, and amounts deposited therein shall be treated as described in Exhibit I.

(h) Borrowers shall make voluntary prepayments made in accordance with Section 3.02(a) by wire transfer or by an Automated Clearing House transfer to the Lockbox Account.

(i) In the event at any time following the execution of the Lockbox Agreement by all parties thereto, Biosense remits any Included Payments directly to Borrowers or otherwise except to the Lockbox Account, Borrowers shall immediately (i) remit any such Included Payments to the Lockbox Account (or, if for some reason such account is no longer in effect or payment cannot be made into such account, Borrowers shall remit such Included Payments by wire transfer or by an Automated Clearing House transfer of immediately available funds directly to the Lender Bank Account), (ii) immediately instruct Biosense in writing to remit any future Included Payments to the Lockbox Account and (iii) promptly provide to Lender a copy of such notice.

(j) Any payments, other than from funds paid to the Lender from the Lender Concentration Account, to be made by Borrowers to the Lender hereunder or under any other Transaction Document shall be made by wire transfer or by an Automated Clearing House transfer of immediately available funds to the Lender Concentration Account.

SECTION 4.03. Interest on Late Payments. If any amount payable by Borrowers to the Lender hereunder is not paid when due (whether at stated maturity, by acceleration or otherwise), interest shall accrue on any such unpaid amounts, both before and after judgment during the period from and including the applicable due date, to but excluding the day the overdue amount is paid in full, at a rate per annum equal to the Default Rate. Interest accruing under this Section 4.03 shall be payable in cash from time to time on demand of the Lender.

SECTION 4.04. Initial Expenses. Borrowers shall reimburse the Lender, on the Funding Date as provided in Section 2.03, for all (a) invoiced, out-of-pocket fees and expenses incurred by the Lender (including all fees and expenses of outside counsel to the Lender), supported by reasonable documentation, in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Transaction Documents including any amendment or waiver with respect thereto (whether or not effective) and (b) reasonable fees and expenses, supported by reasonable documentation, of due diligence conducted by the Lender or other parties (including all fees and expenses of outside counsel to the Lender) at the request of the Lender.

SECTION 4.05. Administration and Enforcement Expenses. Borrowers shall promptly reimburse the Lender on demand for all reasonable costs and expenses incurred the Lender (including the reasonable fees and expenses of outside counsel to the Lender) from time to time or as a consequence of or in connection with any Default or Event of Default.

ARTICLE V.
TAXES

SECTION 5.01. Taxes.

(a) Except as otherwise required by Law, any and all payments by any Borrower under this Agreement or the Note (including payments with respect to the Loan) shall be made free and clear of and without deduction for any and all present and future taxes, levies, duties, imposts, deductions, charges, fees or withholdings, and all interest, penalties and other liabilities with respect thereto (collectively, "Taxes") imposed by any Governmental Authority or taxing authority in any jurisdiction. If any Taxes other than Excluded Taxes ("Indemnified Taxes") shall be required by Law to be deducted from or in respect of any sum payable under this Agreement or the Note to a Lender, (i) the sum payable by the applicable Borrower shall be increased as may be necessary so that after making all required deductions (taking into account any deductions attributable to additional payments made pursuant to this Section 5.01(a)) of Indemnified Taxes the Lender shall receive an amount equal to the sum it would have received had no such deductions been made and (ii) the applicable Borrower shall make such deductions and pay the full amount deducted to the relevant Governmental Authority or taxing authority in accordance with applicable Law.

(b) If a Lender is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (a "Foreign Lender"), then such Foreign Lender shall provide to Borrowers (i) in the case of a Foreign Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest," (x) two accurate and complete original signed copies of IRS Form W-8BEN (or a successor form) properly completed and duly executed by such Foreign Lender and (y) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of any Borrower within the meaning of Section 881(c)(3)(B) of the Code or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code, (ii) if the payments receivable by the Foreign Lender are effectively connected with the conduct of a trade or business in the United States, two accurate and complete original signed copies of IRS Form W-8ECI (or a successor form), (iii) in the case of a Foreign Lender that is entitled to benefits under an income tax treaty to which the United States is a party that reduces the rate of withholding tax on payments of interest, two accurate and complete original signed copies of IRS Form W-8BEN (or a successor form) indicating that such Foreign Lender is entitled to receive payments under this Agreement and the Note with reduced or no deduction of any United States federal income withholding tax or (iv) in the case of a Foreign Lender acting as an intermediary, two accurate

and complete original signed copies of IRS Form W-8IMY (or a successor form). Such forms shall be delivered by such Foreign Lender on or prior to the date that it becomes a Lender under this Agreement, at any time thereafter when a change in the Foreign Lender's circumstances renders an existing form obsolete or invalid or requires a new form to be provided, and within fifteen Business Days after a reasonable written request of Borrower from time to time thereafter. Notwithstanding any other provision of this Section 5.01(b), no Foreign Lender shall be required to deliver any form pursuant to this Section 5.01(b) that such Foreign Lender is not legally able to deliver.

(c) Each Lender that is not a Foreign Lender shall provide two properly completed and duly executed copies of Form W-9 (or successor form) at the times specified for delivery of forms under Section 5.01(b).

(d) Each Lender having assigned its rights and obligations hereunder in whole or in part shall collect from such assignee the documents described in Sections 5.01(b) and (c) as applicable.

SECTION 5.02. Receipt of Payment. Within thirty days after the date of any payment of Taxes withheld by a Borrower in respect of any payment to the Lender, such Borrower shall furnish to the Lender the original or a certified copy of a receipt evidencing payment thereof or other evidence reasonably satisfactory to the Lender.

SECTION 5.03. Other Taxes. Borrowers shall promptly pay any registration or transfer taxes, stamp duties or similar levies, and any penalties or interest that may be due with respect thereto, that may be imposed in connection with the execution, delivery, registration or enforcement of this Agreement, the Note issued hereunder or any other Transaction Document or the filing, registration, recording or perfecting of any security interest contemplated by this Agreement.

SECTION 5.04. Indemnification. If the Lender pays any Indemnified Taxes, Borrowers shall indemnify the Lender on demand in full in the currency in which such Taxes are paid, whether or not such Taxes were correctly or legally asserted, together with interest thereon from and including the date of payment to, but excluding, the date of reimbursement at the Default Rate and reasonable expenses. The Lender shall promptly notify Borrowers if any claim is made against the Lender for any Taxes for which Borrowers would be responsible to indemnify the Lender pursuant to this Section 5.04.

SECTION 5.05. Loans Treated As Indebtedness. The Parties agree to treat the Loan as indebtedness for borrowed money of Borrowers for all tax purposes. The Parties agree not to take any position that is inconsistent with the provisions of this Section 5.05 on any tax return or in any audit or other administrative or judicial proceeding unless (i) the other Party has consented to such actions, or (ii) the Party that contemplates taking such an inconsistent position has been advised by nationally recognized tax counsel in writing that it is more likely than not that (x) there is no "reasonable basis" (within the meaning of Treasury Regulation Section 1.6662-3(b)(3)) for the position specified in this Section 5.05 or (y) taking such a position would otherwise subject the Party to penalties under the Code.

SECTION 5.06. Registered Obligation.

(a) Borrowers shall establish and maintain at their address referred to in Section 13.03 (A) a record of ownership (the "Register") in which Borrowers agree to register by book entry the interests (including any rights to receive payment hereunder) of the Lender in the Loan, and any assignment of any such interest, obligation or right, and (B) accounts in the Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lender(s), (2) the Commitment of each Lender, (3) the amount of the Loan, (4) the amount of any principal or interest due and payable or paid, and (5) any other payment received and its application to the Loan.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Loan (including any Note evidencing such Loan) is a registered obligation, the right, title and interest of the Lender and its assignees in and to such Loan shall be transferable only upon notation of such transfer in the Register and no assignment thereof shall be effective until recorded therein. This Section 5.06 shall be construed so that the Loan is at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code and any related regulations (and any successor provisions).

ARTICLE VI.
[RESERVED]

ARTICLE VII.
CONDITIONS PRECEDENT

SECTION 7.01. Conditions Precedent to the Term Loan. The obligation of the Lender to make the Term Loan on the Funding Date is subject to the fulfillment, to the sole satisfaction of the Lender, of all of the following conditions precedent in addition to the conditions specified in Section 2.01 and Section 2.02:

(a) Borrowers shall have executed and delivered to the Lender the Note evidencing the Term Loan, dated the Funding Date.

(b) Lender shall have received on or before the Funding Date an executed copy of:

(i) a certificate of Borrowers executed by a Senior Officer, dated the Funding Date, substantially in the form of Exhibit J hereto together with the attachments specified therein;

(ii) an opinion of Bryan Cave LLP, counsel to Borrowers, dated the Funding Date, substantially in the form of Exhibit K-1 hereto, and otherwise in form and substance satisfactory to the Lender; and

(iii) an opinion of Harness, Dickey & Pierce, P.L.C., special intellectual property counsel to Borrowers, dated the Funding Date, substantially in the form of Exhibit K-2 hereto, and otherwise in form and substance satisfactory to the Lender.

(c) Borrowers shall have delivered to the Lender a certificate, dated the Funding Date, of a Senior Officer of Borrowers (the statements made in which shall be true and correct on and as of the Funding Date): (i) attaching copies, certified by such officer as true and complete, of each Borrower's certificate of incorporation or other organizational documents (together with any and all amendments thereto) certified by the appropriate Governmental Authority as being true, correct and complete copies; (ii) attaching copies, certified by such officer as true and complete, of resolutions of the board of directors of each Borrower authorizing and approving the execution, delivery and performance by each Borrower of this Agreement, the other Transaction Documents and the transactions contemplated herein and therein; (iii) setting forth the

incumbency of the officer or officers of Borrowers who have executed and delivered this Agreement and the other Transaction Documents, including therein a signature specimen of each such officer or officers; and (iv) attaching copies, certified by such officer as true and complete, of certificates of the appropriate Governmental Authority of the jurisdiction of formation, stating that each Borrower are in good standing under the laws of such jurisdiction.

(d) Borrowers shall have executed and delivered to the Lender the Loan Documents, the Working Capital Agreements, the Biosense Consent, the Perfection Certificate and such other documents as the Lender may reasonably request, in each case, in form and substance satisfactory to the Lender.

(e) The Transaction Documents shall be in full force and effect.

(f) The Lender shall have received all fees and expenses due and payable to the Lender on the Funding Date under this Agreement and the other Transaction Documents.

(g) No event shall have occurred and be continuing that constitutes a Default or an Event of Default under this Agreement or a similar event under the other Transaction Documents and no such event shall occur or shall have occurred by reason of the Term Loan.

(h) The representations and warranties made by Borrowers in Article VIII hereof and in the other Transaction Documents shall be true and correct as of the Funding Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, before and after giving effect to the Term Loan.

(i) The Borrowers shall have delivered to the Lender a certificate, dated the Funding Date, of a Senior Officer of Borrowers (the statements made in which shall be true and correct on and as of the Funding Date): (i) attaching copies, certified by such officer as true and complete of the Biosense Agreement all amendments, supplements or other modifications thereto and (ii) certifying that the Biosense Agreement is full force and effect.

(j) The Lender shall have received all UCC financing statements in appropriate form for filing under the UCC, filings with the United States Patent and Trademark Office and United States Copyright Office and all other certificates, agreements, instruments, filings, recordings and other actions that are necessary or reasonably requested by the Lender in order to establish, protect, preserve and perfect the security interest in the assets of Borrowers as provided in the Security Agreement as a valid and perfected first priority security interest with respect to such assets shall have been duly effected (or arrangements therefor satisfactory to the Lender shall have been made).

(k) The Lender shall have received copies of UCC, United States Patent and Trademark Office and United States Copyright Office, tax and judgment lien searches, bankruptcy and pending lawsuit searches or equivalent reports or searches, each of a recent date listing all effective financing statements, lien notices or comparable documents that name any Borrower as debtor and that are filed in those state and county jurisdictions in which any Borrower is organized or maintains its principal place of business or that the Lender deems necessary or appropriate, none of which encumber the Collateral covered or intended to be covered by the Security Documents (other than Permitted Liens).

(l) All necessary governmental and third-party approvals, consents and filings, including in connection with this Agreement and the Security Agreement, shall have been obtained or made and shall be in full force and effect.

(m) The Lender shall have completed its due diligence investigation, the results of which shall be satisfactory to the Lender in its sole discretion. The Lender shall have conducted a background check of the officers of Borrowers and the results shall be to the satisfaction of the Lender. The Lender shall have received all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation, the Patriot Act, including, without limitation, the information described in Section 13.18.

(n) The Lender shall have received a copy of, or a certificate as to coverage under insurance policies required by Section 9.06.

(o) The Lender shall have received such other approvals, opinions, documents or materials as the lender may reasonably request.

(p) After giving effect to the making of the Term Loan, entry into the Loan Documents and the other transactions contemplated hereby, Borrowers shall have no outstanding Indebtedness other than permitted by Section 10.05 and no Liens other than Permitted Liens.

In the event that the Funding Date shall not have occurred prior to 2:00 p.m. on December 19, 2011, this Agreement shall automatically terminate other than Sections 13.10, 13.11,13.13 and 13.20.

SECTION 7.02. Conditions Precedent to the Delayed Draw Loan A. The obligation of the Lender to make the Delayed Draw Loan A on the Delayed Draw Loan A Funding Date is subject to the fulfillment, to the sole satisfaction of the Lender, of the all of the following conditions precedent in addition to the conditions specified in Section 2.01and Section 2.02:

(a) Borrowers shall have executed and delivered to the Lender the Note evidencing the Delayed Draw Term Loan A, dated the Delayed Draw Loan A Funding Date.

(b) No event shall have occurred and be continuing that constitutes a Default or an Event of Default under this Agreement or a similar event under the other Transaction Documents and no such event shall occur or shall have occurred by reason of the Delayed Draw Loan A.

(c) The representations and warranties made by Borrowers in Article VIII hereof and in the other Transaction Documents shall be true and correct as of the Delayed Draw Loan A Funding Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, before and after giving effect to the Delayed Draw Loan A.

(d) Borrowers shall provide evidence satisfactory to the Lender that the Borrowers have sold 6 Systems to bona fide third parties during the nine months ended June 30, 2012.

(e) Borrowers shall provide a certificate signed by the chief financial officer or the chief executive officer of the Borrowers certifying that the conditions in clauses (a), (b), (c) and (d) above have been satisfied.

SECTION 7.03. Conditions Precedent to the Delayed Draw Loan B. The obligation of the Lender to make the Delayed Draw Loan B on the Delayed Draw Loan B Funding Date is subject to the fulfillment, to the sole satisfaction of the Lender, of the all of the following conditions precedent in addition to the conditions specified in Section 2.01 and Section 2.02:

(a) Borrowers shall have executed and delivered to the Lender the Note, dated the Delayed Draw Loan B Funding Date.

(b) No event shall have occurred and be continuing that constitutes a Default or an Event of Default under this Agreement or a similar event under the other Transaction Documents and no such event shall occur or shall have occurred by reason of the Delayed Draw Loan B.

(c) The representations and warranties made by Borrowers in Article VIII hereof and in the other Transaction Documents shall be true and correct as of the Delayed Draw Loan B Funding Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, before and after giving effect to the Delayed Draw Loan B.

(d) Borrowers shall provide evidence satisfactory to the Lender that the Borrowers have sold 10 Systems to bona fide third parties during the twelve months ended December 31, 2012.

(e) Borrowers shall provide a certificate signed by the chief financial officer or the chief executive officer of the Borrowers certifying that the conditions in clauses (a), (b), (c) and (d) above have been satisfied.

ARTICLE VIII.
REPRESENTATIONS AND WARRANTIES

SECTION 8.01. Representations and Warranties of Borrowers. Each Borrower makes the representations and warranties set forth below to the Lender. Except as otherwise noted, Borrowers make the representations and warranties set forth below as of the Funding Date, the Delayed Draw Loan A Funding Date and the Delayed Draw Loan B Funding Date:

(a) Each Borrower is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is duly qualified as a foreign corporation and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, and has the power and authority (including any required license, permit or other approval from any Governmental Authority) to own its assets, to carry on its business as currently conducted and to consummate the transactions contemplated in, and to perform its obligations under, this Agreement and the other Transaction Documents to which it is party or by which it is bound.

(b) Each Borrower has taken all necessary action to authorize its execution and delivery of this Agreement and the other Transaction Documents to which it is party, the performance of its obligations under this Agreement and the other Transaction Documents to which it is party or by which it is bound and the consummation of the transactions contemplated hereby and thereby.

(c) Stereotaxis' Subsidiaries are set forth on Schedule 8.01(c).

(d) (i) Borrowers and their Subsidiaries are in material compliance with all applicable Laws. To the Knowledge of Borrowers, no prospective change in any applicable laws, rules, ordinances or regulations has been proposed or adopted which, when made effective, could individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ii) Borrowers possess all certificates, authorizations and permits issued or required by the appropriate federal, state, local or foreign regulatory authorities, necessary to conduct the Biosense Arrangement, including all such certificates, authorizations and permits required by the FDA or any other federal, state, local or foreign agencies or bodies engaged in the regulation of medical electrophysiology devices or materials except where the failure to possess such certificates, authorizations and permits, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Borrowers have not received any notice of proceedings relating to, and to the Knowledge of Borrowers there are no facts or circumstances that could reasonably be expected to lead to, the revocation, suspension, termination or modification of any such certificate, authorization or permit.

(iii) To the Knowledge of Borrowers, there has been no indication that the FDA or any other Regulatory Agency has any material concerns with any Product or may not approve any Product, nor has any Product, to the Knowledge of Borrowers, suffered any material adverse events in any clinical trial.

(e) Borrowers are not investment companies subject to regulation under the Investment Company Act of 1940.

(f) Borrowers and their Subsidiaries have the insurance policies with the coverages and limits set forth on Schedule 8.01(f), carried with the insurance companies also set forth therein.

(g) This Agreement and each other Transaction Document to which Borrowers are party has been duly executed and delivered by each Borrower, and each constitutes a valid and binding obligation of each of Borrowers, enforceable against each Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(h) No authorization or action of any kind by any Governmental Authority, or filing with any Governmental Authority, is necessary to authorize the transactions contemplated by this Agreement and each other Transaction Document or required for the validity or enforceability against Borrowers of this Agreement and each other Transaction Document, except any filings with a Governmental Authority required to perfect the Lender's security interest under the Security Agreement.

(i) No consent or approval of, or notice to, any Person is required by the terms of any material agreement, contract, lease, commitment, license and other arrangement (each, a "Contract") for the execution or delivery of, or the performance of the obligations of Borrowers under, this Agreement and the other Transaction Documents (other than those that have been obtained as of the Funding Date) to which Borrowers are party or the consummation of the transactions contemplated hereby or thereby, and such execution, delivery, performance and consummation will not result in any breach or violation of, or constitute a default under any Borrower Document or any material Contract, instrument or Law applicable to Borrowers, any of their Subsidiaries or any of their assets.

(j) No Default or Event of Default has occurred and is continuing, and no such event will occur upon the making of the Loan. No default or event of default has occurred and is continuing under the Working Capital Agreements and no default or event of default will occur upon the making of the loans pursuant to Section 2.01 or the entry into the Transaction Documents. Borrowers are in compliance in all material respects with the Working Capital Agreements and Borrowers have no Knowledge of any event that has occurred, with notice or passage of time or both, that would constitute a default or event of default under the Working Capital Agreements.

(k) With respect to each Contract that is material to the conduct of the Biosense Arrangement, (i) each such Contract is a valid and binding agreement and each such Contract is in full force and effect, and (ii) Borrowers and/or any of their Subsidiaries are in compliance with each such Contract and has no Knowledge of any material default under any such Contract which default has not been cured or waived.

(l) Each Borrower has timely filed all Tax returns required to be filed by it and has paid all Taxes due reported on such returns or pursuant to any assessment received by such Borrower. Any charges, accruals or reserves on the books of any Borrower in respect of Taxes are adequate. Borrowers have had no material liability for any Taxes imposed on or with respect to their net income or assets. Borrowers have fulfilled all their obligations with respect to withholding Taxes. No deduction or withholding for or on account of any Tax has been made, or was required under applicable Law to be made, from any payment to any Borrower under the Biosense Agreement.

(m) None of Borrowers nor any ERISA Affiliate has ever incurred any unsatisfied liability or expects to incur any liability under Title IV or Section 302 of ERISA or Section 412 of the Code or any similar non-U.S. law or maintains or contributes to, or is or has been required to maintain or contribute to, any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title IV or Section 302 of ERISA or Section 412 of the Code or any non-U.S. law. The consummation of the transactions contemplated by this Agreement will not constitute or result in any non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or substantially similar provisions under any foreign or U.S. federal, state or local laws, rules or regulations. None of Borrowers nor any of their Subsidiaries has incurred any material liability with respect to any obligation to provide benefits, including death or medical benefits, with respect to any Person beyond their retirement or the termination of service other than coverage mandated by law.

(n) (i) Except as set forth on Schedule 8.01(n)(i), all of the Collateral owned by Borrowers is solely (and not jointly) owned by such Borrower and is free and clear of any and all Liens, except those (x) Liens created in favor of Lender pursuant to the Transaction Documents and the Working Capital Agreements and (y) Liens consisting of rights of the licensor, existing on the date of this Agreement or granted or created in the ordinary course of business after the date of this Agreement, in such case, pursuant to the Biosense Agreement. The Included Payments and all of the rights of Borrower under the Biosense Agreement and all other rights under the Biosense Arrangement are free and clear of any and all Liens, except those (x) Liens created in favor of Lender pursuant to the Transaction Documents and (y) Liens consisting of rights of the licensor, existing on the date of this Agreement or granted or created in the ordinary course of business after the date of this Agreement, in such cash, pursuant to the Biosense Agreement.

(ii) Stereotaxis owns, and is the sole recipient of, all the Included Payments. Stereotaxis owns, and is the sole holder of, and/or has and holds a valid, enforceable and subsisting license to, all assets (including all assets stemming from the Biosense Arrangement) that are

required to produce or receive any payments from Biosense or payor under and pursuant to, and subject to the terms of the Biosense Agreement. Stereotaxis has not transferred, sold, or otherwise disposed of, or agreed to transfer, sell, or otherwise dispose of any portion of its respective rights to receive payment under the Biosense Agreement.

(o) The claims and rights of the Lender created by this Agreement and any other Transaction Document in and to the Term Loan Priority Collateral are senior to any Indebtedness or other obligation of Borrowers with respect to such Collateral.

(p) Borrowers' principal place of business and chief executive office are set forth on Schedule 8.01(p).

(q) (i) Borrowers have provided Lender all material information in its possession, or otherwise known to it with respect to the Existing Stereotaxis Patent Rights.

(ii) Schedule 8.01(q)(ii) sets forth an accurate and complete list of all Existing Stereotaxis Patent Rights owned or otherwise Controlled by Borrowers. For each item of the Existing Stereotaxis Patent Rights listed on Schedule 8.01(q)(ii), Stereotaxis has indicated (A) the countries in each case in which such item is patented, registered or in which an application for patent or registration is pending, (B) the application numbers, (C) the registration or patent numbers, (D) the scheduled expiration date of the issued patents, and (E) the owner of such item of Existing Stereotaxis Patent Rights.

(iii) The issued Existing Stereotaxis Patent Rights owned by Stereotaxis are valid, enforceable and subsisting. To the Knowledge of Borrowers, each individual associated with the filing and prosecution of the Existing Stereotaxis Patent Rights owned or otherwise Controlled by Stereotaxis, including the named inventors of such Existing Stereotaxis Patent Rights, has complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office, including any duty to disclose to any Patent Office all information known to be material to the patentability of each of such Existing Stereotaxis Patent Rights, in those jurisdictions where such duties exist. Except as disclosed on Schedule 8.01(q)(iii), the Existing Stereotaxis Intellectual Property Rights owned or otherwise Controlled by Borrowers are all the Intellectual Property Rights necessary to conduct the Biosense Arrangement by Borrowers. To the Knowledge of the Borrowers, conducting the Biosense Arrangement by the parties thereto does not infringe or violate any patents, trade secrets or other proprietary information of any other Person.

(iv) There are no unpaid maintenance or renewal fees payable by Stereotaxis to any third party that are currently overdue for any of the Existing Stereotaxis Patent Rights or other Existing Stereotaxis Intellectual Property Rights owned by Stereotaxis. To the Knowledge of Borrowers no material applications for Existing Stereotaxis Patent Rights owned by Stereotaxis in whole or in part have lapsed or been abandoned, cancelled or expired.

(v) Stereotaxis has not undertaken and, to the Knowledge of Borrowers, no licensee of a Borrower has undertaken or omitted to undertake any acts, and no conduct, circumstances or grounds exist that would void, invalidate or eliminate, in whole or in part, the enforceability of any of the Existing Stereotaxis Intellectual Property Rights. Stereotaxis has not received or otherwise been the beneficiary of any written opinions of counsel with respect to infringement, non-infringement or invalidity of third party Intellectual Property Rights that is adverse to Stereotaxis and would materially and adversely impact conducting the Biosense Arrangement.

(vi) To the Knowledge of Borrowers there is, and has been, no pending, decided or settled opposition, interference, reexamination, injunction, claim, lawsuit, proceeding, hearing, investigation, complaint, arbitration, mediation, demand, International Trade Commission investigation, decree, or any other dispute, disagreement, or claim (collectively referred to hereinafter as "Disputes"), nor, to the Knowledge of Borrowers, has any such Dispute been threatened, challenging the scope, legality, validity, enforceability or ownership of any Existing Stereotaxis Intellectual Property Rights or which would give rise to a credit against the payments due to Stereotaxis pursuant to the Biosense Agreement, and no such scheduled Dispute is (or would be if adversely determined) material to the Biosense Arrangement.

(vii) To the Knowledge of Borrowers, there are no Disputes by any third party against Stereotaxis relating to the Biosense Arrangement. Stereotaxis has not received or given, and to the Knowledge of Borrowers, no licensee or licensor of Stereotaxis has received or given any notice of any such Dispute and, to the Knowledge of Borrowers, there exist no circumstances or grounds upon which any such claim could be asserted. The Existing Stereotaxis Intellectual Property Rights owned by Stereotaxis are not subject to any outstanding injunction, judgment or other decree, ruling, charge, settlement or other disposition of any Dispute.

(viii) There is no pending or, to the Knowledge of Borrowers, threatened action, suit, or proceeding, or any investigation or claim by any Governmental Authority to which Stereotaxis is a party (i) that would be the subject of a claim for indemnification, if any, by or against Stereotaxis or (ii) where conducting the Biosense Arrangement infringes or violates, or will infringe on or violate any patent or other Intellectual Property Rights of any other Person. To the Knowledge of Borrowers, there are no pending published U.S., international or foreign patent applications owned by any other Person, which, if issued, would limit or prohibit, in any material respect the manufacture, use or sale of Products.

(r) (i) Schedule 8.01(r)(i) sets forth an accurate and complete list of all agreements relating to the Biosense Arrangement to which either Borrower is a party whether oral or written: manufacturing and supply agreements, license agreements, options, including, but not limited to, agreements not to enforce, consents, settlements, assignments, security interests, liens and other encumbrances or mortgages, and any amendment(s), renewal(s), novation(s) and termination(s) pertaining thereto, true and correct copies of which have been provided to the Lender. Each agreement specified on Schedule 8.01(r)(i), whether or not terminated prior to the date hereof, constitutes a valid and binding obligation, enforceable in accordance with its terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equitable principles. Stereotaxis is not in breach of such agreements and, to the Knowledge of Borrowers, no circumstances or grounds exist that would reasonably be expected to give rise to a claim of breach or right of rescission, termination, revision, or amendment of any of the agreements specified on Schedule 8.01(r)(i), including the signing of this Agreement.

(ii) With respect to the Biosense Agreement, there has been no correspondence or other written or, to the Knowledge of Borrowers, oral communication sent by or on behalf of Stereotaxis to, or received by or on behalf of Stereotaxis from, Biosense, the subject matter of which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(iii) The Biosense Agreement is in full force and effect and has not been impaired, waived, altered or modified in any respect, whether by consent or otherwise.

(iv) Biosense has not been released, in whole or in part, from any of its obligations under the Biosense Agreement. The Biosense Agreement has not been satisfied in full, discharged, canceled, terminated, subordinated or rescinded, in whole or in part. The Biosense Agreement is the entire agreement between the parties thereto relating to the subject matter thereof

(v) Neither Borrower has received (A) any notice or other written or, to the Knowledge of Borrowers, oral communication of Biosense's intention to terminate the Biosense Agreement in whole or in part, or (B) any notice or other written or, to the Knowledge of Borrowers, oral communication requesting any amendment, alteration or modification to the Biosense Agreement.

(vi) To the Knowledge of Borrowers, nothing has occurred and no condition exists that would adversely impact the right of Borrowers to receive any payments payable under the Biosense Agreement. Neither Borrowers nor, to the Knowledge of Borrowers, Biosense has taken any action or omitted to take any action that would adversely impact the right of the Lender to take a security interest in the Stereotaxis IP.

(vii) To the Knowledge of Borrowers, all Payments required to be made under the terms of the Biosense Agreement have been made. To the Knowledge of Borrowers, no Payment required to be made under the terms of the Biosense Agreement has been subject to any claim pursuant to any right of rescission, set-off, counterclaim or defense.

(viii) The execution, delivery and performance of the Biosense Agreement was and is within the corporate powers or other organizational power of Stereotaxis and, to the Knowledge of Borrowers, Biosense. The Biosense Agreement was duly authorized by all necessary action on the part of, and validly executed and delivered by, Stereotaxis and, to the Knowledge of Borrowers, Biosense. There is no breach or default, or event which upon notice or the passage of time, or both, could give rise to any breach or default, in the performance of the Biosense Agreement by Stereotaxis or, to the Knowledge of Borrowers, Biosense.

(ix) The representations and warranties made in the Biosense Agreement by Stereotaxis were as of the date made true and correct in all material respects.

(x) Except as otherwise expressly provided under the Biosense Agreement, (A) Biosense has no right of set off, rescission, counterclaim, reduction, deduction or defense against the Payments or any other amounts payable to Stereotaxis and any of its Subsidiaries under the Biosense Agreement, (B) Biosense has no field of exclusivity; (C) Biosense is not the beneficiary of a most favored nations provision; and (D) Borrower has not agreed to indemnify Biosense for infringement of intellectual property. In addition, (i) Biosense has no right to buy out or pre-pay the Payments; and, (ii) no consent to this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby, other than the Biosense Consent, is required under the Biosense Agreement.

(xii) No software is necessary for use by Stereotaxis in the Biosense Arrangement.

(s) Except as set forth on Schedule 8.01(s), there are no actions, proceedings or claims pending or, to the Knowledge of Borrowers, threatened the adverse determination of which could reasonably be expected to have a Material Adverse Effect.

(t) All written information heretofore, herein or hereafter supplied to the Lender by or on behalf of Borrowers in connection with the Loan and the other transactions contemplated hereby has been, is and will be accurate and complete in all material respects. There is no fact known to Borrowers that could have a Material Adverse Effect that has not been expressly disclosed in this Agreement, in the other Transaction Documents or in any other documents, certificates and statements furnished to Lender for use in connection with the transactions contemplated hereby and by the other Transaction Documents. All representations and warranties made by Borrowers in any of the other Transaction Documents to which it is party are true and correct in all material respects.

(u) The Financial Statements are complete and accurate in all material respects, were prepared in conformity with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and present fairly in all material respects, in accordance with applicable requirements of GAAP, the consolidated financial position and the consolidated financial results of the operations of Borrowers and their Subsidiaries as of the dates and for the periods covered thereby and the consolidated statements of cash flows of Borrowers and their Subsidiaries for the periods presented therein. Except as disclosed in Stereotaxis' SEC filings, there have been no Material Adverse Effects since December 31, 2010.

(v) Borrowers and their Subsidiaries have no Indebtedness other than identified in the Financial Statements or otherwise listed and described on Schedule 8.01(v).

(w) As of the Funding Date, the Delayed Draw Loan A Funding Date and the Delayed Draw Loan B Funding Date and after giving effect to each of the Loans:

(i) the aggregate value of the assets of Borrowers, at fair value and present fair salable value, exceeds (i) its total liabilities and (ii) the amount required to pay such liabilities as they become absolute and matured in the normal course of business;

(ii) each Borrower has the ability to pay its debts and liabilities as they become absolute and matured in the normal course of business; and

(iii) each Borrower does not have an unreasonably small amount of capital with which to conduct its business.

(x) The Security Agreement is effective to create in favor of the Lender, legal, valid and enforceable Liens on, and security interests in, the Collateral and, when (i) financing statements and other filings in appropriate form are filed and (ii) upon the taking of possession or control by the Lender of the Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Lender to the extent possession or control by the Lender is required by each Security Agreement), the Liens created by the Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors in the Collateral (other than such Collateral in which a security interest cannot be perfected under the UCC as in effect at the relevant time in the relevant jurisdiction), in each case subject to no Liens other than Permitted Liens.

SECTION 8.02. Survival of Representations and Warranties. All representations and warranties of Borrowers contained in this Agreement shall survive the execution, delivery and acceptance thereof by the Parties and the closing of the transactions described in this Agreement.

ARTICLE IX.
AFFIRMATIVE COVENANTS

From and after the Funding Date (provided that Section 9.13 shall apply from the Signing Date) and until this Agreement has been terminated, the Commitments have been terminated and the principal of and interest on each Loan, all fees and all other expenses or amounts payable under any Loan Document have been paid in full and all amounts drawn thereunder have been reimbursed in full each Borrower covenants and agrees with the Lenders that:

SECTION 9.01. Maintenance of Existence . Borrowers and their Subsidiaries party to the Loan Documents shall at all times, except where noncompliance could not reasonably be expected to have a Material Adverse Effect, (a) preserve, renew and maintain in full force and effect their legal existence and good standing as a corporation under the Laws of the jurisdiction of its organization; (b) not change its name or its chief executive office as set forth herein without having given the Lender simultaneous written notice thereof; (c) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business; and (d) preserve or renew all Stereotaxis IP owned or otherwise Controlled by Borrowers.

SECTION 9.02. Use of Proceeds . Borrowers shall use the net proceeds of the Loan received by them (a) (i) for general corporate purposes, and/or (ii) to pay all fees and expenses payable by Borrowers pursuant to the Transaction Documents and (b) for the repayment of all amounts outstanding under the Biosense Agreement.

SECTION 9.03. Financial Statements and Information.

(a) In the event that any such information need not to be filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, Stereotaxis shall furnish to the Lender, on or before the forty-fifth day after the close of each quarter of each fiscal year, the unaudited consolidated balance sheet of Stereotaxis as at the end of such quarter and the unaudited consolidated statement of operations and comprehensive loss and cash flows of Stereotaxis for such quarter, duly certified by the chief financial officer of Stereotaxis as having been prepared in accordance with GAAP. Concurrently with the delivery or filing of the documents described in the preceding sentence, Stereotaxis shall furnish to the Lender a certificate of the chief financial officer, chief accounting officer or treasurer of Stereotaxis, which certificate shall include a statement that Borrowers have no Knowledge, except as specifically stated, of any condition, event or act which constitutes a Default or Event of Default.

(b) In the event that any such information need not be filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, Stereotaxis shall furnish to the Lender, on or before the ninetieth day after the close of each fiscal year, Stereotaxis' audited financial statements as at the close of such fiscal year, including the consolidated balance sheet of Stereotaxis as at the end of such fiscal year and consolidated statement of operations and cash flows of Stereotaxis for such fiscal year, in each case accompanied by the report thereon of independent registered public accountant of nationally recognized standing. Concurrently with the delivery or filing of the documents described in the preceding sentence, Stereotaxis shall furnish to the Lender a certificate of the chief financial officer, chief accounting officer or treasurer of Stereotaxis, which certificate shall include a statement Borrowers have no Knowledge, except as specifically stated, of any condition, event or act which constitutes a Default or Event of Default.

(c) Borrowers shall furnish or cause to be furnished to the Lender from time to time such other information regarding the financial position, assets or business of Borrowers or any other Subsidiary or their compliance with any Transaction Document to which it is a party or the Biosense Arrangement as the Lender may from time to time reasonably request.

(d) Borrowers shall, promptly after the end of each fiscal quarter of Borrowers (but in no event later than forty-five (45) days following the end of such quarter), produce and deliver to the Lender a Biosense Report for such quarter, together with a certificate of a senior officer of Borrower, certifying that to the Knowledge of Borrowers that such Biosense Report is true, correct and accurate in all material respects. Following receipt of any Biosense Report, the Lender shall have the right to require a meeting in person or by phone with management of Stereotaxis to discuss matters related to the Biosense Arrangement.

(e) Borrowers shall furnish, within 60 days after the beginning of each fiscal year, a proposed budget for Borrowers in form reasonably satisfactory to the Lender, but to include balance sheets, statements of income and sources and uses of cash, for each month of such fiscal year prepared in detail with appropriate presentation and discussion of the principal assumptions upon which budget is based, accompanied by the statement of a chief financial officer of Stereotaxis to the effect that the budget of Borrowers is a reasonable estimate for the periods covered thereby and, promptly when available, any significant revisions of such budget.

SECTION 9.04. Books and Records. Stereotaxis shall, and shall cause its Subsidiaries to, keep proper books, records and accounts in which entries in conformity with sound business practices and all requirements of Law applicable to it shall be made of all dealings and transactions in relation to its business, assets and activities and as shall permit the preparation of the consolidated financial statements of Stereotaxis in accordance with GAAP.

SECTION 9.05. Inspection Rights; Access. Borrowers shall, on one occasion per year, or at any time during which a Default or Event of Default shall have occurred and be continuing, permit representatives of the Lender to examine its or its Subsidiaries' assets, books and records upon reasonable Notice during normal business hours. Borrowers shall allow the Lender reasonable access to its managers and/or officers.

SECTION 9.06. Maintenance of Insurance and Properties. Stereotaxis and its Subsidiaries shall maintain and preserve all of their properties that are used and useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted. Borrowers shall maintain insurance policies with the same or better coverages and limits as those set forth on Schedule 8.01(f) with the insurance companies set forth therein (the "Insurance Providers") or with insurance companies rated at least as high as the Insurance Providers as of the date hereof (according to A.M. Best Company, Inc.) and such insurance shall name the Lender as additional insured (in the case of liability insurance) or loss payee (in the case of property insurance), subject to the terms of the Intercreditor Agreement. Borrowers shall furnish to the Lender from time to time upon written request full information as to the insurance carried.

SECTION 9.07. Governmental Authorizations. Borrowers shall obtain, make and keep in full force and effect all authorizations from and registrations with Governmental Authorities that may be required for the validity or enforceability against Borrowers of this Agreement and the other Transaction Documents to which it is a party.

SECTION 9.08.Compliance with Laws and Contracts.

(a) Borrowers and any their Subsidiaries shall comply with all applicable Laws and perform their obligations under all Contracts relative to the conduct of their business, including the Transaction Documents to which they are party the noncompliance with which could reasonably be expected to have a Material Adverse Effect.

(b) Borrowers shall at all times comply with the margin requirements set forth in Section 7 of the Exchange Act and any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

SECTION 9.09. Plan Assets. Borrowers shall not take any action that causes their assets to be deemed to be Plan Assets at any time.

SECTION 9.10. Notices.

(a) Borrowers shall promptly give written Notice to the Lender of each Default or Event of Default and each other event that has or could reasonably be expected to have a Material Adverse Effect.

(b) Borrowers shall, promptly after becoming aware thereof, give written Notice to the Lender of any litigation or proceedings to which Borrowers or any of their Subsidiaries is a party or which could reasonably be expected to have a Material Adverse Effect.

(c) Borrowers shall, promptly after becoming aware thereof, give written Notice to the Lender of any representation or warranty made or deemed made by Borrowers in any of the Transaction Documents or in any certificate delivered to the Lender pursuant hereto shall prove to be untrue, inaccurate or incomplete in any material respect on the date as of which made or deemed made.

SECTION 9.11. Payment of Taxes. Borrowers shall pay all material Taxes of any kind imposed on or in respect of its income or assets before any penalty or interest accrues on the amount payable and before any Lien on any of its assets exists as a result of nonpayment except as provided in Section 10.03 hereof and except for taxes contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP.

SECTION 9.12. Waiver of Stay, Extension or Usury Laws. Borrowers will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive Borrowers from paying all or any portion of the principal of or premium, if any, or interest on the Loan as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Agreement; and, to the extent that it may lawfully do so, Borrowers hereby expressly waive all benefit or advantage of any such law and expressly agrees that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 9.13. Biosense Agreement; Stereotaxis Intellectual Property Rights.

(a) Stereotaxis shall fully and timely comply with all of its obligations under the Biosense Agreement. Stereotaxis shall not, without the prior written consent of the Lender, directly or indirectly, (i) forgive, release or compromise any payments or amounts owed to it under the Biosense Agreement, (ii) waive, amend, cancel or terminate or exercise or fail to exercise, as provided in this Section 9.13, any of its rights constituting or involving, or its remedies with respect to, any payments or amounts owed to it under Biosense Agreement, (iii) amend, modify, restate, cancel, supplement, terminate or waive the Biosense Agreement or any material provision thereof, or grant any consent thereunder, (iv) enter into any other Contract relating to or in respect of the Biosense Agreement (to the extent that any such Contract would adversely affect or impair, in any respect, the Included Payments or the timing thereof or otherwise could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect), (v) enter into any settlement relating to or in respect of the Biosense Agreement or the transactions contemplated thereby or (vi) agree to do any of the foregoing.

(b) Promptly (and in any event within three Business Days) after (i) receipt by any Borrower or any of their Subsidiaries of any notice, correspondence or other communication (whether oral or in writing) (A) terminating or purporting to terminate the Biosense Agreement, (B) asserting or alleging any violation, breach or default by Stereotaxis of or under the Biosense Agreement, including any claim for indemnification thereunder, or a right of termination by Biosense or (C) asserting the existence of any effect, event, development, change, state of facts, condition, circumstance or occurrence which, individually or in the aggregate, could reasonably be expected (with or without the giving of notice or passage of time, or both) to give rise to a violation, breach or default by Stereotaxis of or under the Biosense Agreement or a right of termination by Biosense or (ii) Stereotaxis or any of its Subsidiaries obtains Knowledge of any effect, event, development, change, state of facts, condition, circumstance or occurrence which, individually or in the aggregate, could reasonably be expected (with or without the giving of notice or passage of time, or both) to give rise to a violation, breach or default by Stereotaxis of or under the Biosense Agreement or a right of termination by Biosense, in each such case, Borrowers shall (w) give Notice thereof to the Lender, including a reasonably detailed description of such asserted or alleged violation, breach, default or termination right or such effect, event, development, change, state of facts, condition, circumstance or occurrence, as the case may be, and, in the case of any violation, breach, default or termination right, describing any corrective, remedial or other action Stereotaxis proposes to take or cause to be taken in respect thereof, (x) if in writing, furnish the Lender with a copy of such notice, correspondence or communication and any related materials received with respect thereto, (y) use commercially reasonable efforts to promptly cure such violation, breach or default or promptly eliminate any such termination right or any such effect, event, development, change, state of facts, condition, circumstance or occurrence and (z) keep the Lender promptly and fully advised with respect to the status thereof and developments with respect thereto from time to time. If Borrowers fail on or within five (5) Business Days of the delivery of any Notice described in clause (w) of the immediately preceding sentence to commence commercially reasonable remedial measures responsive to the matters described in such Notice, the Lender shall be entitled, in its sole discretion and upon two (2) Business Days prior written notice to Stereotaxis, to take all actions and do all things necessary, proper or advisable, in the name and on behalf of Stereotaxis, to cure such violation, breach or default or promptly eliminate any such termination right or any such effect, event, development, change, state of facts, condition, circumstance or occurrence. Whether or not the Lender is successful in curing any such violation, breach or default, Stereotaxis shall reimburse the Lender, on its demand, on a first priority basis, for all reasonable costs and expenses incurred or paid by the Lender in connection therewith.

(c) Promptly (and in any event within three Business Days) after Stereotaxis obtains Knowledge of (i) an actual or alleged violation, breach or default of or under the Biosense Agreement by Biosense or (ii) the occurrence or existence of any effect, event, development, change, state of facts,

condition, circumstance or occurrence which, individually or in the aggregate, has given rise to, or could reasonably be expected to give rise to (with or without the giving of notice or passage of time, or both), a violation, breach or default of or under the Biosense Agreement by Biosense, or a right of Stereotaxis to terminate the Biosense Agreement, including any failure by Biosense to comply with its diligence or other commercialization obligations thereunder, (x) Stereotaxis shall give Notice thereof to the Lender, including a reasonably detailed description of such violation, breach, default, effect, event, development, change, state of facts, condition, circumstance, occurrence or termination right and the circumstances thereof, including, if applicable, a copy of any notice that Stereotaxis proposes to send to Biosense and a reasonably detailed description of any and all actions Stereotaxis proposes to take with respect thereto and (x) in the case of any such violation, breach, default or termination right of or under the Biosense Agreement, Stereotaxis shall use commercially reasonable efforts to enforce its rights and remedies under the Biosense Agreement. Upon the occurrence of any violation, breach, default or termination right specified in this Section 9.13(c), if Stereotaxis shall fail on or within five (5) Business Days of obtaining Knowledge of such event to use its commercially reasonable efforts to enforce its rights and remedies under the Biosense Agreement, the Lender upon two (2) Business Days prior written notice to Stereotaxis shall be entitled to exercise, in the name and on behalf of Stereotaxis, or to direct and control the exercise by Stereotaxis of, the rights and remedies given to it pursuant to the Biosense Agreement, including, without limitation, the selection of any counsel, accountants or consultants retained in connection therewith and with respect to any settlement or compromise thereof. The Lender shall be entitled to be reimbursed by Stereotaxis, upon its demand, on a first priority basis, for all reasonable costs and expenses incurred or paid by it in the exercise of the rights granted by the immediately preceding sentence when, as and to the extent Stereotaxis receives any recovery, settlement or other amount by reason of a claim asserted by or on its behalf pursuant to the Biosense Agreement or for damages arising by reason of any breach of or default under the Biosense Agreement by Biosense. Any such recovery, settlement or other amount shall be treated as an Included Payment.

(d) Promptly after receipt by Stereotaxis or any of its Subsidiaries of any material notice, certificate, offer, proposal, correspondence, report or other communication (whether oral or in writing), other than any notice, correspondence or communication contemplated in Sections 9.13(b) and (c) hereof, under or relating to the Biosense Agreement, any Product or any Stereotaxis IP, including any pending or threatened action, suit or proceeding with respect thereto, Stereotaxis shall (i) give Notice to the Lender of the receipt thereof, including a reasonably detailed description of the substance thereof, (ii) if in writing, promptly furnish the Lender with a copy thereof and any related materials with respect thereto and (iii) thereafter keep the Lender promptly and fully advised with respect to the subject matter thereof and developments with respect thereto from time to time.

(e) Each Borrower shall and, if applicable, shall cause each of its Subsidiaries to, at its sole expense and to the fullest extent required and permitted under the Biosense Agreement, either directly or by using commercially reasonable efforts to cause Biosense to do so, take or cause to be taken any and all actions, and prepare, execute, deliver and file, or cause to be prepared, executed, delivered and filed, any and all agreements, documents or instruments, which are reasonably necessary or desirable to, (i) diligently maintain the Stereotaxis Intellectual Property Rights owned by or otherwise Controlled by Borrowers and (ii) diligently defend the Stereotaxis Intellectual Property Rights owned or otherwise Controlled by Borrowers against infringement or interference by any other Persons, and against any claims of invalidity or unenforceability, in any jurisdiction (including, if determined to be appropriate by Borrowers in the ordinary course of business using reasonable business judgment, by bringing or causing to be brought any action, suit or proceeding for infringement or defending any counterclaim of invalidity or action, suit or proceeding of any other Persons for declaratory judgment of non-infringement or non-interference). Subject to applicable work product, common interest doctrine and attorney client privilege considerations, Borrowers shall keep the Lender reasonably and promptly informed of all of such actions, suits and proceedings and the Lender shall have the opportunity to participate and consult with Borrowers

and, if applicable, their Subsidiaries with respect to the direction thereof (the "Consultation Right"). Borrowers shall, in good faith, consider all input from the Lender. No Borrower shall, and each Borrower shall cause its Subsidiaries not to, and Stereotaxis shall use commercially reasonable efforts to cause Biosense not to, unreasonably disclaim or abandon, or fail to take any action reasonably necessary or desirable to prevent the disclaimer or abandonment of, the Stereotaxis Intellectual Property Rights, except in the ordinary course of business exercising reasonable business judgment.

(f) In the event that Borrowers have Knowledge that conducting the Biosense Arrangement by Stereotaxis infringes or violates any Intellectual Property Rights of any other Person where no non-infringing workaround is available (which determination of infringement or violation is made consistent with similar determinations made by Stereotaxis on these types of matters prior to the Signing Date) and where such infringement has had or, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, then each Borrower shall promptly use its commercially reasonable efforts, consistent with Stereotaxis' past practices, to secure the right to use such Intellectual Property Rights on behalf of itself and, if applicable, Biosense and shall pay all costs and expenses associated with such commercially reasonable efforts to secure such rights, without any reduction in the Included Payments.

SECTION 9.14. Further Assurances.

(a) Borrowers shall promptly, at its sole cost and expense, execute and deliver to the Lender such further instruments and documents, and take such further action, as the Lender may, at any time and from time to time, reasonably request in order to carry out the intent and purpose of this Agreement and the other Transaction Documents to which it is a party and to establish and protect the rights, interests and remedies created, or intended to be created, in favor of the Lender hereby and thereby. In the event that any of the Collateral is, directly or indirectly, sold, leased, licensed, transferred or otherwise disposed of to a Subsidiary of Borrowers, Borrowers shall cause such Subsidiary to execute a joinder to the Security Agreement confirming that the Collateral continues to be subject to the Lien granted to the Lender thereunder and such other documentation that the Lender shall reasonably request.

(b) Subject to the terms of the Intercreditor Agreement, with respect to any Person that is or becomes a Subsidiary after the Funding Date, Borrowers shall promptly (and in any event within 30 days after such Person becomes a Subsidiary) (i) deliver to the Lender the certificates, if any, representing all of the equity interests of such Subsidiary, together with undated stock powers or other appropriate instruments of transfer executed and delivered in blank by a duly authorized officer of the holder(s) of such equity interests, and all intercompany notes owing from such Subsidiary to any Borrower together with instruments of transfer executed and delivered in blank by a duly authorized officer of such Loan Party and (ii) cause such new Subsidiary (A) to execute a joinder to this Agreement or such comparable documentation to become a Borrower hereunder and a joinder agreement to the applicable Security Documents, substantially in the form annexed thereto, and (B) to take all actions necessary or advisable in the opinion of the Lender to cause the Lien created by the applicable Security Agreement to be duly perfected to the extent required by such agreement in accordance with all applicable Law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Lender.

SECTION 9.15. Notice.

The Company shall provide Lender with written notice as promptly as practicable (and in any event within three (3) Business Days) after becoming aware of any of the following:

(i) the occurrence of an event specified in Section 3.02(b);

(ii) any breach or default by the Borrowers of any covenant, agreement or other provision of this Agreement or any other Transaction Document; or

(iii) any representation or warranty made by Borrowers in this Agreement or any of the other Transaction Documents or in any certificate delivered to Borrowers hereto or thereto shall prove to have been untrue, inaccurate or incomplete in any material respect on the date as of which made.

SECTION 9.16. Examination of Records of Biosense. Stereotaxis shall, at its sole cost and expense and promptly upon the written request of the Lender, subject to and in accordance with the terms of the Biosense Agreement, use its commercially reasonable efforts to cause an examination of the records of Biosense to be promptly conducted pursuant to, and in accordance with, the Biosense Agreement; provided, however, that, in connection with any such request, the Lender shall identify in writing the payments or periods to be verified in connection with such examination. Any financial or accounting advisor retained by Stereotaxis in connection with such examination shall be subject to the approval of the Lender, such approval not to be unreasonably withheld or delayed. Promptly after the completion of any examination requested by the Lender, Stereotaxis shall prepare, or cause to be prepared, and deliver to the Lender an examination report summarizing in reasonable detail the results of such examination.

SECTION 9.17. Post-closing Matters. Borrowers shall have used commercially reasonable efforts to deliver a duly executed copy of that certain consent letter agreement among the Working Capital Representative and Biosense on or before December 19, 2011 (or such later date as the Lender shall determine, in its sole discretion).

ARTICLE X.
NEGATIVE COVENANTS

From and after the Funding Date (provided that Sections 10.01 and 10.09 shall apply from the Signing Date) and until this Agreement has been terminated, the Commitments have been terminated and the principal of and interest on each Loan, all fees and all other expenses or amounts payable under any Loan Document have been paid in full and all amounts drawn thereunder have been reimbursed in full each Borrower covenants and agrees with the Lenders that:

SECTION 10.01. Activities of Borrowers.

(a) None of Borrowers nor any of their Subsidiaries shall amend, modify or waive or terminate any provision of, or permit or agree to the amendment, modification, waiver or termination of any provision of, any of the Loan Documents, the Biosense Agreement or any material Contract related to the Biosense Arrangement that could reasonably be expected to have a Material Adverse Effect without the prior written consent of the Lender.

(b) None of Borrowers nor any of their Subsidiaries shall use any current or future technology to establish a business or business unit competing with the Biosense Arrangement or enable a third party to use for funded research or license out any such technology in a way that would compete with the Biosense Arrangement; provided that the foregoing shall not restrict Borrowers' ability to conduct research and development, manufacturing, and testing of, and seeking regulatory approval for, any products.

SECTION 10.02. Merger; Sale of Assets.

(a) No Borrower shall merge or consolidate with or into (whether or not such Borrower is the Surviving Person) any other Person and no Borrower will, or will cause or permit any Subsidiary to, sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of any Borrower's and its Subsidiaries assets (determined on a consolidated basis for such Borrower and its Subsidiaries) to any Person in a single transaction or series of related transactions, unless (1) either (A) such Borrower will be the Surviving Person or (B) the Surviving Person (if other than the applicable Borrower) will be an entity organized and validly existing under the laws of Delaware, and will, in any such case, expressly assume the due and punctual payment of the principal of, premium, if any, and interest on the Loan and the performance and observance of every covenant of the Loan Documents to be performed or observed on the part of such Borrower and, in the case of Stereotaxis, shall use its commercially reasonable efforts to actively market and promote the Biosense Arrangement; and (2) immediately thereafter, on a pro forma basis after giving effect to such transaction (and treating any Indebtedness not previously an obligation of such Borrower or any Subsidiary of such Borrower in connection with or as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing.

(b) Neither Stereotaxis nor any of its Subsidiaries shall directly or indirectly sell, lease, license, transfer or otherwise dispose of all or any part of its assets consisting of the Stereotaxis IP or the Biosense Arrangement.

(c) Neither Stereotaxis nor any of its Subsidiaries shall directly or indirectly sell, lease, license, transfer or otherwise dispose of all or any part of its assets, except (i) licenses of intellectual property rights of Stereotaxis or any of its Subsidiaries for fair value in an arm's-length transaction in the ordinary course of its business; (ii) sales of inventory in the ordinary course of business, (iii) sales of non-inventory equipment not needed for Stereotaxis's business to one or more third parties for fair value in an arm's-length transaction; provided any assets received in return from such transaction are subject to the Lien created by the Security Agreement; (iv) sales of non-inventory equipment to one or more third parties for fair value in an arm's-length transaction, the proceeds of which are used to purchase replacement or other assets useful in Stereotaxis's business within twelve months of such sale and (v) other sales, leases, licenses, transfers or other dispositions in an aggregate amount not to exceed $250,000 during the term of this Agreement; provided, subject to the terms of the Intercreditor Agreement, that any assets received in return from such transaction are subject to the Lien created by the Security Agreement.

SECTION 10.03. Liens. None of Borrowers nor any of their Subsidiaries shall create or suffer to exist any Lien on or with respect to the Term Loan Priority Collateral other than pursuant to this Agreement, the Liens permitted by Section 10.03(j) or to the extent permitted under the Security Agreement. Borrowers shall not create or suffer to exist any Lien on or with respect to any of their assets that are not Term Loan Priority Collateral, whether now owned or hereafter acquired, other than the following (collectively, "Permitted Liens"):

(a) (i) Liens existing on the Funding Date set forth in Schedule 10.03(a) to the extent and in the manner such Liens are in effect on the date hereof and (ii) refinancings or renewals thereof; provided that (A) any such refinancing Indebtedness is in an aggregate principal amount not greater than the aggregate principal amount of the Indebtedness being renewed or refinanced, plus the amount of any premiums required to be paid thereon and reasonable fees and expenses associated therewith, (B) such refinancing Indebtedness has a later or equal final maturity and longer or equal weighted average life than the Indebtedness being renewed or refinanced and (C) the covenants, events of default, subordination and other provisions thereof (including any guarantees thereof) shall be, in the aggregate, no less favorable to the Lender than those contained in the Indebtedness being renewed or refinanced;

(b) any Lien granted to collaboration or development partners of Borrowers or its Affiliates in connection with funded research, development and commercialization activities (other than on or with respect to the Stereotaxis Patent Rights or the Included Payments); provided that any such Lien is limited to Borrowers' and/or any applicable Subsidiaries' interest in products developed in such collaboration;

(c) any Lien on any asset securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset; provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof;

(d) any Lien existing on any asset prior to the acquisition thereof by any Borrower or any Subsidiary of any Borrower and not created in contemplation of such acquisition;

(e) any Lien created after the Funding Date in connection with capitalized lease obligations, but only to the extent that such Lien encumbers property financed by such capital lease obligation and the principal component of such capitalized lease obligation is not increased;

(f) Liens arising in the ordinary course of its business (other than on or with respect to the Stereotaxis Patent Rights or the Included Payments) which (i) do not secure Indebtedness and (ii) do not in the aggregate materially impair the operation of the business of Borrowers or impair the value of the Included Payments;

(g) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering with the ordinary conduct of the business of Borrowers;

(h) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section 10.03; provided that such Indebtedness is not increased and is not secured by any additional assets;

(i) Liens securing taxes, assessments, fees or other governmental charges or levies, Liens securing the claims of materialmen, mechanics, carriers' landlords, warehousemen and similar Persons, Liens in the ordinary course of business in connection with workmen's compensation, unemployment insurance and other similar Laws, Liens to secure surety, appeal and performance bonds and other similar obligations not incurred in connection with the borrowing of money, and attachment, judgment and other similar Liens arising in connection with court proceedings so long as the enforcement of such Liens is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; and

(j) Liens securing Indebtedness incurred pursuant to Section 10.05(d) and subject to the Intercreditor Agreement.

SECTION 10.04. Investment Company Act. None of Borrowers nor any of their Subsidiaries shall be or become an investment company subject to registration under the Investment Company Act of 1940.

SECTION 10.05. Limitation on Additional Indebtedness. None of Borrowers nor any of their Subsidiaries shall, directly or indirectly, incur or suffer to exist any Indebtedness; provided that Borrowers and their Subsidiaries may incur:

(a) (i) Indebtedness existing on the Funding Date set forth in Schedule 10.05(a) and refinancings, replacements or renewals thereof; provided that (A) any such refinancing Indebtedness is in an aggregate principal amount not greater than the aggregate principal amount of the Indebtedness being renewed or refinanced, plus the amount of any premiums required to be paid thereon and reasonable fees and expenses associated therewith, (B) such refinancing Indebtedness has a later or equal final maturity and longer or equal weighted average life than the Indebtedness being renewed or refinanced and (C) the covenants, events of default, subordination and other provisions thereof (including any guarantees thereof) shall be, in the aggregate, no less favorable to the Lenders than those contained in the Indebtedness being renewed or refinanced;

(b) Indebtedness under this Agreement;

(c) Indebtedness secured by Liens permitted under Section 10.03 other than Section 10.03(b) (but, in the case of Liens permitted under Section 10.03(a), only to the extent of the Indebtedness related thereto); or

(d) Indebtedness under the Working Capital Agreements in an aggregate principal amount of not more than $40,000,000 (provided that no more than $35,000,000 may be in the form of term loans), less the sum of (x) the amount of all repayments and prepayments applied to any term loans under the Working Capital Agreements and (y) the amount of all repayments and prepayments of any revolving loans (including swingline loans), to the extent accompanied by corresponding reductions in the applicable commitment amount, under the Working Capital Agreements, other than, in either case, to the extent such repayments or prepayments occur in connection with a refinancing of the Working Capital Agreement and such loans are replaced substantially concurrently therewith by loans under a new Working Capital Agreement and the agent under such new Working Capital Agreement enters into the Intercreditor Agreement with the Lender; provided that the Working Capital Agreements shall not include any provisions, terms or conditions that would not be permitted under Section 6(d) of the Intercreditor Agreement in any amendment of a Working Capital Agreement.

SECTION 10.06. Limitation on Transactions with Controlled Affiliates. None of Borrowers nor any of their Subsidiaries shall, directly or indirectly, enter into any transaction or series of related transactions or participate in any arrangement (including any purchase, sale, lease or exchange of assets or the rendering of any service) with, or for the benefit of, any Controlled Affiliate other than the Transaction Documents or in the ordinary course of business of Borrower upon fair and reasonable terms no less favorable to Borrowers than it would obtain in a comparable arm's-length transaction with a non-Controlled Affiliate; provided that Borrowers and their Subsidiaries may engage in the following transactions:

(a) reasonable and customary director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans) and indemnification arrangements, in each case approved in good faith by the Board of Directors of Borrowers;

(b) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods and services, in each case in the ordinary course of business and otherwise not prohibited by the Loan Documents;

(c) dividends permitted by Section 10.08;

(d) transactions among Borrowers and their Wholly Owned Subsidiaries; and

(e) fees paid to Alafi in consideration of SVB guaranties.

SECTION 10.07. ERISA.

(a) None of Borrowers nor any of their Subsidiaries shall maintain or contribute to, or agree to maintain or contribute to or otherwise incur any liability with respect to, any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title IV or Section 302 of ERISA or Section 412 of the Code or any similar plan under non-U.S. law (a "Plan") that could reasonably be expected to have a Material Adverse Effect.

(b) None of Borrowers nor any of their Subsidiaries shall engage in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code, or substantially similar provisions under foreign or U.S. federal, state or local laws, rules or regulations or in any transaction that would cause any obligation or action taken or to be taken hereunder (or the exercise by the Lender of any of its rights under the Note, this Agreement or the Security Agreement) to be a non-exempt prohibited transaction under such provisions.

(c) None of Borrowers nor any of their Subsidiaries will incur any material liability with respect to any obligation to provide medical benefits with respect to any individual beyond their retirement or other termination of service other than coverage mandated by law.

SECTION 10.08. Restricted Payments. Borrowers shall not, and shall not permit any Subsidiary to, directly or indirectly, make any Restricted Payment other than the redemption of any Capital Stock of Borrowers or any Subsidiary in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Capital Stock; provided that Borrowers and their Subsidiaries may not make any Restricted Payments while an Event of Default has not occurred and is continuing.

SECTION 10.09. Restriction on Activities. Borrowers shall not, and shall not permit any Subsidiary to (i) engage in any sales or distribution activities that, if it were engaged in during the Exclusive Period, would constitute a violation or breach of, or default under, the Biosense Agreement as in effect on the Signing Date or (ii) engage (directly or indirectly) in any business other than those businesses in which Borrower and its Subsidiaries are engaged on the Signing Date and businesses ancillary or complementary thereto.

ARTICLE XI.
EVENTS OF DEFAULT

SECTION 11.01. Events of Default. If one or more of the following events of default (each, an "Event of Default") occurs and is continuing, the Lender shall be entitled to the remedies set forth in Section 11.02 and Section 3.02(b):

(a) Borrowers fail to pay any principal of the Loan when due, whether at the Maturity Date or otherwise.

(b) Except as permitted by Section 4.01, Borrowers fail to pay any interest on the Loan or make payment of any other amounts payable under this Agreement within three Business Days after the same becomes due and payable.

(c) Any representation or warranty of Borrowers or any of their Subsidiaries in any Loan Document to which it is party or in any certificate, financial statement or other document delivered by Borrowers or such Subsidiary in connection with this Agreement proves to have not been true and correct at the time it was made or repeated and the failure of such statement to be true and correct, individually or in the aggregate, results in a Material Adverse Effect or could reasonably be expected to have a Material Adverse Effect (except that any representation or warranty that is qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects).

(d) Borrowers fail to perform or observe any covenant or agreement contained in Sections 9.01(a) or (d), Section 9.02(b), Section 9.10, Section 9.15, Section 9.17 or Article X of this Agreement.

(e) Borrowers or any of their Subsidiaries party to the Loan Documents fails to perform or observe any other covenant or agreement contained in this Agreement, the Note, the Security Agreement or the License Agreement (other than those referred to in the preceding clauses of this Section 11.01) if (i) such failure is not remedied on or before the thirtieth day after Notice thereof from the Lender and (ii) the failure to perform or observe any such covenant or agreement, individually or in the aggregate, results in a Material Adverse Effect or could reasonably be expected to have a Material Adverse Effect.

(f) Borrowers or any of their Subsidiaries (i) fails to pay when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Indebtedness (other than the Obligations hereunder) having an aggregate principal amount in excess of $200,000 or (ii) fails to perform or observe any covenant or agreement to be performed or observed by it contained in any agreement or in any instrument evidencing any of its Indebtedness having an aggregate principal amount in excess of $200,000 and, as a result of such failure, any other party to that agreement or instrument is entitled to exercise the right to accelerate the maturity of any Indebtedness thereunder and such Indebtedness is accelerated.

(g) Except as permitted under Section 10.02(c)(i), Borrowers and/or any of their Subsidiaries shall sell, assign, lease, license, transfer or otherwise dispose of any Stereotaxis Intellectual Property Rights, any Included Payments, or Borrowers and/or any of their Subsidiaries take any action which could reasonably be expected to impair the Lender's security interest in any of the foregoing.

(h) Any uninsured judgment, decree or order in excess of $200,000 shall be rendered against Borrowers and any of their Subsidiaries and either (i) enforcement proceedings shall have been commenced upon such judgment, decree or order or (ii) such judgment, decree or order shall not have been vacated or discharged within thirty days from entry.

(i) A Bankruptcy Event shall occur.

(j) Any of the Transaction Documents (other than the Biosense Agreement) shall cease to be in full force and effect or its validity or enforceability is disaffirmed or challenged in writing by any Person other than the Lender, the Security Agreement shall cease to give the Lender the rights purported to be created thereby (including a first priority perfected Lien on the assets of Borrowers or any of their Subsidiaries party to the Loan Documents) other than as a direct result of any action by a Lender or failure of a Lender to perform an obligation or the License Agreement shall cease to give the Lender the rights purported to be created thereby other than as a direct result of any action by a Lender or failure of a Lender to perform an obligation.

(k) Borrowers and/or any of their Subsidiaries fail to perform or observe any covenant or agreement contained in the Biosense Agreement or Borrower Documents, as applicable, and such failure is not cured or waived within any applicable grace period except where such failure could not reasonably be expected to have a Material Adverse Effect.

(l) In connection with a challenge to the validity of the Included Payments or any Stereotaxis Intellectual Property Rights or any transaction contemplated under the Biosense Agreement, any judgment, decree or order is issued that (i) halts or suspends the payment by Biosense of any amount payable in respect of the Included Payments, or (ii) otherwise determines that the Included Payments have not been duly authorized or validly issued or that the Included Payments are not enforceable in accordance with the terms of the Biosense Agreement, and such judgment, decree or order shall not have been vacated or discharged within 10 days from entry.

(m) Any security interest purported to be created by the Security Agreement shall cease to be in full force and effect, or shall cease to give the rights, powers and privileges purported to be created and granted under such Security Agreement (including a perfected first priority security interest in and Lien on all of the Collateral thereunder (except as otherwise expressly provided in such Security Agreement)) in favor of the party secured on behalf of the Lender pursuant to the Security Agreement, or shall be asserted by Borrowers and/or any of their Subsidiaries not to be a valid, perfected, first priority (except as otherwise expressly provided in this Agreement or such Security Agreement) security interest in the Collateral covered thereby.

SECTION 11.02. Default Remedies. Subject to the Intercreditor Agreement, if any Event of Default shall occur, the Lender may, by Notice to Borrowers, (a) exercise all rights and remedies available to the Lender hereunder and under the Security Agreement, including enforcement of the security interests created thereby, (b) declare the Loan, all interest thereon and all other amounts payable hereunder and under the Note by Borrowers to be immediately due and payable in an amount equal to the Prepayment Amount, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or further notice of any kind, which are expressly waived by Borrowers and (c) declare the obligations of the Lender hereunder to be terminated, whereupon such obligations shall terminate; provided, however, that if any event of any kind referred to in Section 11.01(i) occurs, the obligations of the Lender hereunder shall immediately terminate, all amounts payable hereunder by Borrowers shall become immediately due and payable and the Lender shall be entitled to exercise rights and remedies under the Security Agreement without diligence, presentment, demand of payment, protest or notice of any kind, all of which are hereby expressly waived by Borrowers. Each Notice delivered pursuant to this Section 11.02 shall be effective when sent.

SECTION 11.03. Right of Set-off; Sharing of Set-off.

(a) If any amount payable hereunder is not paid as and when due, Borrowers irrevocably authorize the Lender and each Affiliate of the Lender (i) to proceed, to the fullest extent permitted by applicable Law, without prior notice, by right of set-off, bankers' lien, counterclaim or otherwise, against any assets of Borrowers in any currency that may at any time be in the possession of the Lender or such Affiliate, to the full extent of all amounts payable to the Lender hereunder or (ii) to charge to Borrowers' account with Lender the full extent of all amounts payable by Borrowers to the Lender hereunder; provided, however, that the Lender shall notify Borrowers of the exercise of such right promptly following such exercise.

(b) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations owed to such Lender resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other obligations owed to such Lender greater than its *pro rata* share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the other Lenders of such fact, and (b) purchase (for cash at face value) any obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that the provisions of this paragraph shall not be construed to apply to (x) any payment made by Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment any of its Loans to any assignee.

SECTION 11.04. Rights Not Exclusive. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by Law.

ARTICLE XII.
INDEMNIFICATION

SECTION 12.01. Funding Losses. If Borrowers fail to borrow any amount on the Funding Date, the Delayed Draw Loan A Funding Date or the Delayed Draw Loan B Funding Date after Notice of Borrowing has been given to the Lender in accordance with Section 2.02, Borrowers shall reimburse the Lender within three Business Days after demand for any resulting loss or expense incurred by the Lender including any loss incurred in obtaining, liquidating or redeploying deposits from third parties; provided that the Lender shall have delivered to Borrowers a certificate as to the amount of such loss or expense.

SECTION 12.02. Other Losses.

(a) Borrowers agree to defend (subject to Indemnitees' selection of counsel), indemnify, pay and hold harmless, the Lender and its Affiliates and their respective officers, partners, directors, trustees, employees and agents (each, an "Indemnitee"), from and against any and all Indemnified Liabilities, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of such Indemnitee; provided Borrowers shall not have any obligation to any Indemnitee hereunder with respect to any Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of such Indemnitee. To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this Section 12.02 may be unenforceable in whole or in part because they are violative of any law or public policy, Borrowers shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

(b) To the extent permitted by applicable law, no Party shall assert, and each Party hereby waives, any claim against each other Party and such Party's Affiliates, directors, employees, attorneys or agents, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) (whether or not the claim therefor is based on contract, tort or duty imposed by any applicable legal requirement) arising out of, in connection with, as a result of, or in any way related to, this Agreement or any Loan Document or any agreement or instrument contemplated hereby or thereby or referred to herein or therein, the transactions contemplated hereby or thereby, the Loan or the use of the proceeds thereof or any act or omission or event occurring in connection therewith, and each Party hereby waives, releases and agrees not to sue upon any such claim or any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

SECTION 12.03. Assumption of Defense; Settlements. If the Lender is entitled to indemnification under this Article XII with respect to any action or proceeding brought by a third party that is also brought against a Borrower, such Borrower shall be entitled to assume the defense of any such action or proceeding with counsel reasonably satisfactory to the Lender. Upon assumption by such Borrower of the defense of any such action or proceeding, such Borrower shall have the right to participate in such action or proceeding and to retain its own counsel but the Borrower shall not be liable for any legal expenses of other counsel subsequently incurred by the Lender in connection with the defense thereof unless (i) the Borrower has otherwise agreed to pay such fees and expenses, (ii) the Borrower shall have failed to employ counsel reasonably satisfactory to the Lender in a timely manner or (iii) the Lender shall have been advised by counsel that there are actual or potential conflicting interests between the Borrower and the Lender, including situations in which there are one or more legal defenses available to the Lender that are different from or additional to those available to the Borrower; provided, however, that the Borrower shall not, in connection with any one such action or proceeding or separate but substantially similar actions or proceedings arising out of the same general allegations, be liable for the fees and expenses of more than one separate firm of attorneys at any time for the Lender, except to the extent that local counsel, in addition to its regular counsel, is required in order to effectively defend against such action or proceeding. No Borrower shall consent to the terms of any compromise or settlement of any action defended by a Borrower in accordance with the foregoing without the prior written consent of the Lender unless such compromise or settlement (x) includes an unconditional release of the Lender from all liability arising out of such action and (y) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the Lender. Borrowers shall not be required to indemnify the Lender for any amount paid or payable by the Lender in the settlement of any action, proceeding or investigation without the written consent of Borrowers, which consent shall not be unreasonably withheld.

ARTICLE XIII.
MISCELLANEOUS

SECTION 13.01. Assignments.

(a) Borrowers shall not be permitted to assign this Agreement without the prior written consent of the Lender and any purported assignment in violation of this Section 13.01(a) shall be null and void.

(b) Lender may at any time assign all its rights and obligations hereunder in whole or in part to any other Person (each, an "Assignee").

(c) The parties to each assignment shall execute and deliver to Borrowers a written instrument of assignment substantially in the form of Exhibit L, containing the agreement of the assignee to be bound by the terms of this Agreement (an "Assignment and Acceptance"). Upon the effectiveness of a permitted assignment hereunder, (i) each reference in this Agreement to "Lender" shall be deemed to be a reference to the assignor and the assignee to the extent of their respective interests, (ii) such assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender and (iii) the assignor shall be released from its obligations hereunder to a corresponding extent of the assignment, and no further consent or action by any party shall be required.

(d) In the event there are multiple Lenders, all payments of principal, interest, fees and any other amounts payable pursuant to the Loan Documents shall be allocated on a pro rata basis among the Lenders according to their proportionate interests in the Loan.

(e) Borrowers shall, from time to time at the request of the Lender, execute and deliver any documents that are necessary to give full force and effect to an assignment permitted hereunder, including a new Note in exchange for the Note held by the Lender.

SECTION 13.02. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

SECTION 13.03. Notices. All notices, consents, approvals, reports, designations, requests, waivers, elections and other communications (collectively, "Notices") authorized or required to be given pursuant to this Agreement shall be given in writing and either personally delivered to the Party to whom it is given or delivered by an established delivery service by which receipts are given or mailed by registered or certified mail, postage prepaid, or electronic mail with a copy sent on the following Business Day by one of the other methods of giving notice described herein, addressed to the Party at its address listed below:

(a) If to Borrowers:

Stereotaxis, Inc.
Stereotaxis International, Inc.
c/o: Stereotaxis, Inc.
4320 Forest Park Avenue
Suite 100
St. Louis, Missouri 63108
Attention: Chief Financial Officer
Email: sam.duggan@stereotaxis.com

Stereotaxis, Inc.
Stereotaxis International, Inc.
c/o Stereotaxis, Inc.
4320 Forest Park Avenue
Suite 100
St. Louis, Missouri 63108
Attention: General Counsel
E-mail: karen.duros@stereotaxis.com

with a copy (which shall not constitute notice) to:

Bryan Cave LLP
One Metropolitan Square
211 North Broadway, Suite 3600
St. Louis, Missouri 63102
Attention: John G. Boyle, Esq.
E-mail: jgboyle@bryancave.com

(b) If to the Lender:

Cowen Healthcare Royalty Partners II, L.P.
177 Broad Street, Suite 1101
Stamford, CT 06901
Attention: Gregory B. Brown, M.D.
Email: Greg.Brown@cowen.com

with a copy (which shall not constitute notice) to:

Cowen Healthcare Royalty Partners II, L.P.
177 Broad Street, Suite 1101
Stamford, CT 06901
Attention: Vice President-Legal
Email: Royalty@cowen.com

with a copy (which shall not constitute notice) to:

Cahill Gordon & Reindel LLP
Eighty Pine Street
New York, NY 10005
Attention: Christopher Cox, Esq.
E-mail: ccox@cahill.com

Any Party may change its address for the receipt of Notices at any time by giving Notice thereof to the other Parties. Except as otherwise provided herein, any Notice authorized or required to be given by this Agreement shall be effective when received.

SECTION 13.04. Entire Agreement. This Agreement and the other Transaction Documents contain the entire agreement between the Parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

SECTION 13.05. Modification. No Loan Document or provision thereof may be waived, amended or modified except, in the case of this Agreement, by an agreement or agreements in writing executed by Borrowers and the Lender or, in the case of any other Loan Document, by an agreement or agreements in writing entered into by the parties thereto with the written consent of the Lender.

SECTION 13.06. No Delay; Waivers; etc. No delay on the part of the Lender in exercising any power or right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any power or right hereunder preclude other or further exercise thereof or the exercise of any other power or right. The Lender shall not be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by the Lender.

SECTION 13.07. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, then, to the fullest extent permitted by law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.08. Determinations. Each determination or calculation by the Lender hereunder shall, in the absence of manifest error, be conclusive and binding on the Parties.

SECTION 13.09. Replacement of Note. Upon the loss, theft, destruction, or mutilation of the Note and (a) in the case of loss, theft or destruction, upon receipt by Borrowers of indemnity or security reasonably satisfactory to it (except that if the holder of the Note is the Lender or any other financial institution of recognized responsibility, the holder's own agreement of indemnity shall be deemed to be satisfactory) or (b) in the case of mutilation, upon surrender to Borrowers of the mutilated Note, Borrowers shall execute and deliver in lieu thereof a new Note, dated the Funding Date, in the same principal amount.

SECTION 13.10. Governing Law. THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION).

SECTION 13.11. Jurisdiction. Borrowers irrevocably submit to the jurisdiction of the courts of the State of New York and of the United States sitting in the State of New York, and of the courts of its own corporate domicile with respect to actions or proceedings brought against it as a defendant, for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby (a "Proceeding"). Borrowers irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any Proceeding and any claim that any Proceeding has been brought in an inconvenient forum. Any process or summons for purposes of any Proceeding may be served on Borrowers by mailing a copy thereof by registered mail, or a form of mail substantially equivalent thereto, addressed to them at their address as provided for Notices hereunder.

SECTION 13.12. Waiver of Jury Trial. BORROWERS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 13.13. Waiver of Immunity. To the extent that any Borrower has or hereafter may be entitled to claim or may acquire, for itself or any of its assets, any immunity from suit, jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, or otherwise) with respect to itself or any of its property, each Borrower hereby irrevocably waives such immunity in respect of its obligations hereunder and under the Note to the fullest extent permitted by law.

SECTION 13.14. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

SECTION 13.15. Limitation on Rights of Others. Except for the Indemnitees referred to in Section 12.02, no Person other than a Party shall have any legal or equitable right, remedy or claim under or in respect of this Agreement.

SECTION 13.16. No Partnership. Nothing in this Agreement or any other Transaction Document shall be read to create any agency, partnership or joint venture of the Lender (or any of its Affiliates) and Borrowers (or any of their Affiliates). Each Party agrees not to refer to the other as a "partner" or the relationship as a "partnership" or "joint venture."

SECTION 13.17. Survival. The obligations of Borrowers contained in Sections 4.04, 4.05, Article V and Article XII shall survive the repayment of the Loan and the cancellation of the Notes and the termination of the other obligations of Borrowers hereunder.

SECTION 13.18. Patriot Act Notification. The Lender hereby notifies Borrowers that, consistent with the USA Patriot Act, Public Law No. 107-56 (the "Patriot Act"), regulations promulgated thereunder and under other applicable Law, the Lender's procedures and customer due diligence standards require it to obtain, verify and record information that identifies Borrowers, including among other things name, address, information regarding persons with authority or control over Borrowers, and other information regarding Borrowers, their operations and transactions with the Lender. Borrowers agree to provide such information and take such actions as are reasonably requested by the Lender in order to assist the Lender in maintaining compliance with its procedures, the Patriot Act and any other applicable Laws.

SECTION 13.19. Intercreditor Agreement. Notwithstanding anything herein to the contrary, the Lien and security interest granted to the Term Loan Representative pursuant to any Loan Document and the exercise of any right or remedy in respect of the Collateral by the Term Loan Representative hereunder or under any other Loan Document are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement, this Agreement and any other Loan Document, the terms of the Intercreditor Agreement shall govern and control with respect to any right or remedy. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, all rights and remedies with respect to the Collateral of the Term Loan Representative (and the Secured Parties) shall be subject to the terms of the Intercreditor Agreement, and no Loan Party shall be required hereunder or under any Loan Document to take any action with respect to the Collateral that is inconsistent with such Loan Parties' obligations under the Working Capital Agreements. The Term Loan Representative may not require any Loan Party to take any action with respect to the creation, perfection or priority of its security interest, whether pursuant to the express terms hereof or of any other Loan Document or pursuant to the further assurance provisions hereof or any other Loan Document, to the extent that such action would be violative of the Intercreditor Agreement or such Loan Party's obligations under the Working Capital Agreements. The delivery of any Collateral to the Working Capital Representative under the Working Capital Agreements pursuant to the Working Capital Agreements shall satisfy any delivery requirement hereunder or under any other Loan Document to the extent that such delivery is consistent with the terms of the Intercreditor Agreement.

SECTION 13.20. Treatment of Certain Information; Confidentiality.

The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any Governmental Authority or regulatory authority (including any self-regulatory authority), (c) to the extent required by applicable Law or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 13.20, to (i) any assignee of or any prospective assignee of any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrowers and its obligations or (iii) any rating agency for the purpose of obtaining a credit rating applicable to the Lender, (g) with the consent of Borrowers or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 13.20 or (y) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than Borrowers. For purposes of this Section 13.20, "Information" means all information received from Borrowers or any of their Subsidiaries relating to Borrowers or any of their Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by a Borrower or any of its Subsidiaries; provided that, in the case of information received from Borrowers or any of their Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any person required to maintain the confidentiality of Information as provided in this Section 13.20 shall be considered to have complied with its obligation to do so if such person has exercised the same degree of care to maintain the confidentiality of such Information as such person would accord to its own confidential information. The Lender acknowledges that United States federal and state securities laws prohibit any person from purchasing or selling securities on the basis of material, non-public information concerning the issuer of such securities or, subject to certain limited exceptions, from communicating such information to any other person. The Lender confirms that it has developed procedures designed to ensure compliance with these securities laws.

SECTION 13.21. Restrictions on the Lender Activities.

Lender shall not, and shall not grant any license under the Stereotaxis Intellectual Property Rights to, engage in any development, commercialization or other activity regarding any Product; provided, however, during the existence of an Event of Default, subject to and in accordance with the License Agreement, Lender may take such actions but only within the applicable territory and field(s) as provided in the Biosense Agreement.

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

COWEN HEALTHCARE ROYALTY PARTNERS II, L.P.,
as the Lender

By: Cowen Healthcare Royalty GP II, LLC,
its General Partner

By: /s/ Gregory B. Brown, M.D.
Name: Gregory B. Brown, M.D.
Title: Managing Director

STEREOTAXIS, INC.,
as a Borrower

By: /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: Chief Financial Officer

STEREOTAXIS INTERNATIONAL, INC.,
as a Borrower

By: /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: President

Exhibit 10.22b

Execution Version

INTERCREDITOR AGREEMENT

Intercreditor Agreement (this "Agreement"), dated as of December 5, 2011, among Silicon Valley Bank (in such capacity, the "Working Capital Representative") for the Working Capital Secured Parties (as defined below) and Cowen Healthcare Royalty Partners II, L.P. (in such capacity, with its successors and assigns, and as more specifically defined below, the "Term Loan Representative") for the Term Loan Secured Parties (as defined below), and each of the Loan Parties (as defined below) party hereto.

WHEREAS, (i) Stereotaxis, Inc. and Stereotaxis International, Inc. (collectively, "Borrower") and Silicon Valley Bank (in such capacity, the "Domestic Facilities Lender") are parties to that amended and restated loan and security agreement dated as of November 30, 2011 (the "Domestic Agreement"), pursuant to which the Domestic Facilities Lender has agreed to make loans and extend other financial accommodations to the Loan Parties and (ii) Borrower and Silicon Valley Bank (in such capacity, the "EXIM Lenders" and, together with the Domestic Facilities Lender, together with each other financial institution and lender from time to time party to the Domestic Agreement or the EXIM Agreement, the "Working Capital Lenders") are parties to that export-import bank loan and security agreement dated as of November 30, 2011, (the "EXIM Agreement"), pursuant to which the EXIM Lender has agreed to make loans to the Loan Parties;

WHEREAS, Borrower and the Term Loan Representative are parties to the credit agreement, dated as of the date hereof (the "Cowen Term Loan Agreement"), pursuant to which the Term Loan Representative has agreed to make term loans to Borrower;

WHEREAS, Borrower has granted to the Working Capital Representative security interests in the Working Capital Collateral (as defined below) as security for payment and performance of the Working Capital Obligations (as defined below); and

WHEREAS, Borrower has granted to the Term Loan Representative security interests in the Term Loan Collateral (as defined below) as security for payment and performance of the Term Loan Obligations (as defined below).

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and other good and valuable consideration, the existence and sufficiency of which is expressly recognized by all of the parties hereto, the parties agree as follows:

SECTION 1. Definitions; Rules of Construction.

1.1. Uniform Commercial Code Definitions. The following terms which are defined in the Uniform Commercial Code are used herein as so defined: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Equipment, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter of Credit, Letter of Credit Rights, Payment Intangibles, Records and Supporting Obligations.

1.2. Defined Terms. The following terms, as used herein, have the following meanings:

"Additional Working Capital Agreement" means any agreement approved for designation as such by the Working Capital Representative and the Term Loan Representative.

"Agreement" has the meaning set forth in the introductory paragraph hereof.

"Banking Services Obligations" means the obligations relating to cash management services that are "Obligations" as defined in the Working Capital Agreements on the date hereof.

"Bankruptcy Code" means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.), as amended from time to time.

"Biosense" means Biosense Webster, Inc., a corporation organized under the laws of the State of California.

"Biosense Agreement" means that certain Development Alliance and Supply Agreement between Stereotaxis, Inc. and Biosense, dated as of May 7, 2002, as amended by (i) the Amendment to Development and Supply Agreement, dated November 3, 2002, between Stereotaxis and Biosense; (ii) the research and development side letter, dated November 3, 2003, between Stereotaxis and Biosense; (iii) the Alliance Expansion Agreement, dated May 4, 2007, between Stereotaxis and Biosense; (iv) the four side letters, each dated May 4, 2007, between Stereotaxis and Biosense; (v) the Second Amendment to Development Alliance and Supply Agreement, dated July 18, 2008, between Stereotaxis and Biosense; (vi) the Third Amendment to Development Alliance and Supply Agreement, dated December 8, 2009, between Stereotaxis and Biosense; (vii) the Fourth Amendment to Development Alliance and Supply Agreement, dated May 1, 2010, between Stereotaxis and Biosense; (viii) the Fifth Amendment to Development Alliance and Supply Agreement, dated July 30, 2010, between Stereotaxis and Biosense; and (iv) the Sixth Amendment and Catheter and Mapping System Extension to Development Alliance and Supply Agreement, dated December 17, 2010, between Stereotaxis and Biosense (as so amended, and as amended, amended and restated, supplemented or otherwise modified from time to time after the date hereof in accordance with the terms thereof).

"Borrower" has the meaning set forth in the recitals to this Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Collateral" means, collectively, all Working Capital Collateral and all Term Loan Collateral.

"Copyrights" shall mean, collectively, with respect to each Loan Party, all copyrights (whether statutory or common law, whether established or registered in the United States or any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished) and all copyright registrations and applications made by such Loan Party, in each case, whether now owned or hereafter created or acquired by or assigned to such Loan Party, together with any and all (i) rights and privileges arising under applicable law with respect to such Loan Party's use of such copyrights, (ii) reissues, renewals, continuations and extensions thereof and amendments thereto, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Common Collateral" means all Collateral that constitutes both Working Capital Collateral and Term Loan Collateral.

"Comparable Security Document" means, in relation to any Senior Collateral subject to any Senior Security Document, that Junior Security Document that creates a security interest in the same Senior Collateral, granted by the same Loan Party, as applicable.

"Cowen Term Loan Agreement" has the meaning set forth in the recitals this Agreement.

"Domestic Facilities Lender" has the meaning set forth in the recitals to this Agreement.

"Domestic Agreement" has the meaning set forth in the recitals to this Agreement.

"Enforcement Action" means, with respect to the Working Capital Obligations or the Term Loan Obligations, the exercise of any rights and remedies with respect to any Common Collateral securing such obligations, including enforcement of any of the rights and remedies under, as applicable, the Working Capital Documents or the Term Loan Documents, or applicable law, including without limitation the exercise of any rights of set-off or recoupment, and the exercise of any rights or remedies of a secured creditor under the Uniform Commercial Code of any applicable jurisdiction or under the Bankruptcy Code with respect to the Common Collateral. For the avoidance of doubt, and unless otherwise prohibited hereunder or by applicable law, including, without limitation, the Bankruptcy Code, none of the following shall be deemed to constitute an Enforcement Action: (i) the filing of a proof of claim in any Insolvency Proceeding or seeking adequate protection in any Insolvency Proceeding (subject to and in compliance with Section 5.3 below), (ii) the exercise of rights by the Working Capital Representative to receive Proceeds of the Collateral on a daily basis under the Working Capital Documents and, in connection therewith, the notification of account debtors, depository institutions or any other Person to deliver proceeds of the Collateral to the Working Capital Representative, (iii) the consent by a Secured Party pursuant to the applicable Security Documents to a sale or other disposition by any Loan Party or any of its assets or properties, (iv) the acceleration of all or a portion of the Working Capital Obligations or the Term Loan Obligations, (v) the reduction of advance rates, or sub-limits or the imposition of reserves, pursuant to the Working Capital Documents, or (vi) the making of protective advances under the Working Capital Documents.

"EXIM Agreement" has the meaning set forth in the recitals to this Agreement.

"EXIM Lender" has the meaning set forth in the recitals to this Agreement.

"Included Payments" shall have the meaning given to the term in the Cowen Term Loan Agreement, as in effect on the date hereof.

"Insolvency Proceeding" means any proceeding in respect of bankruptcy, insolvency, winding up, receivership, dissolution or assignment for the benefit of creditors, in each of the foregoing events whether under the Bankruptcy Code or any similar federal, state or foreign bankruptcy, insolvency, reorganization, receivership or similar law.

"Intellectual Property Licenses" shall mean, collectively, with respect to each Loan Party, all license and distribution agreements with, and covenants not to sue, any other party with respect to any Patent, Trademark or Copyright or any other patent, trademark or copyright, whether such Loan Party is a licensor or licensee, distributor or distributee under any such license or distribution agreement, together with any and all (i) renewals, extensions, supplements and continuations thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) other rights to use, exploit or practice any or all of the Patents, Trademarks or Copyrights or any other patent, trademark or copyright.

"Junior Collateral" means with respect to any Junior Secured Party, any Collateral on which it has a Junior Lien.

"Junior Documents" means, collectively, with respect to any Junior Obligations, any provision pertaining to such Junior Obligation in any Loan Document or any other document, instrument or certificate evidencing or delivered in connection with such Junior Obligation.

"Junior Liens" means (a) with respect to any Working Capital Priority Collateral, all Liens securing the Term Loan Obligations and (b) with respect to any Term Loan Priority Collateral, all Liens securing the Working Capital Obligations.

"Junior Obligations" means (a) with respect to any Working Capital Priority Collateral, all Term Loan Obligations and (b) with respect to any Term Loan Priority Collateral, all Working Capital Obligations.

"Junior Representative" means (a) with respect to any Working Capital Obligations or any Working Capital Priority Collateral, the Term Loan Representative and (b) with respect to any Term Loan Obligations or any Term Loan Priority Collateral, the Working Capital Representative.

"Junior Secured Parties" means (a) with respect to the Working Capital Priority Collateral, all Term Loan Secured Parties and (b) with respect to the Term Loan Priority Collateral, all Working Capital Secured Parties.

"Junior Security Documents" means, with respect to any Junior Secured Party, the Security Documents that secure the Junior Obligations.

"License Agreement" means the License Agreement, dated the Funding Date between the Loan Parties and the Term Loan Representative.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, deed to secure debt, lien, pledge, hypothecation, assignment, assignation, debenture, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Lien Priority" means with respect to any Lien of the Working Capital Representative or the Term Loan Representative in the Common Collateral, the order of priority of such Lien specified in Section 2.1.

"Loan Documents" means, collectively, the Working Capital Documents and the Term Loan Documents.

"Loan Party" means Borrower and each direct or indirect subsidiary or any of its affiliates that is now or hereafter becomes a party to any Working Capital Document or any Term Loan Documents. All references in this Agreement to any Loan Party shall include such Loan Party as a debtor-in-possession and any receiver or trustee for such Loan Party in any Insolvency Proceeding.

"Patents" shall mean, collectively, with respect to each Loan Party, all patents issued or assigned to, and all patent applications and registrations made by, such Loan Party (whether established or registered or recorded in the United States or any other country or any political subdivision thereof), together with any and all (i) rights and privileges arising under applicable law with respect to such Loan Party's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (iv)

income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Person" means any person, individual, sole proprietorship, partnership, joint venture, corporation, limited liability company, unincorporated organization, association, institution, entity, party, including any government and any political subdivision, agency or instrumentality thereof.

"PIK Interest" means regularly scheduled payments of interest on indebtedness payable in kind (including by capitalizing such interest as principal) and not in cash.

"Post-Petition Interest" means any interest (including PIK Interest) or entitlement to fees or expenses or other charges that accrues after the commencement of any Insolvency Proceeding (or would accrue but for the commencement of an Insolvency Proceeding), whether or not allowed or allowable in any such Insolvency Proceeding.

"Priority Collateral" means the Working Capital Priority Collateral or the Term Loan Priority Collateral.

"Proceeds" means (a) all "proceeds," as defined in Article 9 of the Uniform Commercial Code, with respect to the Common Collateral, and (b) whatever is recoverable or recovered when any Common Collateral is sold, exchanged, collected, or disposed of, whether voluntarily or involuntarily.

"Recovery" has the meaning set forth in Section 5.4.

"Replacement Term Loan Agreement" has the meaning set forth in the definition of "Term Loan Agreement."

"Replacement Working Capital Agreement" has the meaning set forth in the definition of "Working Capital Agreements."

"Secured Obligations" means the Working Capital Obligations and the Term Loan Obligations.

"Secured Parties" means the Working Capital Secured Parties and the Term Loan Secured Parties.

"Security Documents" means, collectively, the Working Capital Security Documents and the Term Loan Security Documents.

"Senior Collateral" means with respect to any Senior Secured Party, any Collateral on which it has a Senior Lien.

"Senior Documents" means, collectively, with respect to any Senior Obligation, any provision pertaining to such Senior Obligation in any Loan Document or any other document, instrument or certificate evidencing or delivered in connection with such Senior Obligation.

"Senior Liens" means (a) with respect to any Working Capital Priority Collateral, all Liens securing the Working Capital Obligations and (b) with respect to any Term Loan Priority Collateral, all Liens securing the Term Loan Obligations.

"Senior Obligations" means (a) with respect to any Working Capital Priority Collateral, all Working Capital Obligations and (b) with respect to any Term Loan Priority Collateral, all Term Loan Obligations.

"Senior Obligations Payment Date" means (a) with respect to the Working Capital Obligations, the Working Capital Obligations Payment Date and (b) with respect to the Term Loan Obligations, the Term Loan Obligations Payment Date.

"Senior Representative" means (a) with respect to any Working Capital Priority Collateral, the Working Capital Representative and (b) with respect to any Term Loan Priority Collateral, the Term Loan Representative.

"Senior Secured Parties" means (a) with respect to the Working Capital Priority Collateral, all Working Capital Secured Parties and (b) with respect to the Term Loan Priority Collateral, all Term Loan Secured Parties.

"Senior Security Documents" means with respect to any Senior Secured Party, the Security Documents that secure the Senior Obligations.

"Standstill Period" has the meaning set forth in Section 3.2.

"Swap Obligations" means the obligations relating to foreign exchange contracts that are "Obligations" as defined under the Working Capital Credit Agreements as in effect on the date hereof.

"Term Loan Agreement" means the collective reference to (a) the Cowen Term Loan Agreement and (b) to the extent permitted under this Agreement, any other credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, replace, refinance or refund in whole or in part the indebtedness and other obligations outstanding under the Cowen Term Loan Agreement or any other agreement or instrument referred to in this clause (b) unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Agreement hereunder (a "Replacement Term Loan Agreement"). Any reference to the Term Loan Agreement hereunder shall, unless otherwise specified, be deemed a reference to any Term Loan Agreement then extant.

"Term Loan Collateral" means all assets, whether now owned or hereafter acquired by any Loan Party, in which a Lien is granted or purported to be granted to any Term Loan Secured Party as security for any Term Loan Obligation.

"Term Loan Creditors" means the "Lender," as defined in the Term Loan Agreement.

"Term Loan Documents" means the Term Loan Agreement, each Term Loan Security Document, each Term Loan Guarantee and each other "Loan Document" as defined in the Term Loan Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with this Agreement.

"Term Loan Guarantee" means any guarantee by any Loan Party of any or all of the Term Loan Obligations.

"Term Loan Lien" means any Lien created by the Term Loan Security Documents.

"Term Loan Obligations" means (a) all principal of and premium (if any) on all indebtedness under the Term Loan Agreement, (b) all interest (including, without limitation, any Post-Petition Interest and PIK Interest) on all indebtedness under the Term Loan Agreement, and (c) all guarantee obligations, indemnities, fees, expenses and other amounts payable from time to time pursuant to the Term Loan Documents, in each case whether or not allowed or allowable in an Insolvency Proceeding; provided, however, that to the extent the aggregate principal amount of obligations described in clause (a) above shall exceed $30,000,000 less the amount of any principal repayments under the Term Loan Agreement (the "Term Loan Cap Amount"), such excess shall not constitute "Term Loan Obligations" hereunder. To the extent any payment with respect to any Term Loan Obligation (whether by or on behalf of any Loan Party, as Proceeds of security, enforcement of any right of setoff or otherwise) is declared to be a fraudulent conveyance or a preference in any respect, set aside or required to be paid to a debtor in possession, any Working Capital Secured Party, receiver or similar Person, then the obligation or part thereof originally intended to be satisfied shall, for the purposes of this Agreement and the rights and obligations of the Working Capital Secured Parties and the Term Loan Secured Parties, be deemed to be reinstated and outstanding as if such payment had not occurred.

"Term Loan Obligations Payment Date" means the first date on which (a) the Term Loan Obligations (other than those that constitute Unasserted Contingent Obligations) have been paid in cash in full, and (b) all commitments to extend credit under the Term Loan Documents have been terminated.

"Term Loan Priority Collateral" means:

(a) the Included Payments;

(b) the Patents listed on Schedule 1 hereto;

(c) the Biosense Agreement;

(d) books, records, data bases, and information related to the Biosense Agreement;

(e) all General Intangibles (other than Working Capital Intellectual Property), including all Payment Intangibles and all Documents, Instruments (including promissory notes), Accounts, Letter of Credit Rights (whether or not the letter of credit is evidenced by a writing), Commercial Tort Claims, securities and all other Investment Property, Supporting Obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, in each case related to the Included Payments;

(f) Borrower's interests in the Lockbox Account (as defined in the Cowen Term Loan Agreement as in effect on the date hereof), details of which are provided on Schedule 2 hereto, and any successor account and (ii) any other deposit account or securities account containing identifiable proceeds of Term Loan Priority Collateral and into which Biosense has remitted Included Payments (the accounts referred to in clauses (i) and (ii) collectively, the "Pledged Deposit Accounts"), all funds on deposit in each such account, all investments arising out of such funds, all claims thereunder or in connection therewith and special purpose subaccounts maintained therein, and all monies and credit balances from time to time held in the Pledged Deposit Accounts or such subaccounts; all notes, certificates of deposit, deposit accounts, checks and other instruments from time to time hereafter delivered to or otherwise possessed by Borrower in substitution for or in addition to any or all of the then existing items described in this subsection (g); and all interest, dividends, cash, securities, rights, instruments and other property at any time and from time to time received, receivable or otherwise distributed in respect of such accounts, such funds, or such investments or received in exchange for any or all of the items described in this subsection;

(h) all money now or at any time in the possession or under the control of, or in transit to, the Lockbox Bank (as defined in the Cowen Term Loan Agreement), or Borrower, in each case, solely to the extent received as proceeds of any of the foregoing in this definition of Term Loan Priority Collateral;

(i) any New Daughter Product (as defined in the Biosense Agreement) or any other device or product developed, being developed, made, used, imported, exported, sold, offered for sale or marketed, now or in the future, under the Biosense Agreement; and

(j) all Proceeds of the foregoing Term Loan Priority Collateral.

"Term Loan Representative" has the meaning set forth in the introductory paragraph hereof. In the case of any Replacement Term Loan Agreement, the Term Loan Representative shall be the Person identified as such in such Agreement.

"Term Loan Secured Parties" means the Term Loan Representative, the Term Loan Creditors and any other holders of the Term Loan Obligations.

"Term Loan Security Documents" means the "Security Documents" as defined in the Term Loan Agreement and any other documents that create (or purport to create) Liens on any assets or properties of any Loan Party.

"Trademarks" shall mean, collectively, with respect to each Loan Party, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locators (URL's), domain names, corporate names and trade names, whether registered or unregistered, owned by or assigned to such Loan Party and all registrations and applications for the foregoing (whether statutory or common law and whether established or registered in the United States or any other country or any political subdivision thereof), together with any and all (i) rights and privileges arising under applicable law with respect to such Loan Party's use of any trademarks, (ii) reissues, continuations, extensions and renewals thereof and amendments thereto, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

"Unasserted Contingent Obligations" means, at any time, Working Capital Obligations or Term Loan Obligations, as applicable, for taxes, costs, indemnifications, reimbursements, damages and other liabilities (excluding (a) the principal of, and interest and premium (if any) on, and fees and expenses relating to, any Working Capital Obligation or Term Loan Obligation, as applicable, and (b) with respect to Working Capital Obligations contingent reimbursement obligations in respect of amounts that may be drawn under outstanding letters of credit) in respect of which no assertion of liability (whether oral or written) and no claim or demand for payment (whether oral or written) has been made (and, in the case of Working Capital Obligations or Term Loan Obligations, as applicable, for indemnification, no notice for indemnification has been issued by the indemnitee) at such time.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

"Working Capital Agreements" means the collective reference to (a) the Domestic Agreement, (b) the EXIM Agreement, (c) any Additional Working Capital Agreement and (d) to the extent permitted under this Agreement, any other credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, replace, refinance or refund in whole or in part the indebtedness and other obligations outstanding under the Domestic Agreement or the EXIM Agreement (regardless of whether such replacement, refunding or refinancing is a "working capital" facility, asset-based facility or otherwise), any Additional Working Capital Agreement or any other agreement or instrument referred to in this clause (d) unless such agreement or instrument expressly provides that it is not intended to be and is not a Working Capital Agreement hereunder (a "Replacement Working Capital Agreement"). Any reference to the Working Capital Agreement hereunder shall, unless otherwise specified, be deemed a reference to any Working Capital Agreement then extant.

"Working Capital Intellectual Property" means, collectively, the Patents, Trademarks, Copyrights and Intellectual Property Licenses (other than the Patents listed on Schedule 1 hereto).

"Working Capital Collateral" means all assets, whether now owned or hereafter acquired by any Loan Party, in which a Lien is granted or purported to be granted at any time to any Working Capital Secured Party as security for any Working Capital Obligation.

"Working Capital Creditors" means, at any relevant time, the holders of the Working Capital Obligations at that time, including but not limited to, the Working Capital Lenders and the EXIM Lender.

"Working Capital Documents" means the Domestic Agreement, the EXIM Agreement, each Working Capital Security Document, each Working Capital Guarantee, each other "Loan Document" as defined in the Domestic Agreement and each other "Loan Document" as defined in the EXIM Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with this Agreement.

"Working Capital Guarantee" means any guarantee by any Loan Party of any or all of the Working Capital Obligations.

"Working Capital Lenders" has the meaning set forth in the recitals to this Agreement.

"Working Capital Lien" means any Lien created by the Working Capital Security Documents.

"Working Capital Obligations" means all "Obligations" as defined in the Domestic Agreement and in the EXIM Agreement whether now existing or hereafter arising, including, without limitation, (a) all principal of and premium (if any) on all loans made under the Working Capital Agreements, (b) all interest (including, without limitation, any Post-Petition Interest and PIK Interest) on all indebtedness under the Working Capital Agreements, (c) all reimbursement obligations (if any) and interest thereon (including without limitation any Post-Petition Interest) with respect to any letter of credit, bankers acceptance or similar instruments issued pursuant to the Working Capital Agreements, (d) all Swap Obligations, (e) all Banking Services Obligations, and (f) all guarantee obligations, indemnities, fees, expenses and other amounts payable from time to time pursuant to the Working Capital Documents, in each case, whether or not allowed or allowable in an Insolvency Proceeding; provided, however, that to the extent the aggregate principal amount of obligations described in clauses (a), (c) and (d) above exceeds $40,000,000 (provided that no more than $35,000,000 may be in the form of term loans) reduced by the amount of any principal repayments of term loans which may not be reborrowed and permanent revolving commitment reductions under the Working Capital Agreements (the "Working Capital Cap Amount"), such excess shall not constitute "Working Capital Obligations" hereunder. To the extent any payment

with respect to any Working Capital Obligation (whether by or on behalf of any Loan Party, as Proceeds of security, enforcement of any right of setoff or otherwise) is declared to be a fraudulent conveyance or a preference in any respect, set aside or required to be paid to a debtor in possession, any Term Loan Secured Party, receiver or similar Person, then the obligation or part thereof originally intended to be satisfied shall, for the purposes of this Agreement and the rights and obligations of the Working Capital Secured Parties and the Term Loan Secured Parties, be deemed to be reinstated and outstanding as if such payment had not occurred.

"Working Capital Obligations Payment Date" means the first date on which (a) the Working Capital Obligations (other than those that constitute Unasserted Contingent Obligations) have been paid in cash in full, (b) all commitments to extend credit under the Working Capital Documents have been terminated, (c) there are no outstanding letters of credit or similar instruments issued under the Working Capital Documents (other than such as have been cash collateralized to the satisfaction of the Working Capital Representative) and (d) all Swap Obligations and Banking Services Obligations have been paid in full in cash or, if not then due and owing, have been cash collateralized to the satisfaction of the Working Capital Representative.

"Working Capital Priority Collateral" means all Working Capital Collateral other than Term Loan Priority Collateral.

"Working Capital Representative" has the meaning set forth in the introductory paragraph hereof. In the case of any Replacement Working Capital Agreement, the Working Capital Representative shall be the Person identified as such in such Agreement.

"Working Capital Secured Parties" means the Working Capital Representative, the Working Capital Creditors and any other holders of the Working Capital Obligations including, but not limited to, the Export-Import Bank of the United States.

"Working Capital Security Documents" means the Domestic Agreement and the EXIM Agreement, and any other documents that create (or purport to create) Liens on any assets or properties of any Loan Party.

1.3. Rules of Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. Lien Priority.

2.1. Lien Subordination. Notwithstanding the date, manner or order of grant, attachment or perfection of any Junior Lien in respect of any Collateral or of any Senior Lien in respect of any Collateral and notwithstanding any provision of the Uniform Commercial Code, any applicable law, any Security Document, any alleged or actual defect or deficiency in any of the foregoing or any other circumstance whatsoever, the Junior Representative, on behalf of the relevant Junior Secured Parties, in respect of the Collateral hereby agrees that:

(a) any Senior Lien in respect of such Collateral, regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be and shall remain senior and prior to any Junior Lien in respect of such Collateral (whether or not (i) such Lien is subordinated (including through equitable subordination) to any Lien securing any other obligation, (ii) such Senior Lien has been adequately perfected or (iii) the avoidance, invalidation or lapse of any Senior Lien has occurred); and

(b) any Junior Lien in respect of such Collateral, regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be and shall remain junior and subordinate in all respects to any Senior Lien in respect of such Collateral.

2.2. Prohibition on Contesting Liens. In respect of any Collateral, the Junior Representative, on behalf of each Junior Secured Party, and the Senior Representative, on behalf of each Senior Secured Party, agrees that it shall not, and hereby waives any right to:

(a) contest, or support any other Person in contesting, in any proceeding (including any Insolvency Proceeding), the priority, validity or enforceability of any Senior Lien or Junior Lien on such Collateral; or

(b) demand, request, plead or otherwise assert or claim the benefit of any marshaling, appraisal, valuation or similar right which it may have in respect of such Collateral or the Senior Liens or Junior Liens on such Collateral, except to the extent that such rights are expressly granted in this Agreement.

2.3. Nature of Obligations. The Term Loan Representative on behalf of itself and the other Term Loan Secured Parties acknowledges that, in addition to the other indebtedness evidenced by the Working Capital Documents, a portion of the Working Capital Obligations represents debt that is revolving in nature and that the amount thereof that may be outstanding at any time or from time to time may be increased or reduced and subsequently reborrowed, and that the terms of the Working Capital Obligations may be modified, extended or amended from time to time, and that the aggregate amount of the Working Capital Obligations may be increased, replaced or refinanced, in each event, without notice to or consent by the Term Loan Secured Parties and without affecting the provisions hereof. The Working Capital Representative on behalf of itself and the other Working Capital Secured Parties acknowledges that Term Loan Obligations may be replaced or refinanced without notice to or consent by the Working Capital Secured Parties and without affecting the provisions hereof; provided that any amounts applied in reduction of the Term Loan Obligations may not be reborrowed. The Lien Priority provided in Section 2.1 shall not be altered or otherwise affected by any such amendment, modification, supplement, extension, repayment, reborrowing, increase, replacement, renewal, restatement or refinancing of either the Working Capital Obligations or the Term Loan Obligations, or any portion thereof.

2.4. No New Liens.

(a) Until the Working Capital Obligations Payment Date, no Loan Party shall grant to any Term Loan Secured Party any Lien on any assets of any Loan Party securing any Term Loan Obligation which assets are not also subject to the Lien of the Working Capital Representative under the Working Capital Documents, subject to the Lien Priority set forth herein. If any Term Loan Secured Party shall (nonetheless and in breach hereof) acquire or hold any Lien on any assets of any Loan Party securing any Term Loan Obligation which assets are not also subject to the Lien of the Working Capital Representative under the Working Capital Documents, subject to the Lien Priority set forth herein, then the Term Loan Representative (or the relevant Term Loan Secured Party) shall, without the need for any further consent of any other Term Loan Secured Party and notwithstanding anything to the contrary in any other Term Loan Document be deemed to also hold and have held such Lien for the benefit of the Working Capital Representative as security for the Working Capital Obligations (subject to the Lien Priority and other terms hereof) and Borrower shall promptly notify the Working Capital Representative in writing of the existence of such Lien.

(b) Until the Term Loan Obligations Payment Date, no Loan Party shall grant to any Working Capital Secured Party any Lien on any assets of any Loan Party securing any Working Capital Obligation which assets are not also subject to the Lien of the Term Loan Representative under the Term Loan Documents, subject to the Lien Priority set forth herein. If any Working Capital Secured Party shall (nonetheless and in breach hereof) acquire or hold any Lien on any assets of any Loan Party securing any Working Capital Obligation which assets are not also subject to the Lien of the Term Loan Representative under the Term Loan Documents, subject to the Lien Priority set forth herein, then the Working Capital Representative (or the relevant Working Capital Secured Party) shall, without the need for any further consent of any other Working Capital Secured Party and notwithstanding anything to the contrary in any other Working Capital Document be deemed to also hold and have held such Lien for the benefit of the Term Loan Representative as security for the Term Loan Obligations (subject to the Lien Priority and other terms hereof) and Borrower shall promptly notify the Term Loan Representative in writing of the existence of such Lien.

2.5. Separate Grants of Security and Separate Classification. Each Secured Party acknowledges and agrees that (i) the grants of Liens pursuant to the Working Capital Security Documents and the Term Loan Security Documents constitute two separate and distinct grants of Liens and (ii) because of, among other things, their differing rights in the Common Collateral, the Term Loan Obligations are fundamentally different from the Working Capital Obligations and should be separately classified in any plan of reorganization proposed or adopted in an Insolvency Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the Working Capital Secured Parties and the Term Loan Secured Parties in respect of the Common Collateral constitute claims in the same class (rather than separate classes of senior and junior secured claims), then the Working Capital Secured Parties and the Term Loan Secured Parties hereby acknowledge and agree that all distributions shall be made as if there were separate classes of Working Capital Obligations claims and Term Loan Obligations claims against the Loan Parties (with the effect being that, to the extent that the aggregate value of the Working Capital Priority Collateral or Term Loan Priority Collateral is sufficient (for this purpose ignoring all claims held by the other Secured Parties), the Working Capital Secured Parties or the Term Loan Secured Parties, respectively, shall be entitled to receive, in addition to any, amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing including, without limitation, in respect of Post-Petition Interest, that is available from each pool of Priority Collateral for the Senior Secured Parties, before any distribution is made in respect of the claims held by the Junior Secured Parties), with the Junior Secured Parties hereby acknowledging and agreeing to turn over to the respective Senior Secured Parties amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing

the aggregate recoveries, and to ensure that the Senior Secured Parties are satisfied in full. For the purposes of the foregoing, in the event the distributions to such class under such plan of reorganization are to be made in any combination of cash, debt and/or equity securities, the Secured Parties shall be entitled to receive such distributions (according to their priority) in the following order until the amount of the secured claim of such Secured Parties has been satisfied in full (with the debt and equity securities being valued for such purposes in the amount that has been established for purposes of such plan of reorganization): (i) first, cash, (ii) second, debt securities, and (iii) third, equity securities.

2.6. Agreements Regarding Actions to Perfect Liens. Each of the Working Capital Representative and the Term Loan Representative hereby acknowledges that, to the extent that it holds, or a third party holds on its behalf, physical possession of or "control" (as defined in the Uniform Commercial Code) over Common Collateral pursuant to the Working Capital Security Documents or the Term Loan Security Documents, as applicable, such possession or control is also for the benefit of the Term Loan Representative and the other Term Loan Secured Parties or the Working Capital Representative and the other Working Capital Secured Parties, as applicable, and the Senior Representative agrees to act as agent for the benefit of the Junior Secured Parties under each control agreement entered into or control arrangement with respect to any such Common Collateral, in each case, solely to the extent required to perfect their security interest in such Common Collateral. Nothing in the preceding sentence shall be construed to impose any duty (including, without limitation, any fiduciary duty or other implied duty) on the Working Capital Representative or the Term Loan Representative (or any third party acting on either such Person's behalf) with respect to such Common Collateral or provide the Term Loan Representative, any other Term Loan Secured Party, the Working Capital Representative or any other Working Capital Secured Party, as applicable, with any rights with respect to such Common Collateral beyond those specified in this Agreement, the Working Capital Security Documents and the Term Loan Security Documents, as applicable, provided that subsequent to the occurrence of the Working Capital Obligations Payment Date (so long as the Term Loan Obligations Payment Date shall not have occurred), the Working Capital Representative shall (i) deliver to the Term Loan Representative, at the Loan Parties' sole cost and expense, the Common Collateral in its possession or control together with any necessary endorsements to the extent required by the Term Loan Documents or (ii) direct and deliver such Common Collateral as a court of competent jurisdiction otherwise directs; provided, further, that subsequent to the occurrence of the Term Loan Obligations Payment Date (so long as the Working Capital Obligations Payment Date shall not have occurred), the Term Loan Representative shall (i) deliver to the Working Capital Loan Representative, at the Loan Parties' sole cost and expense, the Common Collateral in its possession or control together with any necessary endorsements to the extent required by the Working Capital Documents or (ii) direct and deliver such Common Collateral as a court of competent jurisdiction otherwise directs. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the Working Capital Secured Parties and the Term Loan Secured Parties and shall not impose on the Working Capital Secured Parties or the Term Loan Secured Parties any obligations in respect of the disposition of any Common Collateral (or any proceeds thereof) that would conflict with prior perfected Liens or any claims thereon in favor of any other Person that is not a Secured Party. Nothing in the first sentence of this paragraph shall (i) be construed to create any liability of the Working Capital Secured Parties to any of the Term Loan Secured Parties by reason of actions taken with respect to the creation, perfection or continuation of the security interest on any Working Capital Priority Collateral, actions with respect to the occurrence of an "Event of Default" under the Loan Documents, actions with respect to the foreclosure upon, sale, release, or depreciation of, or failure to realize upon, any of the Working Capital Priority Collateral or action with respect to the use or protection of the Working Capital Priority Collateral or (ii) be construed to create any liability of the Term Loan Secured Parties to any of the Working Capital Secured Parties by reason of actions taken with respect to the creation, perfection or continuation of the security interest on any Term Loan Priority Collateral, actions with respect to the occurrence of an "Event of Default" under the Loan Documents, actions with respect to the foreclosure upon, sale, release, or depreciation of, or failure to realize upon, any of the Term Loan Priority Collateral or action with respect to the use or protection of the Term Loan Priority Collateral.

SECTION 3. Enforcement Rights.

3.1. Exclusive Enforcement. Until the Senior Obligations Payment Date has occurred, whether or not an Insolvency Proceeding has been commenced by or against any Loan Party, the Senior Secured Parties shall have the exclusive right to take and continue any Enforcement Action (including the right to credit bid their debt) with respect to the Senior Collateral, without any consultation with or consent of any Junior Secured Party, but subject to the provisos set forth in Sections 3.2 and 5.1; provided that the Liens securing the Junior Obligations shall, subject to the subordination provisions set forth herein, remain on the Proceeds of such Senior Collateral released or disposed of pursuant to any Enforcement Action. Upon the occurrence and during the continuance of a default or an event of default under the Senior Documents, the Senior Representative and the other Senior Secured Parties may take and continue any Enforcement Action with respect to the Senior Obligations and the Senior Collateral in such order and manner as they may determine in their reasonable discretion in accordance with the terms and conditions of the Senior Documents.

3.2. Standstill and Waivers. Each Junior Representative, on behalf of itself and the other Junior Secured Parties, agrees that, until the Senior Obligations Payment Date has occurred, but subject to the proviso set forth in Section 5.1:

(a) they will not knowingly take or cause to be taken any action, the purpose or effect of which is to make any Lien on any Senior Collateral that secures any Junior Obligation pari passu with or senior to, or to give any Junior Secured Party any preference or priority relative to, the Liens on the Senior Collateral securing the Senior Obligations;

(b) they will not contest, oppose, object to, interfere with, hinder or delay, in any manner, whether by judicial proceedings (including without limitation the filing of an Insolvency Proceeding) or otherwise, any foreclosure, sale, lease, exchange, transfer or other disposition of the Senior Collateral by any Senior Secured Party or any other Enforcement Action taken (or any forbearance from taking any Enforcement Action) in respect of the Senior Collateral by or on behalf of any Senior Secured Party;

(c) they have no right to (x) direct either the Senior Representative or any other Senior Secured Party to exercise any right, remedy or power with respect to the Senior Collateral or pursuant to the Senior Security Documents in respect of the Senior Collateral or (y) consent or object to the exercise by the Senior Representative or any other Senior Secured Party of any right, remedy or power with respect to the Senior Collateral or pursuant to the Senior Security Documents with respect to the Senior Collateral or to the timing or manner in which any such right is exercised or not exercised (or, to the extent they may have any such right described in this clause (c), whether as a junior lien creditor in respect of the Senior Collateral or otherwise, they hereby irrevocably waive such right);

(d) they will not institute any suit or other proceeding or assert in any suit, Insolvency Proceeding or other proceeding any claim against any Senior Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise, with respect to, and no Senior Secured Party shall be liable for, any action taken or omitted to be taken by any Senior Secured Party with respect to the Senior Collateral or pursuant to the Senior Documents in respect of the Senior Collateral;

(e) they will not commence judicial or nonjudicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of any Senior Collateral, exercise any right, remedy or power with respect to, or otherwise take any action to enforce their interest in or realize upon, the Senior Collateral; and

(f) they will not seek, and hereby waive any right, to have the Senior Collateral or any part thereof marshaled upon any foreclosure or other disposition of the Senior Collateral;

provided that notwithstanding the foregoing or any other provision to the contrary, (i) subject to clauses (ii) through (vii) of this proviso, any Junior Secured Party may exercise its rights and remedies in respect of the Senior Collateral under the Junior Security Documents or applicable law after the passage of a period of one hundred eighty (180) days (the "Standstill Period") from the date of delivery of a notice in writing to the Senior Representative of its intention to exercise such rights and remedies, which notice may only be delivered following the occurrence of and during the continuation of an "Event of Default" under and as defined in the Junior Documents, (ii) subject to clauses (iii) through (vi) of this proviso, in no event shall any Junior Secured Party exercise or continue to exercise any such rights or remedies if, notwithstanding the expiration of the Standstill Period, (x) any Senior Secured Party shall have commenced and be diligently pursuing in good faith the exercise of any of its rights and remedies in a commercially reasonable manner with respect to a material portion of the Senior Collateral (prompt written notice of such exercise to be given to the Junior Representative) or (y) an Insolvency Proceeding in respect of any Loan Party shall have been commenced, (iii) in any Insolvency Proceeding commenced by or against any Loan Party, the Junior Representative and the Junior Secured Parties may take any action with respect to the Common Collateral solely as expressly permitted by Section 5, (iv) the Junior Representative may take any such action (not adverse to the Senior Liens on the Common Collateral, or the rights of the Senior Representative to exercise remedies in respect thereto, including any Enforcement Action) to create, prove, perfect, defend, preserve or protect (but not enforce, including, without limitation, by the exercise of control over any judicial foreclosure proceeding or other judicial lien enforcement proceeding with respect to any part of the Common Collateral) its claims against the Loan Parties and rights in, and perfection and priority of its Lien on, the Common Collateral (it being understood that neither the Junior Representative nor any Junior Secured Party shall be entitled to receive any Proceeds thereof unless otherwise expressly permitted herein), (v) any such exercise of remedies by the Senior Representative is conducted in a commercially reasonable manner, and (vi) so long as no Insolvency Proceeding has occurred and is continuing, no Junior Secured Party shall be required to withhold the exercise of any of its rights and remedies in respect of the Senior Collateral for greater than 365 days.

3.3. Judgment Creditors. In the event that any Term Loan Secured Party becomes a judgment lien creditor in respect of Common Collateral as a result of its enforcement of its rights as an unsecured creditor, such judgment lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Working Capital Liens and the Working Capital Obligations) to the same extent as all other Liens securing the Term Loan Obligations are subject to the terms of this Agreement. In the event that any Working Capital Secured Party becomes a judgment lien creditor in respect of Common Collateral as a result of its enforcement of its rights as an unsecured creditor, such judgment lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Term Loan Liens and the Term Loan Obligations) to the same extent as all other Liens securing the Working Capital Obligations are subject to the terms of this Agreement.

3.4. Cooperation; Sharing of Information and Access.

(a) The Term Loan Representative, on behalf of itself and the other Term Loan Secured Parties, agrees that each of them shall take such actions as the Working Capital Representative shall reasonably request in connection with the exercise by the Working Capital Secured Parties of their rights set forth herein in respect of the Working Capital Priority Collateral. The Working Capital Representative, on behalf of itself and the other Working Capital Secured Parties, agrees that each of them shall take such actions as the Term Loan Representative shall reasonably request in connection with the exercise by the Term Loan Secured Parties of their rights set forth herein in respect of the Term Loan Priority Collateral.

(b) In the event that the Working Capital Representative shall, in the exercise of its rights under the Working Capital Security Documents or otherwise, receive possession or control of any books and Records of any Loan Party which contain information identifying or pertaining to the Term Loan Priority Collateral, the Working Capital Representative shall promptly notify the Term Loan Representative of such fact and, upon request from the Term Loan Representative and as promptly as practicable thereafter, either make available to the Term Loan Representative such books and Records for inspection and duplication or provide to the Term Loan Representative copies thereof. In the event that the Term Loan Representative shall, in the exercise of its rights under the Term Loan Security Documents or otherwise, receive possession or control of any books and Records of any Loan Party which contain information identifying or pertaining to any of the Working Capital Priority Collateral, the Term Loan Representative shall promptly notify the Working Capital Representative Agent of such fact and, upon request from the Working Capital Representative and as promptly as practicable thereafter, either make available to the Working Capital Representative such books and Records for inspection and duplication or provide the Working Capital Representative copies thereof.

3.5. No Additional Rights For the Loan Parties Hereunder. Except as provided in Section 3.6 hereof, if any Working Capital Secured Party or Term Loan Secured Party shall enforce its rights or remedies in violation of the terms of this Agreement, no Loan Party shall be entitled to use such violation as a defense to any action by any Working Capital Secured Party or Term Loan Secured Party, nor to assert such violation as a counterclaim or basis for set off or recoupment against any Working Capital Secured Party or Term Loan Secured Party.

3.6. Actions Upon Breach.

(a) If any Working Capital Secured Party or Term Loan Secured Party, contrary to this Agreement, commences or participates in any action or proceeding against any Loan Party or the Common Collateral, such Loan Party, with the prior written consent of the Working Capital Representative or the Term Loan Representative, as applicable, may interpose as a defense or dilatory plea the making of this Agreement, and any Working Capital Secured Party or Term Loan Secured Party, as applicable, may intervene and interpose such defense or plea in its or their name or in the name of such Loan Party.

(b) Should any Working Capital Secured Party or Term Loan Secured Party, contrary to this Agreement, in any way take, attempt to or threaten to take any action with respect to the Common Collateral (including, without limitation, any attempt to realize upon or enforce any remedy with respect to this Agreement), or fail to take any action required by this Agreement, any Working Capital Secured Party or Term Loan Secured Party (in its own name or in the name of the relevant Loan Party), as applicable, may obtain relief against such Working Capital Secured Party or Term Loan Secured Party, as applicable, by injunction, specific performance and/or other appropriate equitable relief, it being understood and agreed by each of the Working Capital Representative on behalf of each Working Capital Secured Party and the Term Loan Representative on behalf of each Term Loan Secured Party that (i) the Working Capital Secured Parties' or Term Loan Secured Parties', as applicable, damages from its actions may at that time be difficult to ascertain and may be irreparable, and (ii) each Term Loan Secured Party or Working Capital Secured Party, as applicable, waives any defense that the Loan Parties and/or the Term Loan Secured Parties and/or Working Capital Secured Parties, as applicable, cannot demonstrate damage and/or be made whole by the awarding of damages.

3.7. Rights as Unsecured Creditors; Voting Rights Preserved. The Junior Representative and the other Junior Secured Parties may, in accordance with the terms of the Junior Documents and applicable law, enforce rights and exercise remedies against any Loan Party as unsecured creditors; provided that no such action is otherwise inconsistent with the terms of this Agreement. Nothing in this Agreement shall prohibit the receipt by the Junior Representative or any other Junior Secured Party of the required payments of principal, premium, interest, fees and other amounts due and payable under the Junior Documents, so long as such receipt is not the direct or indirect result of (i) the receipt by the Junior Representative or any other Junior Secured Party of Common Collateral or Proceeds thereof, other than in accordance with and subject to the terms of this Agreement, (ii) enforcement or exercise by the Junior Representative or any other Junior Secured Party of rights or remedies as a secured creditor (including any right of setoff) against Junior Collateral or (iii) enforcement in contravention of this Agreement. Each of the Term Loan Representative and the Working Capital Representative retains any rights which it may have in any Insolvency Proceeding to vote for or against any proposed plan of reorganization not otherwise inconsistent with the provisions of this Agreement.

3.8. Intellectual Property. Until the day after the Term Loan Obligations Payment Date, the Working Capital Representative, on behalf of itself and the other Working Capital Secured Parties, agrees that they will not institute any suit or other proceeding or assert in any suit, Insolvency Proceeding or other proceeding any claim in respect of the License Agreement (as in effect on the date hereof) and will not contest, oppose, object to, interfere with, hinder or delay, in any manner, whether by judicial proceedings (including any Insolvency Proceeding) or otherwise, any rights of the Term Loan Secured Parties under the License Agreement (as in effect on the date hereof). Until the day after the Term Loan Obligations Payment Date, the Working Capital Representative agrees that, in connection with any foreclosure sale conducted by the Working Capital Representative in respect of the Working Capital Intellectual Property, (i) any notice required to be given by the Working Capital Representative in connection with such foreclosure shall contain an acknowledgement that the Working Capital Lien is subject to the License Agreement (as in effect on the date hereof) and (ii) the Working Capital Representative shall deliver a copy of the License Agreement (as in effect on the date hereof) to any purchaser at such foreclosure and provide written notice to such purchaser that the Working Capital Lien and the purchaser's rights in such transferred Working Capital Intellectual Property are subject to the License Agreement (as in effect on the date hereof).

SECTION 4. Application of Proceeds of Senior Collateral; Dispositions and Releases of Lien; Insurance.

4.1. Application of Proceeds.

(a) Application of Proceeds of Senior Collateral. The Senior Representative and Junior Representative hereby agree that all Senior Collateral, and all Proceeds thereof, received by either of them in connection with the collection, sale or disposition of Senior Collateral by such Senior Representative, Junior Representative or any Secured Party after an "Event of Default" under any Loan Documents shall be applied,

first, to the payment of costs and expenses (including reasonable attorneys' fees and expenses and court costs) of the Senior Representative in connection with such Enforcement Action,

second, to the payment of the Senior Obligations in accordance with the Senior Documents until the Senior Obligations Payment Date,

third, to the payment of the Junior Obligations in accordance with the terms of the Junior Documentation, and

fourth, the balance, if any, to the Loan Parties or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(b) Limited Obligation or Liability. In exercising remedies, whether as a secured creditor or otherwise, the Senior Representative shall have no obligation or liability to the Junior Representative or to any Junior Secured Party, regarding the adequacy of any Proceeds or for any action or omission, save and except solely for an action or omission that breaches the express obligations undertaken by each party under the terms of this Agreement.

(c) Segregation of Collateral. Until the occurrence of the Senior Obligations Payment Date, any Senior Collateral that may be received by any Junior Secured Party in violation of this Agreement shall be segregated and held in trust and promptly paid over to the Senior Representative, for the benefit of the Senior Secured Parties, in the same form as received, with any necessary endorsements, and each Junior Secured Party hereby authorizes the Senior Representative to make any such endorsements as agent for the Junior Representative (which authorization, being coupled with an interest, is irrevocable).

4.2. Releases of Liens.

(a) (i) Upon (A) any release, sale or disposition of Working Capital Priority Collateral permitted pursuant to the terms of the Working Capital Documents (or consented to by the Working Capital Representative) or (B) any sale or disposition of Working Capital Priority Collateral consummated in connection with an Enforcement Action or consummated after the institution of any Insolvency Proceeding that results in the release of the Lien on any Working Capital Priority Collateral, the Lien securing the Term Loan Obligations on such Working Capital Priority Collateral (excluding any portion of the Proceeds of such Working Capital Priority Collateral remaining after the Working Capital Obligations Payment Date occurs) shall be automatically and unconditionally released (other than any release on the Proceeds thereof (which Proceeds shall be subject to the priorities set forth in Section 2.1 and shall be applied in accordance with Section 4.1)) with no further consent or action of any Person. The Term Loan Representative shall promptly execute and deliver such release documents and instruments and shall take such further actions as the Working Capital Representative shall reasonably request to evidence any release of the Lien securing the Term Loan Obligations described in this Section 4.2(a). The Term Loan Representative hereby appoints the Working Capital Representative and any officer or duly authorized person of the Working Capital Representative, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power of attorney in the place and stead of the Term Loan Representative and in the name of the Term Loan Representative or in the Working Capital Representative's own name, from time to time, in the Working Capital Representative's sole discretion, for the purposes of carrying out the terms of this Section 4.2(a), to take any and all appropriate action and to execute and deliver any and all documents and instruments as may be necessary or desirable to accomplish the purposes of this Section 4.2(a), including, without limitation, any financing statements, endorsements, assignments, releases or other documents or instruments of transfer (which appointment, being coupled with an interest, is irrevocable), but only if the Term Loan Representative fails to promptly execute such documents reasonably requested by the Working Capital Representative.

(ii) In any sale or other disposition of any of the Working Capital Priority Collateral by the Working Capital Representative, the Working Capital Representative shall conduct such sale or other disposition in a commercially reasonable manner. The Working Capital Representative acknowledges and agrees that it is the Working Capital Representative's intention that, during the time it is conducting any sale, disposition or Enforcement Action, the Working Capital Representative will use reasonable efforts to regularly advise the Term Loan Representative of the status of any sale, disposition or Enforcement Action, and to consult with the Term Loan Representative from time to time with respect to the various options available to the Working Capital Representative with respect to any such sale, disposition or

Enforcement Action of the Working Capital Priority Collateral and any and all offers which may be made from time to time by prospective purchasers of the Working Capital Priority Collateral. Failure of the Working Capital Representative to so advise or consult the Term Loan Representative shall not, by itself, cause any action taken by the Working Capital Representative to be deemed unreasonable.

(iii) To the extent that the Working Capital Secured Parties (i) have released any Lien on the Working Capital Priority Collateral and any such Lien is later reinstated or (ii) obtain any new first priority Liens, then the Term Loan Secured Parties shall be at the time of such reinstatement granted a second priority Lien on any such Working Capital Priority Collateral consistent with the arrangements in effect on the date hereof and subject to the terms and conditions hereof.

(b) (i) Upon (A) any release, sale or disposition of Term Loan Priority Collateral permitted pursuant to the terms of the Term Loan Documents (or consented to by the Term Loan Representative) or (B) any sale or disposition of Term Loan Priority Collateral consummated in connection with an Enforcement Action or consummated after the institution of any Insolvency Proceeding that results in the release of the Lien on any Term Loan Priority Collateral, the Lien securing the Working Capital Obligations on such Term Loan Priority Collateral (excluding any portion of the Proceeds of such Term Loan Priority Collateral remaining after the Term Loan Obligations Payment Date occurs) shall be automatically and unconditionally released (other than any release on the Proceeds thereof (which Proceeds shall be subject to the priorities set forth in Section 2.1 and shall be applied in accordance with Section 4.1)) with no further consent or action of any Person. The Working Capital Representative shall promptly execute and deliver such release documents and instruments and shall take such further actions as the Term Loan Representative shall reasonably request to evidence any release of the Lien securing the Working Capital Obligations described in this Section 4.2(b). The Working Capital Representative hereby appoints the Term Loan Representative and any officer or duly authorized person of the Term Loan Representative, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power of attorney in the place and stead of the Working Capital Representative and in the name of the Working Capital Representative or in the Term Loan Representative's own name, from time to time, in the Term Loan Capital Representative's sole discretion, for the purposes of carrying out the terms of this Section 4.2(b), to take any and all appropriate action and to execute and deliver any and all documents and instruments as may be necessary or desirable to accomplish the purposes of this Section 4.2(b), including, without limitation, any financing statements, endorsements, assignments, releases or other documents or instruments of transfer (which appointment, being coupled with an interest, is irrevocable), but only if the Working Capital Representative fails to promptly execute such documents reasonably requested by the Term Loan Representative.

(ii) In any sale or other disposition of any of the Term Loan Priority Collateral by the Term Loan Representative, the Term Loan Representative shall conduct such sale or other disposition in a commercially reasonable manner. The Term Loan Representative acknowledges and agrees that it is the Term Loan Representative's intention that, during the time it is conducting any sale, disposition or Enforcement Action, the Term Loan Representative will use reasonable efforts to regularly advise the Working Capital Representative of the status of any sale, disposition or Enforcement Action, and to consult with the Working Capital Representative from time to time with respect to the various options available to the Term Loan Representative with respect to any such sale, disposition or Enforcement Action of the Term Loan Priority Collateral and any and all offers which may be made from time to time by prospective purchasers of the Term Loan Priority Collateral. Failure of the Term Loan Representative to so advise or consult the Working Capital Representative shall not, by itself, cause any action taken by the Term Loan Representative to be deemed unreasonable.

(iii) To the extent that the Term Loan Secured Parties (i) have released any Lien on the Term Loan Priority Collateral and any such Lien is later reinstated or (ii) obtain any new first priority Liens, then the Term Loan Secured Parties shall be at the time of such reinstatement granted a second priority Lien on any such Term Loan Priority Collateral consistent with the arrangements in effect on the date hereof and subject to the terms and conditions hereof.

4.3. Insurance. Proceeds of Common Collateral include insurance proceeds and therefore the Lien Priority shall govern the ultimate disposition of casualty insurance proceeds. The Working Capital Representative shall, so long as the Working Capital Obligations Payment Date has not occurred, be named as additional insured or loss payee, as applicable, with respect to all insurance policies relating to the Collateral and the Term Loan Representative shall, so long as the Term Loan Obligations Payment Date has not occurred, be named as additional insured or loss payee, as applicable, with respect to all insurance policies relating to the Collateral. The Working Capital Representative shall have the sole and exclusive right, as against the Term Loan Representative, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of Working Capital Priority Collateral. The Term Loan Representative shall have the sole and exclusive right, as against the Working Capital Representative, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of Term Loan Priority Collateral. All proceeds of such insurance shall be remitted to the Working Capital Representative or the Term Loan Representative, as the case may be, and each of the Term Loan Representative and Working Capital Representative shall cooperate (if necessary) in a reasonable manner in effecting the payment of insurance proceeds in accordance with Section 4.1.

SECTION 5. Insolvency Proceedings.

5.1. Filing of Motions. Except as otherwise set forth in and expressly permitted by this Agreement, until the Senior Obligations Payment Date has occurred, the Junior Representative agrees on behalf of itself and the other Junior Secured Parties that no Junior Secured Party shall, in or in connection with any Insolvency Proceeding, file any pleadings or motions, take any position at any hearing or proceeding of any nature, or otherwise take any action whatsoever, in each case in respect of any of the Senior Collateral, including, without limitation, with respect to the determination of any Liens or claims held by the Senior Representative (including the validity and enforceability thereof) or any other Senior Secured Party in respect of any Senior Collateral or the value of any claims of such parties under Section 506(a) of the Bankruptcy Code or otherwise without the prior written consent of the Senior Representative; provided that the Junior Representative or any other Junior Secured Party may (i) file a proof of claim in an Insolvency Proceeding, (ii) file any necessary responsive or defensive pleadings in opposition of any motion or other pleadings made by any Person objecting to or otherwise seeking the disallowance of any Person objecting to or otherwise seeking the disallowance of the claims of the Junior Secured Parties on the Senior Collateral, subject to the limitations contained in this Agreement and only if consistent with the terms and the limitations on the Junior Representative imposed hereby, (iii) file any reasonably necessary pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Loan Parties arising under either the Bankruptcy Code or applicable non-bankruptcy law, in each case, if not otherwise in contravention of the terms of this Agreement, (iv) make any reasonably necessary arguments and motions in order to preserve or protect their Liens on the Collateral that are, in each case, not otherwise in contravention of the terms of this Agreement, with respect to the Junior Obligations and the Collateral, (v) exercise any of its rights or remedies with respect to the Collateral after the termination of the Standstill Period, to the extent permitted by this Agreement, (vi) vote on any plan of reorganization in any Insolvency Proceeding, to the extent not prohibited by or in any way inconsistent with the provisions hereof and (vii) present a cash bid at any auction or hearing, or with respect to any disposition of Collateral, under Section 363 of the Bankruptcy Code or otherwise.

5.2. Use of Cash Collateral. Until the Working Capital Obligations Payment Date, if an Insolvency Proceeding was commenced, the Term Loan Representative, as holder of a Junior Lien on the Working Capital Priority Collateral, will not contest, protest or object to, and each Junior Secured Party will be deemed to have consented to, any use, sale or lease of "cash collateral" (as defined in section 363(a) of the Bankruptcy Code), provided that the Term Loan Representative otherwise retains its Junior Lien on the Working Capital Priority Collateral and any Liens granted as adequate protection and subject to this Agreement. Until the Term Loan Obligations Payment Date, if an Insolvency Proceeding has commenced, the Working Capital Representative, as holder of a Junior Lien on the Term Loan Priority Collateral, will not contest, protest or object to, and each Junior Secured Party will be deemed to have consented to, any use, sale or lease of "cash collateral" (as defined in section 363(a) of the Bankruptcy Code), provided that Working Capital Representative otherwise retains its Junior Lien on the Term Loan Priority Collateral and any Liens granted as adequate protection and subject to this Agreement.

5.3. Relief From the Automatic Stay. Until the Working Capital Obligations Payment Date, the Term Loan Representative agrees, on behalf of itself and the other Term Loan Secured Parties, that none of them will seek relief from the automatic stay contained in Section 362 of the Bankruptcy Code or from any other stay in any Insolvency Proceeding or take any action in derogation thereof, in each case in respect of any Working Capital Priority Collateral, without the prior written consent of the Working Capital Representative (except if the Working Capital Representative on behalf of itself and the Working Capital Secured Parties, seeks relief from the automatic stay to exercise its rights against the Collateral, then the Term Loan Representative, on behalf of itself and the Term Loan Secured Parties, may seek limited relief from the automatic stay only to preserve its right to receive Proceeds of the Collateral payable to it and the Term Loan Secured Parties under and in accordance with this Agreement). Until the Term Loan Obligations Payment Date, the Working Capital Representative agrees, on behalf of itself and the other Working Capital Secured Parties, that none of them will seek relief from the automatic stay contained in Section 362 of the Bankruptcy Code or from any other stay in any Insolvency Proceeding or take any action in derogation thereof, in each case in respect of any Term Loan Priority Collateral, without the prior written consent of the Term Loan Representative (except if the Term Loan Representative on behalf of itself and the Term Loan Secured Parties, seeks relief from the automatic stay to exercise its rights against the Collateral, then the Working Capital Representative, on behalf of itself and the Working Capital Secured Parties, may seek limited relief from the automatic stay only to preserve its right to receive Proceeds of the Collateral payable to it and the Working Capital Secured Parties under and in accordance with this Agreement).

5.4. Post-Petition Interest; Adequate Protection.

(a) Neither the Junior Representative nor any other Junior Secured Party shall object to, oppose, or challenge any claim by the Senior Representative or any Senior Secured Party with respect to the applicable Common Collateral for allowance in any Insolvency Proceeding of Senior Obligations consisting of post-petition interest, fees, or expenses. So long as the Senior Representative and the Senior Secured Parties shall have received and shall continue to receive all accrued post-petition interest, fees, or expenses with respect to the Senior Obligations, the Junior Representative or any Junior Secured Party may seek allowance in any Insolvency Proceeding of post-petition interest, fees, or expenses and all rights in connection therewith of the Senior Representative and each Senior Secured Party are reserved.

(b) The Term Loan Representative, on behalf of itself and the Term Loan Secured Parties, agrees that, prior to the Working Capital Obligations Payment Date, none of them shall contest (or support any other Person contesting) (i) any request by the Working Capital Representative or any Working Capital Secured Party for adequate protection of its interest in the Working Capital Priority Collateral, or (ii) any objection by the Working Capital Representative or any Working Capital Secured Party to any motion, relief, action, or proceeding based on a claim by such Person that its interests in the Working Capital Priority Collateral are not adequately protected (or any other similar request under any law applicable to an Insolvency Proceeding), so long as any Liens granted to the Working Capital Representative or any Working Capital Secured Party as adequate protection of its interests are subject to this

Agreement. The Working Capital Representative, on behalf of itself and the Working Capital Secured Parties, agrees that, prior to the Term Loan Obligations Payment Date, none of them shall contest (or support any other Person contesting) (i) any request by the Term Loan Representative or any Term Loan Secured Party for adequate protection of its interest in the Term Loan Priority Collateral, or (ii) any objection by the Term Loan Representative or any Term Loan Secured Party to any motion, relief, action, or proceeding based on a claim by such Person that its interests in the Term Loan Priority Collateral are not adequately protected (or any other similar request under any law applicable to an Insolvency Proceeding), so long as any Liens granted to the Term Loan Representative or any Term Loan Secured Party as adequate protection of its interests are subject to this Agreement.

5.5. Avoidance Issues. If any Senior Secured Party is required in any Insolvency Proceeding or otherwise to disgorge, turn over or otherwise pay to the estate of any Loan Party (or to any trustee, receiver or similar Person), because such amount was avoided or ordered to be paid or disgorged for any reason, including without limitation because it was found to be a fraudulent or preferential transfer, any amount (a "Recovery"), whether received as proceeds of security, enforcement of any right of set-off or otherwise, then the Senior Obligations shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Senior Obligations Payment Date shall be deemed not to have occurred. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall be deemed not to have occurred and shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto. The Junior Secured Parties agree that none of them shall be entitled to benefit in any manner that is inconsistent with the terms of this Agreement from any avoidance action affecting or otherwise relating to any distribution or allocation made in accordance with this Agreement, whether by preference or otherwise, it being understood and agreed that the benefit of such avoidance action otherwise allocable to them shall instead be allocated and turned over for application in accordance with the priorities set forth in this Agreement.

5.6. Asset Dispositions in an Insolvency Proceeding. Except as set forth below, neither the Junior Representative nor any other Junior Secured Party shall, in an Insolvency Proceeding or otherwise, oppose any sale or disposition of any Senior Collateral that is supported by the Senior Secured Parties holding a majority of the Senior Obligations, and the Junior Representative and each other Junior Secured Party will be deemed to have consented under Section 363 of the Bankruptcy Code (and otherwise) to any sale of any Senior Collateral supported by the Senior Secured Parties and to have released their Liens on such assets; provided that (A) the applicable order of the bankruptcy court approving such sale expressly provides that all Liens shall attach to the Proceeds thereof to the same extent and priority as all such Liens currently apply to the Senior Collateral, (B) the net cash Proceeds of the disposition will be applied to repay (and to the extent applicable, to reduce permanently, commitments with respect to) the Senior Obligations and (C) such motion does not impair the rights of the Junior Secured Parties under Section 363(k) of the Bankruptcy Code.

5.7. Other Matters. To the extent that the Senior Representative or any Senior Secured Party has or acquires rights under Section 363 or Section 364 of the Bankruptcy Code with respect to any of the Junior Collateral, the Senior Representative agrees, on behalf of itself and the other Senior Secured Parties, not to assert any of such rights without the prior written consent of the Junior Representative.

5.8. Effectiveness in Insolvency Proceedings. This Agreement, which the parties hereto expressly acknowledge is a "subordination agreement" under Section 510(a) of the Bankruptcy Code, shall be effective before, during and after the commencement of an Insolvency Proceeding.

5.9. Distributions. If, in any Insolvency Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed pursuant to a plan of reorganization or similar dispositive restructuring plan, on account of the Working Capital Obligations and the Term Loan Obligations, then, to the extent the debt obligations distributed on account of such Working Capital Obligations or Term Loan Obligations, as the case may be, are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

5.10. Section 1111(b) of the Bankruptcy Code. Neither the Term Loan Representative nor the Working Capital Representative shall object to, oppose, support any objection, or take any other action to impede, the right of the other representative to make an election under Section 1111(b)(2) of the Bankruptcy Code with respect to such other representatives' s respective Priority Collateral. So long as the respective rights and remedies available to the respective representative hereunder are not impaired thereby, each of the representatives waives any claim it may hereafter have against the other representative arising out of the election thereby of such application of Section 1111(b)(2) of the Bankruptcy Code with respect to its Priority Collateral.

SECTION 6. Term Loan Documents and Working Capital Documents.

(a) Each Loan Party and the Term Loan Representative, on behalf of itself and the Term Loan Secured Parties, agrees that it shall not at any time execute or deliver any amendment or other modification to any of the Term Loan Documents inconsistent with or in violation of this Agreement.

(b) Each Loan Party and the Working Capital Representative, on behalf of itself and the Working Capital Secured Parties, agrees that it shall not at any time execute or deliver any amendment or other modification to any of the Working Capital Documents inconsistent with or in violation of this Agreement.

(c) [reserved]

(d) The Working Capital Documents may be amended, restated, supplemented or otherwise modified in accordance with their terms and the Working Capital Agreements may be refinanced with a Replacement Working Capital Agreement in each case, without the consent of the Term Loan Representative; provided that (i) the holders of any such Replacement Working Capital Agreement (or their agent on their behalf) shall bind themselves in writing to the terms of this Agreement, (ii) the aggregate principal or face amount of Working Capital Obligations described in clause (a), (c) and (d) of such definition shall not exceed the Working Capital Cap Amount and (iii) any such amendment, restatement, supplement modification or Replacement Working Capital Agreement shall not shorten the maturity date of the Working Capital Obligations, nor modify the mandatory prepayment provisions applicable to the Working Capital Obligations.

(e) The Term Loan Documents may be amended, restated, supplemented or otherwise modified in accordance with their terms and the Cowen Term Loan Agreement may be refinanced with a Replacement Term Loan Agreement in each case, without the consent of the Working Capital Loan Representative; provided that (i) the holders of any such Replacement Term Loan Agreement (or their agent on their behalf) shall bind themselves in writing to the terms of this Agreement, (ii) the aggregate principal or face amount of Term Loan Obligations described in clause (a) of such definition shall not exceed the Term Loan Cap Amount and (iii) any such amendment, restatement, supplement modification or Replacement Term Loan Agreement shall not shorten the maturity date of the Term Loan Obligations, nor modify the mandatory prepayment provisions applicable to the Term Loan Obligations.

SECTION 7. Purchase Options.

7.1. Notice of Exercise.

(a) Upon the occurrence of (i) the acceleration of the Junior Obligations in accordance with the terms of the Junior Documents or the taking of any remedies under the Junior Documents by any Junior Secured Party, (ii) a payment default under the Junior Documents that has not been cured or waived by the Junior Secured Parties within sixty (60) days of the occurrence thereof, (iii) the commencement of an Insolvency Proceeding or (iv) the commencement of a Standstill Period, all or a portion of the Senior Secured Parties, acting as a single group, shall have the option at any time upon two (2) Business Days' prior written notice to the Junior Representative, to purchase all of the Junior Obligations from the Junior Secured Parties; provided, that such option shall expire if the applicable Senior Representative fails to deliver such written notice to the Junior Representative within five (5) Business Days following the first date the Junior Representative obtains actual knowledge of the occurrence of the earliest Purchase Option Event.

(b) Upon the occurrence of (i) the acceleration of the Senior Obligations in accordance with the terms of the Senior Documents or the taking of any remedies under the Senior Documents by any Senior Secured Party, (ii) a payment default under the Senior Documents that has not been cured or waived by the Senior Secured Parties within sixty (60) days of the occurrence thereof, (iii) the commencement of an Insolvency Proceeding or (iv) the commencement of a Standstill Period, all or a portion of the Junior Secured Parties, acting as a single group, shall have the option at any time upon two (2) Business Days' prior written notice to the Senior Representative to purchase all of the Senior Obligations from the Senior Secured Parties; provided, that such option shall expire if the applicable Junior Representative fails to deliver such written notice to the Senior Representative within five (5) Business Days following the first date the Senior Representative obtains actual knowledge of the occurrence of the earliest Purchase Option Event.

7.2. Purchase and Sale.

(a) On the date specified by the relevant Term Loan Creditors in the notice contemplated by Section 7.1(a) above (which shall not be more than fifteen (15) Business Days, after the receipt by the Working Capital Representative of the notice of the relevant Term Loan Creditor's election to exercise such option), the Working Capital Creditors shall sell to the relevant Term Loan Creditors, and the relevant Term Loan Creditors shall purchase from the Working Capital Creditors, the Working Capital Obligations. The Loan Parties confirm that the Working Capital Representative and the Working Capital Secured Parties shall retain all rights to be indemnified or held harmless by the Loan Parties in accordance with the terms of the Working Capital Documents but shall not retain any rights to the security therefor.

(b) On the date specified by the relevant Working Capital Creditors in the notice contemplated by Section 7.1(b) above (which shall not be more than fifteen (15) Business Days, after the receipt by the Term Loan Representative of the notice of the relevant Working Capital Creditor's election to exercise such option), the Term Loan Creditors shall sell to the relevant Working Capital Creditors, and the relevant Working Capital Creditors shall purchase from the Term Loan Creditors, the Term Loan Obligations. The Loan Parties confirm that the Term Loan Representative and the Term Loan Secured Parties shall retain all rights to be indemnified or held harmless by the Loan Parties in accordance with the terms of the Term Loan Documents but shall not retain any rights to the security therefor.

7.3. Payment of Purchase Price. Upon the date of such purchase and sale (which shall not be more than fifteen (15) Business Days, after the receipt by the Working Capital Representative or the Term Loan Representative, as applicable, of the notice of the relevant Term Loan Creditor's or Working Capital

Creditor's, as applicable, election to exercise such option), the relevant Term Loan Creditors or the relevant Working Capital Creditors, as applicable, shall (a) pay to the Working Capital Representative for the benefit of the Working Capital Creditors (with respect to a purchase of the Working Capital Obligations) or to the Term Loan Representative for the benefit of the Term Loan Creditors (with respect to a purchase of the Term Loan Obligations), as the purchase price therefor, the full amount of all the Working Capital Obligations or Term Loan Obligations, as applicable, then outstanding and unpaid (including principal, interest, prepayment premiums, fees and expenses, including reasonable attorneys' fees and legal expenses), (b) with respect to a purchase of the Working Capital Obligations, furnish cash collateral to the Working Capital Representative in a manner and in such amounts as the Working Capital Representative reasonably determines is reasonably necessary to secure the Working Capital Representative, the Working Capital Secured Parties, letter of credit issuing banks and applicable affiliates in connection with any issued and outstanding letters of credit, Swap Obligations and Banking Services Obligations secured by the Working Capital Documents, (c) with respect to a purchase of the Working Capital Obligations, agree to reimburse (or provide cash collateral upon the request of the Working Capital Representative) the Working Capital Representative, the Working Capital Secured Parties and letter of credit issuing banks for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) in connection with any commissions, fees, costs or expenses related to any issued and outstanding letters of credit as described above and any checks or other payments provisionally credited to the Working Capital Obligations, and/or as to which the Working Capital Representative has not yet received final payment, (d) agree to reimburse the Working Capital Secured Parties or the Term Loan Secured Parties, as applicable, and, with respect to a purchase of the Working Capital Obligations, letter of credit issuing banks, in respect of indemnification obligations of the Loan Parties under the Working Capital Documents or the Term Loan Documents, as applicable, as to matters or circumstances known to the Working Capital Representative, the Term Loan Representative or the Term Loan Representative, as applicable, at the time of the purchase and sale which would reasonably be expected to result in any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) to the Working Capital Secured Parties, the Term Loan Secured Parties or letter of credit issuing banks, as applicable, and (e) agree to indemnify and hold harmless the Working Capital Secured Parties or the Term Loan Secured Parties, as applicable, and, with respect to a purchase of the Working Capital Obligations, letter of credit issuing banks, from and against any loss, liability, claim, damage or expense (including reasonable fees and expenses of legal counsel) arising out of any claim asserted by a third party in respect of the Working Capital Obligations or the Term Loan Obligations, as applicable, as a direct result of any acts by any Term Loan Secured Party or any Working Capital Secured Party, as applicable, occurring after the date of such purchase; provided that solely with respect to this clause (e), in no event shall the Term Loan Creditors or Working Capital Creditors, as applicable, purchasing such Working Capital Obligations or Term Loan Obligations, as applicable, be required to indemnify and hold harmless the Working Capital Secured Parties or the Term Loan Secured Parties, as applicable, for any amounts in excess of proceeds of Common Collateral received by such Term Loan Creditors or Working Capital Creditors, as applicable. Such purchase price and cash collateral shall be remitted by wire transfer in federal funds to such bank account designated in writing by the Working Capital Representative or the Term Loan Representative, as applicable, for such purpose. In order to effectuate the foregoing, the Senior Representative or Junior Representative, as applicable, shall calculate, upon written request of the Senior Representative or Junior Representative, as applicable, from time to time, the amount in cash that would be necessary to purchase the Senior Obligations or Junior Obligations, as applicable.

7.4. Limitation on Representations and Warranties. Such purchase shall be expressly made without representation or warranty of any kind by any selling party (or the applicable Representative or the Term Loan Representative) and without recourse of any kind, except that the selling party shall represent and warrant: (a) the principal amount of the Working Capital Obligations or Term Loan Obligations, as applicable, being purchased from it, (b) that such Working Capital Secured Party or Term Loan Secured Party, as applicable, owns the Working Capital Obligations or Term Loan Obligations, as applicable, and has not created a Lien thereon and (c) that such Working Capital Secured Party or Term Loan Secured Party, as applicable, has the right to assign such Working Capital Obligations or Term Loan Obligations, as applicable, and the assignment is duly authorized.

7.5. Continuation of Certain Terms. Notwithstanding any purchase of the Term Loan Obligations or the Working Capital Obligations pursuant to this Section 7, the Term Secured Parties or the Working Capital Secured Parties, as applicable, shall retain those contingent reimbursement obligations, indemnification obligations and other obligations under the Term Loan Documents or the Working Capital Documents, as applicable, which by their express terms would survive any repayment of the Term Loan Obligations or the Working Capital Obligations, as applicable.

SECTION 8. Reliance; Waivers; etc.

8.1. Reliance. The Working Capital Documents are deemed to have been executed and delivered, and all extensions of credit thereunder are deemed to have been made or incurred, in reliance upon this Agreement. The Term Loan Representative, on behalf of itself and the other Term Loan Secured Parties, expressly waives all notice of the acceptance of and reliance on this Agreement by the Working Capital Representative and the other Working Capital Secured Parties. The Term Loan Documents are deemed to have been executed and delivered and all extensions of credit thereunder are deemed to have been made or incurred, in reliance upon this Agreement. The Working Capital Representative, on behalf of itself and the other Working Capital Secured Parties, expressly waives all notice of the acceptance of and reliance on this Agreement by the Term Loan Representative and the other Term Loan Secured Parties.

8.2. No Warranties or Liability. The Term Loan Representative and the Working Capital Representative acknowledge and agree that neither has made any representation or warranty with respect to the execution, validity, legality, completeness, collectibility or enforceability of any Working Capital Document or any Term Loan Document. Except as otherwise provided in this Agreement, the Term Loan Representative and the Working Capital Representative will be entitled to manage and supervise the respective extensions of credit to any Loan Party in accordance with law and their usual practices, modified from time to time as they deem appropriate.

8.3. No Waivers. No right or benefit of any party hereunder shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of such party or any other party hereto or by any noncompliance by any Loan Party with the terms and conditions of any of the Working Capital Documents or the Term Loan Documents.

SECTION 9. Obligations Unconditional.

All rights, interests, agreements and obligations hereunder of the Senior Representative and the Senior Secured Parties in respect of any Collateral and the Junior Representative and the Junior Secured Parties in respect of such Collateral shall remain in full force and effect regardless of:

(a) any lack of validity or enforceability of any Senior Document or any Junior Document and regardless of whether the Liens of the Senior Representative and Senior Secured Parties are not perfected or are voidable for any reason;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Obligations or Junior Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any Senior Document or any Junior Document;

(c) any exchange, release or lack of perfection of any Lien on any Collateral or any other asset, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Obligations or Junior Obligations or any guarantee thereof;

(d) the commencement of any Insolvency Proceeding in respect of any Loan Party; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, any Loan Party in respect of any Secured Obligation or of any Junior Secured Party in respect of this Agreement.

SECTION 10. Miscellaneous.

10.1. Rights of Subrogation. The Term Loan Representative, for and on behalf of itself and the Term Loan Secured Parties, agrees that no payment to the Working Capital Representative or any Working Capital Secured Party pursuant to the provisions of this Agreement shall entitle the Term Loan Representative or any Term Loan Secured Party to exercise any rights of subrogation in respect thereof until the Working Capital Obligations Payment Date. Following the Working Capital Obligations Payment Date, the Working Capital Representative agrees to execute such documents, agreements, and instruments as the Term Loan Representative or any Term Loan Secured Party may reasonably request to evidence the transfer by subrogation to any such Person of an interest in the Working Capital Obligations resulting from payments to the Working Capital Representative by such Person, so long as all reasonable and documented costs and expenses (including all reasonable legal fees and disbursements) incurred in connection therewith by the Working Capital Representative are paid by such Person upon such request for payment thereof. The Working Capital Representative, for and on behalf of itself and the Working Capital Secured Parties, agrees that no payment to the Term Loan Representative or any Term Loan Secured Party pursuant to the provisions of this Agreement shall entitle the Working Capital Representative or any Working Capital Secured Party to exercise any rights of subrogation in respect thereof until the Term Loan Obligations Payment Date. Following the Term Loan Obligations Payment Date, the Term Loan Representative agrees to execute such documents, agreements, and instruments as the Working Capital Representative or any Working Capital Secured Party may reasonably request to evidence the transfer by subrogation to any such Person of an interest in the Term Loan Obligations resulting from payments to the Term Loan Representative by such Person, so long as all reasonable and documented costs and expenses (including all reasonable legal fees and disbursements) incurred in connection therewith by the Term Loan Representative are paid by such Person upon request for payment thereof.

10.2. Further Assurances. Each of the Term Loan Representative and the Working Capital Representative will, at their own expense and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the other party may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable the Working Capital Representative or the Term Loan Representative to exercise and enforce its rights and remedies hereunder; provided, however, that no party shall be required to pay over any payment or distribution, execute any instruments or documents, or take any other action referred to in this Section 10.2, to the extent that such action would contravene any law, order or other legal requirement or any of the terms or provisions of this Agreement, and in the event of a controversy or dispute, such party may interplead any payment or distribution in any court of competent jurisdiction, without further responsibility in respect of such payment or distribution under this Section 10.2.

10.3. Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of any Working Capital Document or any Term Loan Document, the provisions of this Agreement shall govern.

10.4. Continuing Nature of Provisions. This Agreement shall continue to be effective, and shall not be revocable by any party hereto, until the earlier of (a) the Working Capital Obligations Payment Date, and (b) the Term Loan Obligations Payment Date. This is a continuing agreement and the Working Capital Secured Parties and the Term Loan Secured Parties may continue, at any time and without notice to the other parties hereto, to extend credit and other financial accommodations, lend monies and provide indebtedness to, or for the benefit of, any Loan Party on the faith hereof.

10.5. Amendments; Waivers. No amendment or modification of any of the provisions of this Agreement shall be effective unless the same shall be in writing and signed by the Working Capital Representative and the Term Loan Representative, and, in the case of amendments or modifications of Section 3.6, 10.7 or 10.8 that directly affect the rights or duties of any Loan Party, such Loan Party.

10.6. Information Concerning Financial Condition of the Loan Parties. Each of the Term Loan Representative and the Working Capital Representative hereby assumes responsibility for keeping itself informed of the financial condition of the Loan Parties and all other circumstances bearing upon the risk of nonpayment of the Term Loan Obligations or the Working Capital Obligations. The Term Loan Representative and the Working Capital Representative hereby agree that no party shall have any duty to advise any other party of information known to it regarding such condition or any such circumstances (except as otherwise provided in the Working Capital Documents and Term Loan Documents). In the event the Term Loan Representative or the Working Capital Representative, in its sole discretion, undertakes at any time or from time to time to provide any information to any other party to this Agreement, it shall be under no obligation (a) to provide any such information to such other party or any other party on any subsequent occasion, (b) to undertake any investigation not a part of its regular business routine, or (c) to disclose any other information.

10.7. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK, EXCEPT AS OTHERWISE REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT REMEDIES PROVIDED BY THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK ARE GOVERNED BY THE LAWS OF SUCH JURISDICTION.

10.8. Submission to Jurisdiction; JURY TRIAL WAIVER.

(a) Each Working Capital Secured Party, each Term Loan Secured Party and each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each such party hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each such party agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each Working Capital Secured Party, each Term Loan Secured Party and each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so (i) any objection it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (a) of this Section 18 and (ii) the defense of an inconvenient forum to the maintenance of such action or proceeding.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.9. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) EACH WORKING CAPITAL SECURED PARTY, EACH TERM LOAN SECURED PARTY AND EACH LOAN PARTY HERETO HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH SUCH PARTY REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10.9. Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, or sent by overnight express courier service or United States mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or five days after deposit in the United States mail (certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 10.9) shall be as set forth below each party's name on the signature pages hereof, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

10.10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and each of the Working Capital Secured Parties and Term Loan Secured Parties and their respective successors and assigns, and nothing herein is intended, or shall be construed to give, any other Person any right, remedy or claim under, to or in respect of this Agreement or any Collateral.

10.11. Headings. Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

10.12. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

10.13. Other Remedies. For the avoidance of doubt, it is understood that nothing in this Agreement shall prevent any Working Capital Secured Party or any Term Loan Secured Party from exercising any available remedy to accelerate the maturity of any indebtedness or other obligations owing under the Working Capital Documents or the Term Loan Documents, as applicable, or to demand payment under any guarantee in respect thereof.

10.14. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement shall become effective when it shall have been executed by each party hereto.

10.15. Additional Loan Parties. Borrower shall cause each Person that becomes a Loan Party after the date hereof to become a party to this Agreement by execution and delivery by such Person of a Joinder Agreement in the form of Annex 1 hereto.

[SIGNATURE PAGES TO FOLLOW]

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

SILICON VALLEY BANK, as Working Capital Representative for and on behalf of the Working Capital Secured Parties

By: /s/ Sheila Colson
Name: Sheila Colson
Title: Advisor

Address for Notices: Silicon Valley Bank
230 West Monroe Street, Suite 720
Chicago, Illinois 60606

Attention: Kristen Parsons
Telephone: (312) 704-9512
Facsimile: (312) 704-1532
Email: kparsons@svb.com

COWEN HEALTHCARE ROYALTY PARTNERS II, L.P., as Term Loan Representative for and on behalf of the Term Loan Secured Parties

By: Cowen Healthcare Royalty GP II, LLC,
its General Partner

By: /s/ Gregory B. Brown, M.D.
Name: Gregory B. Brown, M.D.
Title: Managing Director

Address for Notices: 177 Broad Street, Suite 1101
Stamford, CT 06901
Attention: Gregory B. Brown, M.D.
Telecopy No.: [ ]

STEREOTAXIS, INC., as Borrower

By: /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: Chief Financial Officer

Address for Notices: 4320 Forest Park Avenue
Suite 100
St. Louis, MO 63108
Attention: Mr. Sam Duggan
Telecopy No.: 314-678-6110

STEREOTAXIS INTERNATIONAL, INC., as Borrower

By: /s/ Samuel W. Duggan II
Name: Samuel W. Duggan II
Title: President

Address for Notices: 4320 Forest Park Avenue
Suite 100
St. Louis, MO 63108
Attention: Mr. Sam Duggan
Telecopy No.: 314-678-6110

ANNEX 1

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement"), dated as of , 20 , is executed by , a (the "New Subsidiary") in favor of SILICON VALLEY BANK (together with any successor in such capacity, the "Working Capital Representative") and COWEN HEALTHCARE ROYALTY PARTNERS, II, L.P. (together with any successor in such capacity, the "Term Loan Representative"), in their capacities as Working Capital Representative and Term Loan Representative, respectively, under that certain Intercreditor Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), dated as of [ ], 2011, among the Working Capital Representative, the Term Loan Representative, Stereotaxis, Inc. and each of the other Loan Parties party thereto. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Intercreditor Agreement.

The New Subsidiary, for the benefit of the Working Capital Representative and the Term Loan Representative, hereby agrees as follows:

1. The New Subsidiary hereby acknowledges the Intercreditor Agreement and acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a Loan Party under the Intercreditor Agreement and shall have all of the obligations of a Loan Party thereunder as if it had executed the Intercreditor Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Intercreditor Agreement.

2. The address of the New Subsidiary for purposes of Section 10.9 of the Intercreditor Agreement is as follows:

_____

_____

_____

3. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK, EXCEPT AS OTHERWISE REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT REMEDIES PROVIDED BY THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK ARE GOVERNED BY THE LAWS OF SUCH JURISDICTION.

IN WITNESS WHEREOF, the New Subsidiary has caused this Agreement to be duly executed by its authorized officer, as of the day and year first above written.

[NEW SUBSIDIARY]

By: _____

Name:

Title:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements and the related prospectuses:

(1) Registration Statement (Form S-3 No. 333-137006) of Stereotaxis, Inc. pertaining to the registration of up to 1,150,849 shares of its common stock, $0.001 par value;

(2) Registration Statement (Form S-8 No. 333-120135) pertaining to the Stereotaxis, Inc. 2004 Employee Stock Purchase Plan, the Stereotaxis, Inc. 2002 Stock Incentive Plan, the Stereotaxis, Inc. 2002 Non-Employee Directors' Stock Plan, and the Stereotaxis, Inc. 1994 Stock Plan;

(3) Registration Statement (Form S-3 No. 333-161077) of Stereotaxis, Inc. pertaining to the registration of $75,000,000 of debt securities, common stock, preferred stock, warrants and units;

(4) Registration Statement (Form S-3 No. 333-161078) of Stereotaxis, Inc. pertaining to the registration of 2,154,526 shares of common stock, $.001 par value; and

(5) Registration Statement (Form S-8 No. 333-161079) of Stereotaxis, Inc. pertaining to the Stereotaxis, Inc. 2002 Stock Incentive Plan and the Stereotaxis, Inc. 2009 Employee Stock Purchase Plan

of our reports dated March 15, 2012, with respect to the financial statements and schedule of Stereotaxis, Inc., and the effectiveness of internal control over financial reporting of Stereotaxis, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 15, 2012

Exhibit 31.1

Certification of Principal Executive Officer

I, Michael P. Kaminski, certify that:

1. I have reviewed this annual report on Form 10-K 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 officers 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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: March 15, 2012

/S/ MICHAEL P. KAMINSKI

Michael P. Kaminski
President & Chief Executive Officer
Stereotaxis, Inc.
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Samuel W. Duggan II, certify that:

1. I have reviewed this annual report on Form 10-K 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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: March 15, 2012

/S/ SAMUEL W. DUGGAN II

Samuel W. Duggan II
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 annual report of Stereotaxis, Inc. (the "Company") on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Kaminski, President & Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2012

/S/ MICHAEL P. KAMINSKI

Michael P. Kaminski
President & 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 annual report of Stereotaxis, Inc. (the "Company") on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Samuel W. Duggan II, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2012

/S/ SAMUEL W. DUGGAN II

Samuel W. Duggan II
Chief Financial Officer
Stereotaxis, Inc.