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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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

For the transition period from _____ to _____

Commission File Number: 001-36159

STEREOTAXIS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Exchange Act). ☐ Yes ☒ No

The number of outstanding shares of the registrant’s common stock on July 15, 2014 was 20,259,397.

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STEREOTAXIS, INC.
BALANCE SHEETS

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 10,597,718	$ 13,775,130
Accounts receivable, net of allowance of $421,419 and $383,077 in 2014 and 2013, respectively	6,456,312	7,558,152
Inventories	6,056,385	4,879,039
Prepaid expenses and other current assets	1,623,904	1,945,206
Total current assets	24,734,319	28,157,527
Property and equipment, net	988,232	1,184,589
Intangible assets, net	1,529,569	1,679,486
Long-term receivables	—	20,431
Other assets	34,233	34,363
Total assets	$ 27,286,353	$ 31,076,396
Liabilities and stockholders' deficit		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ —	$ 49,733
Accounts payable	3,155,401	3,512,339
Accrued liabilities	6,292,007	7,079,381
Deferred revenue	8,091,608	7,519,754
Warrants	5,539,639	5,644,626
Total current liabilities	23,078,655	23,805,833
Long-term debt, less current maturities	18,506,921	18,481,478
Long-term deferred revenue	402,016	491,080
Stockholders' deficit:		
Preferred stock, par value $0.001; 10,000,000 shares authorized, none outstanding at 2014 and 2013	—	—
Common stock, par value $0.001; 300,000,000 shares authorized, 20,238,432 and 19,311,390 shares issued at 2014 and 2013, respectively	20,238	19,311
Additional paid in capital	444,969,310	441,888,155
Treasury stock, 4,015 shares at 2014 and 2013	(205,999)	(205,999)
Accumulated deficit	(459,484,788)	(453,403,462)
Total stockholders' deficit	(14,701,239)	(11,701,995)
Total liabilities and stockholders' deficit	$ 27,286,353	$ 31,076,396

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Systems	$ 1,153,282	$ 3,323,251	$ 2,488,136	$ 5,551,328
Disposables, service and accessories	6,894,255	6,410,156	13,914,071	12,590,284
Total revenue	8,047,537	9,733,407	16,402,207	18,141,612
Cost of revenue:				
Systems	1,080,785	1,602,480	1,640,212	2,793,833
Disposables, service and accessories	903,977	869,408	1,963,634	1,870,701
Total cost of revenue	1,984,762	2,471,888	3,603,846	4,664,534
Gross margin	6,062,775	7,261,519	12,798,361	13,477,078
Operating expenses:				
Research and development	1,312,743	1,484,096	2,816,189	3,013,303
Sales and marketing	4,096,155	4,254,546	7,727,420	9,110,560
General and administrative	2,943,510	3,276,967	6,773,377	6,700,708
Total operating expenses	8,352,408	9,015,609	17,316,986	18,824,571
Operating loss	(2,289,633)	(1,754,090)	(4,518,625)	(5,347,493)
Other income	1,181,126	893,642	104,987	1,499,744
Interest income	1,695	1,256	3,929	2,668
Interest expense	(834,667)	(2,147,600)	(1,671,617)	(4,081,858)
Net loss	$ (1,941,479)	$(3,006,792)	$ (6,081,326)	$ (7,926,939)
Net loss per common share:				
Basic	$ (0.10)	$ (0.37)	$ (0.31)	$ (0.98)
Diluted	$ (0.10)	$ (0.37)	$ (0.31)	$ (0.98)
Weighted average shares used in computing net loss per common share:				
Basic	19,631,469	8,188,837	19,483,603	8,102,087
Diluted	19,631,469	8,188,837	19,483,603	8,102,087

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net loss	$ (6,081,326)	$ (7,926,939)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	237,497	495,152
Amortization of intangible assets	149,917	149,917
Amortization of deferred finance costs and debt discount	126,535	1,938,777
Share-based compensation	739,807	441,861
Gain on debt conversion	—	(2,095)
Loss on asset disposal	—	7,373
Adjustment of warrants and convertible debt features	(104,987)	(1,497,649)
Interest due from issuance of stock	—	394,588
Changes in operating assets and liabilities:		
Accounts receivable	1,122,271	3,138,060
Inventories	(1,177,346)	(481,926)
Prepaid expenses and other current assets	194,897	653,901
Accounts payable	(356,938)	387,992
Accrued liabilities	(787,374)	275,194
Deferred revenue	482,790	(1,268,627)
Net cash used in operating activities	(5,454,257)	(3,294,421)
Cash flows from investing activities		
Purchase of equipment	(41,140)	—
Net cash used in investing activities	(41,140)	—
Cash flows from financing activities		
Payments of term loan	—	(2,000,000)
Proceeds from revolving line of credit	—	23,048,799
Payments of revolving line of credit	—	(23,759,722)
Proceeds from Healthcare Royalty Partners debt	—	2,500,000
Payments of Healthcare Royalty Partners debt	(24,290)	(158,773)
Proceeds from issuance of stock and warrants, net of issuance costs	2,342,275	167
Net cash provided (used) by financing activities	2,317,985	(369,529)
Net increase (decrease) in cash and cash equivalents	(3,177,412)	(3,663,950)
Cash and cash equivalents at beginning of period	13,775,130	7,777,718
Cash and cash equivalents at end of period	$10,597,718	$ 4,113,768

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Notes to Financial Statements

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

1. Description of Business

Stereotaxis designs, manufactures and markets 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 ("*Vdrive* system").

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

In addition to the *Niobe* system and its components, Stereotaxis also has developed the *Odyssey* 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 the *Odyssey Cinema* solution, 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.

Our *Vdrive* system provides navigation and stability for diagnostic and therapeutic devices designed to improve interventional procedures. The *Vdrive* 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 the warranty period, and software licenses. 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.

The core components of Stereotaxis systems have received regulatory clearance in the U.S., European Union, Canada, China, Japan and elsewhere. The *V-Sono*™ ICE catheter manipulator has received U.S. clearance, and the *V-Loop*™ variable loop catheter manipulator and *V-CAS*™ catheter advancement system have been submitted for review by the U.S. Food and Drug Administration.

Since our inception, we have generated significant losses. As of June 30, 2014 we had incurred cumulative net losses of approximately $459.5 million. In May 2011, the Company introduced the *Niobe* ES system and as of June 30, 2014, the Company had an installed base of 113 *Niobe* ES systems and has received positive feedback from the physicians at these sites. Between 2011 and 2013, the Company implemented a wide ranging plan to rebalance and reduce operating expenses by 15% to 20% on an annual run rate basis. We expect to incur additional losses throughout the remainder of 2014 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 marketing initiatives. During 2014, we expect operating expenses to be generally consistent with 2013 with additional investment in certain targeted areas.

We may 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 cash needs through the sale of other equity securities or non-core assets, strategic collaboration agreements, debt financings or through distribution rights. 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 may not be sufficient to fund our operating expenses and capital equipment requirements through the next 12 months, which would require us to obtain additional financing before that time. We cannot assure that 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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014 or for future operating periods.

These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission (SEC) on March 27, 2014.

As described in Note 10, on July 10, 2012, the Company effected a one-for-ten reverse stock split of the Company's common stock. All information set forth in the financial statements and related notes gives effect to such reverse stock split.

Financial Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including warrants and debt conversion features. 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"). See Note 11 for additional details.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for other financial instruments as of June 30, 2014 and December 31, 2013.

Cash equivalents, accounts receivable, and accounts payable have carrying values which approximate fair value due to the short maturity or the financial nature of these instruments.

Long and short-term debt fair value estimates are based on estimated borrowing rates to discount the cash flows to their present value. See Note 9 for disclosure of the fair value of debt.

Revenue and Costs of Revenue

The Company accounts for revenue using Accounting Standards Codification Topic 605-25, *Multiple-Element Arrangements* ("ASC 605-25").

ASC 605-25 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. The Company believes that the 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, a portion of revenue for *Niobe* systems, *Vdrive* systems and certain *Odyssey* systems 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. 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. The Company does 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. 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 multiple-deliverable 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 minimis 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 estimated warranty costs and are recorded at the time of sale. Cost of revenue from services and license fees are recorded when incurred.

Share-Based Compensation

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

The Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights at the date of grant. The resulting compensation expense is recognized over the requisite service period, which is generally four years. Compensation expense is recognized only for those awards expected to vest, with forfeitures estimated based on the Company's historical experience and future expectations. Restricted shares granted to employees are valued at the fair market value at the date of grant. The Company amortizes the fair market value to expense over the service period. If the shares are subject to performance objectives, the resulting compensation expense is amortized over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives.

Net Loss per Common Share ("EPS")

Basic and diluted net loss per common share ("EPS") is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Numerator:				
Numerator for basic EPS	$ (1,941,479)	$(3,006,792)	$ (6,081,326)	$(7,926,939)
Numerator for diluted EPS	$ (1,941,479)	$(3,006,792)	$ (6,081,326)	$(7,926,939)
Denominator:				
Denominator for basic EPS—weighted average shares	19,631,469	8,188,837	19,483,603	8,102,087
Denominator for diluted EPS	19,631,469	8,188,837	19,483,603	8,102,087
Basic EPS	$ (0.10)	$ (0.37)	$ (0.31)	$ (0.98)
Diluted EPS	$ (0.10)	$ (0.37)	$ (0.31)	$ (0.98)

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

As of June 30, 2014, the Company had 509,955 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $19.04 per share and 2,197,883 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $6.12 per share. The Company had no unearned restricted shares outstanding for the three and six months ended June 30, 2014.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") No. 2014-09, "Revenue from Contracts with Customers," which converges the FASB's and the International Accounting Standards Board's current standards on revenue recognition. The standard provides companies with a single model to use in accounting for revenue arising from contracts with customers and supersedes current revenue guidance. The standard is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The standard permits companies to either apply the adoption to all periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We are currently evaluating the impact of adopting this accounting standard update on our financial statements and disclosures.

In February 2013, the FASB issued Update 2013-02, "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). The update requires that the Company present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of AOCI based on its source and the income statement line items affected by the reclassification. The guidance is effective for interim and annual reporting periods beginning on or after December 15, 2012. As the Company has no items of other comprehensive income, the Company is not required to report accumulated other comprehensive income.

3. Inventory

Inventory consists of the following:

	June 30, 2014	December 31, 2013
Raw materials	$ 2,718,801	$ 3,141,111
Work in process	385,642	364,779
Finished goods	2,998,053	1,453,362
Reserve for obsolescence	(46,111)	(80,213)
Total inventory	$ 6,056,385	$ 4,879,039

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2014	December 31, 2013
Prepaid expenses	$ 333,882	$ 591,305
Deferred financing costs	606,451	622,949
Deposits	650,183	658,253
Other	33,388	72,699
Total prepaid expenses and other current assets	$ 1,623,904	$ 1,945,206

5. Property and Equipment

Property and equipment consist of the following:

	June 30, 2014	December 31, 2013
Equipment	$ 8,184,140	$ 8,143,000
Equipment held for lease	303,412	303,412
Leasehold improvements	2,328,381	2,328,381
	10,815,933	10,774,793
Less: Accumulated depreciation	(9,827,701)	(9,590,204)
Net property and equipment	$ 988,232	$ 1,184,589

6. Intangible Assets

As of June 30, 2014, the Company had total intangible assets of $3,665,000. Accumulated amortization at June 30, 2014, was $2,135,431.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2014	December 31, 2013
Accrued salaries, bonus, and benefits	$2,504,797	$ 3,565,385
Accrued rent	1,480,065	1,499,942
Accrued warranties	437,758	501,212
Accrued interest	496,788	498,058
Accrued licenses and maintenance fees	767,639	302,384
Accrued taxes	266,779	360,475
Other	338,181	351,925
Total accrued liabilities	$6,292,007	$ 7,079,381

Our primary company facilities are located in St. Louis, Missouri where we currently lease approximately 52,000 square feet of office and 12,000 square feet of demonstration and assembly space. In the third quarter of 2013, the Company modified the existing lease agreement to terminate approximately 13,000 square feet of unimproved space. The costs associated with the termination were $515,138 and were accrued as a rent liability as of September 30, 2013. As of June 30, 2014, the remaining accrued costs associated with the termination were $451,118.

8. Deferred Revenue

Deferred revenue consists of the following:

	June 30, 2014	December 31, 2013
Product shipped, revenue deferred	$1,170,555	$1,368,007
Customer deposits	1,101,351	421,544
Deferred service and license fees	6,221,718	6,221,283
	8,493,624	8,010,834
Less: Long-term deferred revenue	(402,016)	(491,080)
Total current deferred revenue	$8,091,608	$7,519,754

9. Long-Term Debt and Credit Facilities

Debt outstanding consists of the following:

	June 30, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Healthcare Royalty Partners debt	18,506,921	18,506,921	18,531,211	18,531,211
Total debt	18,506,921	18,506,921	18,531,211	18,531,211
Less current maturities	—	—	(49,733)	(49,733)
Total long term debt	$18,506,921	$18,506,921	$18,481,478	$18,481,478

In accordance with general accounting principles for fair value measurement, the Company’s debt and credit facilities were measured at fair value as of June 30, 2014 and December 31, 2013. Long-term debt fair value estimates are based on estimated borrowing rates to discount the cash flows to their present value (Level 3).

Revolving line of credit

On March 29, 2013, the Company amended its agreement with its primary lender, Silicon Valley Bank, to extend the maturity date of the $13 million working capital line of credit from March 31, 2013 to June 30, 2013. The Company also received from stockholders, who at the time were affiliates of two current and former members of our board of directors (the "Lenders") and were considered to be related parties, an extension of their commitment to provide $3 million in loan guarantees until June 30, 2013. As a result of this extension, the Company issued the Lenders warrants to purchase 113,636 shares of common stock at $1.98 per share. Under the facility the Company was required to maintain a minimum "tangible net worth" and liquidity ratio 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.

On June 28, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from June 30, 2013 to July 31, 2013, and decreased the amount of available advances from $13 million to $6 million. In addition, the primary lender waived the testing of the tangible net worth and liquidity ratio financial covenants under the Amended Loan Agreement for the period ended June 30, 2013. The Company and the Lenders also agreed to extend until July 31, 2013 the $3 million guarantee. As a result of this extension, the Company issued the Lenders warrants to purchase 48,387 shares of common stock at $1.55 per share.

On July 31, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from July 31, 2013 to August 31, 2013. In addition, the primary lender waived the testing of the liquidity ratio financial covenant under the Amended Loan Agreement for the period ended July 31, 2013. The Company and the Lenders also agreed to extend until August 31, 2013 the $3 million guarantee. As a result of this extension, the Company issued the Lenders warrants to purchase 14,313 shares of common stock at $5.24 per share.

On August 30, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from August 31, 2013 to March 31, 2014. In addition, the Company and the primary lender agreed to a reduction in the revolving credit line from $6.0 million to $3.0 million, the elimination of the $3.0 million sublimit guaranteed by the Lenders, and release of the guarantees by the Lenders in favor of the primary lender. The amendment eliminated the prepayment premium for the prepayment of the term loan and modified the financial covenants to (a) eliminate the minimum tangible net worth covenant, (b) substitute in lieu thereof an EBITDA test, requiring the Company to maintain a minimum EBITDA of no less than (no worse than) (i) negative $4.0 million for the trailing three-month period ending September 30, 2013 and (ii) negative $3.0 million for the trailing three-month period ending December 31, 2013, in each case tested quarterly on a trailing three month basis, and (c) revise the liquidity ratio covenant to require the Company to maintain a liquidity ratio of greater than 2:1, excluding certain short term advances from the calculation.

On March 28, 2014, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from March 31, 2014 to March 31, 2015. In addition, the Company and the primary lender agreed to an increase in the revolving credit line from $3.0 million to $10.0 million and modified the financial covenants to (a) eliminate the EBITDA test, (b) substitute in lieu thereof a minimum tangible net worth test, requiring the Company to maintain a minimum tangible net worth of not less than (no worse than) negative $21 million, with such minimum requirement subject to increase under certain circumstances as described in the agreement, and (c) revise the liquidity ratio covenant to require the Company to maintain a liquidity ratio of greater than 1.75:1.00, excluding certain short term advances from the calculation.

As of June 30, 2014, the Company had no outstanding debt under the revolving line of credit. Draws on the line of credit are made based on the borrowing capacity one week in arrears. As of June 30, 2014 the Company had a borrowing capacity of $3.8 million based on the Company's collateralized assets. As such, the Company had the ability to borrow $3.8 million under the revolving line of credit at June 30, 2014.

Term note

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 accrued at the rate of the primary lender's prime plus 3.5% until September 2011, at which point it was adjusted to the lender's prime plus 5.5%. Under this agreement, the Company provided its primary lender with warrants to purchase 11,111 shares of common stock. The warrants are exercisable at $36.00 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, was deferred and amortized to interest expense ratably over the life of the term loan. The term note was paid in full in September 2013.

Healthcare Royalty Partners Debt

In November 2011, the Company entered into a loan agreement with Healthcare Royalty Partners. Under the agreement the Company borrowed from Healthcare Royalty Partners $15 million. The Company was permitted to 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. On August 8, 2012, the Company borrowed an additional $2.5 million based upon achievement of a milestone related to *Niobe* system sales for the three months ended June 30, 2012. On January 31, 2013, the Company borrowed an additional $2.5 million based upon achievement of a milestone related to *Niobe* system sales for the twelve months ended December 31, 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 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, Healthcare Royalty Partners 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 Loan Agreement described above.

Subordinated Convertible Debentures

In May 2012, the Company entered into a securities purchase agreement with certain institutional investors whereby the Company agreed to sell an aggregate of approximately $8.5 million in aggregate principal amount of unsecured, subordinated, convertible debentures (the "Debentures"), which became convertible into shares of the Company's common stock at a conversion price of $3.361 per share (or approximately 2.5 million shares in the aggregate), on July 10, 2012, the date that the Company received shareholder approval for the transaction. The purchasers of the Debentures also received six-year warrants to purchase an aggregate of approximately 2.5 million shares of the Company's common stock at an exercise price of $3.361 per share ("Convert Warrants"). The Debentures bore interest at 8% per year and were to mature on May 7, 2014. In addition, the Company had the ability to issue shares of its common stock in lieu of cash interest payments under certain circumstances, and following the registration of the shares for resale, the Company issued shares in lieu of cash interest payments.

The Company recorded the Debentures on the balance sheet net of the debt discount. The debt discount of $7.6 million was due to warrants issued in conjunction with the Debentures and the debt conversion features. Upon issuance of the Debentures, the fair value of the warrants and derivative liability were $4.1 million and $3.5 million, respectively. The debt discount was amortized over the life of the loan using the effective interest method and the warrants and derivative liability were recorded at fair value on each reporting period. Refer to Note 11 for additional discussion of the fair value of the warrants.

On August 7, 2013, holders of Convert Warrants exercised all of their Convert Warrants for an aggregate of approximately 2.5 million shares of our common stock, resulting in cash proceeds of approximately $8.5 million. In addition, holders of all of the Debentures exchanged the balance of their unconverted Debentures for an aggregate of approximately 2.7 million shares of the Company's common stock and additional warrants (the "Exchange Warrants") to purchase approximately 2.5 million shares, having an exercise price of $3.361 per share. On August 8, 2013, certain former holders of the Debentures exercised Exchange Warrants to purchase an aggregate of 1.4 million shares of common stock in cashless net exercises as provided for in the Exchange Warrants, which resulted in the issuance to such funds of an aggregate of 0.8 million shares of common stock, but no net proceeds to the Company. The Company is relying on the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, based on representations to the Company made by the warrant holders.

10. Stockholders' Equity

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the prior rights of holders of all classes of stock having priority rights as dividends and the conditions of the Revolving Credit Agreement. No dividends have been declared or paid as of June 30, 2014.

Listing Transfer to NASDAQ Capital Market

On August 15, 2013, the NASDAQ Listing Qualifications Panel (the "Panel") granted approval of the Company's request to transfer its listing to The NASDAQ Capital Market® from The NASDAQ Global Market®. The Company's securities began trading on the NASDAQ Capital Market effective August 19, 2013.

Reverse Stock Split

On July 10, 2012, the Company filed a Certificate of Amendment to our Amended and Restated Certificate of Incorporation to implement a one-for-ten reverse split of our common stock (the "Reverse Stock Split"). The ratio for the Reverse Stock Split was determined by our Board of Directors pursuant to the approval of the stockholders at the Company's special meeting of stockholders held on July 10, 2012, authorizing the Board to effect a reverse stock split within a range of one-for-four to one-for-ten shares of the Company's common stock. The Reverse Stock Split was effective as of July 10, 2012, and the Company's common stock began trading on the NASDAQ Global Market on a post-split basis on July 11, 2012.

As a result of the Reverse Stock Split, each ten shares of the Company's issued and outstanding common stock were automatically combined and converted into one issued and outstanding share of common stock. The Reverse Stock Split affected all issued and outstanding shares of the Company's common stock, as well as common stock underlying stock options, stock appreciation rights, restricted stock, restricted stock units, warrants and convertible debentures outstanding immediately prior to the effectiveness of the Reverse Stock Split. The Reverse Stock Split reduced the number of shares of the Company's common stock outstanding from approximately 78 million to 7.8 million at the time of the Reverse Stock Split. In addition, the Amendment increased the number of authorized shares of the Company's common stock from 100 million to 300 million. The Reverse Stock Split did not alter the par value of common stock, which remained $0.001 per share, or modify any voting rights or other terms of the Company's common stock. Unless otherwise indicated, all information set forth herein gives effect to such Reverse Stock Split.

Private Offerings of Common Stock

In May 2012, the Company entered into a Stock and Warrant Purchase Agreement with certain institutional investors whereby it agreed to sell an aggregate of approximately 2.17 million shares of the Company's common stock (the "PIPE Common Stock") at a price of $3.361 per share, together with six-year warrants at a price of $1.25 per share to purchase an aggregate of approximately 2.17 million shares of common stock having an exercise price of $3.361 per share (the "PIPE Warrants"). Each purchaser received a PIPE Warrant to purchase one share of common stock for every share of PIPE Common Stock purchased. Net proceeds from the sale of the securities were approximately $9.1 million, after placement agent fees and other offering expenses. The Company used the funds to repay $7 million of the revolving credit facility guaranteed by the Lenders and plans to use the balance for working capital and general corporate purposes.

On August 7, 2013, venture funds affiliated with Sanderling Ventures received an aggregate of 183,478 shares of common stock based upon the cashless exercise of warrants to purchase an aggregate of 262,450 shares of common stock. These warrants were comprised of 75,758 warrants with an exercise price of $1.98 per share, 156,204 warrants with an exercise price of $3.361 per share and 30,488 warrants with an exercise price of $4.10 per share. The warrants were issued by the Company in private placements in 2012 and 2013 in connection with the extension of previously disclosed guarantees.

On August 13, 2013, venture funds affiliated with Sanderling Ventures exercised PIPE Warrants to purchase an aggregate of 650,619 shares of common stock in a cashless net exercise as provided for in the PIPE Warrants, which resulted in the issuance to such funds of an aggregate of 308,194 shares of common stock. As a result, there were no net proceeds to the Company.

On August 16, 2013, certain affiliates of Franklin Templeton exercised PIPE Warrants to purchase an aggregate of 650,618 shares of common stock for cash. The Company received an aggregate of $2,186,727 gross proceeds from the sale.

On August 16, 2013, Alafi Capital Company exercised PIPE Warrants to purchase an aggregate of 261,241 shares of common stock for cash. The Company received an aggregate of $878,031 gross proceeds from the sale.

On November 27, 2013, the Company announced the results of its previously announced offering of subscription rights to purchase shares of its common stock, par value $0.001 per share. Pursuant to the rights offering, subscription rights to purchase approximately 3.4 million shares of common stock were exercised, resulting in gross proceeds to Stereotaxis of approximately $10.2 million.

Controlled Equity Offering

In May 2014, the Company entered into a Controlled Equity Offering^{SM} sales agreement (the "Sales Agreement"), with Cantor Fitzgerald & Co. ("Cantor"), as agent and/or principal, pursuant to which the Company could issue and sell, from time to time, shares of its common stock having an aggregate gross sales price of up to $18.0 million. The Company will pay Cantor a commission of 3.0% of the gross proceeds from any common stock sold through the Sales Agreement.

During the three months ended June 30, 2014, the Company sold an aggregate of 711,959 shares of common stock under the Sales Agreement, at an average price of approximately $3.62 per share for gross proceeds of $2.6 million and net proceeds of $2.5 million, after deducting Cantor's commission. As of June 30, 2014, $15.4 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the Sales Agreement.

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 August 2012, the Board of Directors adopted a stock incentive plan (the 2012 Stock Incentive Plan) which was subsequently approved by the Company's stockholders. This plan replaces the 2002 Stock Incentive Plan which expired on March 25, 2012. On June 10, 2014, the shareholders approved an amendment to the Stereotaxis, Inc. 2012 Stock Incentive Plan ("Plan"), which was previously approved and adopted by the Compensation Committee of the Board of Directors of the Company on March 27, 2014. The amendment increased the number of shares authorized for issuance under the Plan by one million shares. At June 30, 2014, the Company had 1,303,300 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At June 30, 2014, 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 $2.2 million, net of estimated forfeitures of approximately $2.0 million. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in estimated forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the six month period ended June 30, 2014 is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2013	188,947	$1.69 - $116.40	$ 48.38
Granted	336,850	$4.04 - $5.19	$ 4.04
Exercised	—	—	—
Forfeited	(15,842)	$1.69 - $78.00	$ 50.26
Outstanding, June 30, 2014	509,955	$1.69 - $116.40	$ 19.04

As of June 30, 2014, there were no restricted shares outstanding. A summary of the restricted share grant activity for the six month period ended June 30, 2014 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding, December 31, 2013	6,600	$ 35.20
Granted	—	—
Vested	(6,600)	$ 35.20
Forfeited	—	—
Outstanding, June 30, 2014	—	$ 0.00

A summary of the restricted stock unit activity for the six month period ended June 30, 2014 is as follows:

	Number of Restricted Shares Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2013	588,759	$ 2.05
Granted	397,400	$ 3.97
Vested	(214,825)	$ 2.10
Forfeited	(4,087)	$ 3.33
Outstanding, June 30, 2014	767,247	$ 3.02

11. Fair Value Measurements

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

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

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

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

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

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at June 30, 2014:				
Cash equivalents	$ 7,313,366	7,313,366	—	—
Total assets at fair value	$ 7,313,366	7,313,366	—	—
Liabilities at June 30, 2014:				
Warrants issued December 29, 2008	$ —	—	—	—
Warrants issued May 10, 2012	1,906,211	—	—	1,906,211
Warrants issued August 2013	3,633,428			3,633,428
Total liabilities at fair value:	$ 5,539,639	—	—	5,539,639
Assets at December 31, 2013:				
Cash equivalents	$11,995,481	11,995,481	—	—
Total assets at fair value	$11,995,481	11,995,481	—	—
Liabilities at December 31, 2013:				
Warrants issued December 29, 2008	$ 16,863	—	—	16,863
Warrants issued May 10, 2012	1,915,753	—	—	1,915,753
Warrants issued August 2013	3,712,010	—	—	3,712,010
Total liabilities at fair value:	$ 5,644,626	—	—	5,644,626

Level 1

The Company's financial assets consist of cash equivalents invested in money market funds in the amount of $7,313,366 and $11,995,481 at June 30, 2014 and December 31, 2013, respectively. These assets are classified as Level 1 as described above and total interest income recorded for these investments was insignificant during both the six month periods ended June 30, 2014, and June 30, 2013. There were no transfers in or out of Level 1 during the period ended June 30, 2014.

Level 2

The Company does not have any financial assets or liabilities classified as Level 2.

Level 3

In conjunction with its December 29, 2008 registered direct offering, the Company issued warrants to purchase 179,241 shares of the Company's common stock that contained a provision that required a reduction of the exercise price if certain equity events occurred. Under the provisions of general accounting principles for derivatives and hedging activities and determining whether an instrument (or embedded feature) is indexed to an entity's own stock, such a reset provision does not meet 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. General accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock became effective for the Company as of January 1, 2009. Accordingly, the fair value of the warrants as of that date was reclassified from stockholders' equity into current liabilities. This tranche of warrants issued in conjunction with the December 2008 registered direct offering were expired as of June 30, 2014.

In the Company's May 2012 financing transaction, the Company issued subordinated convertible debentures and warrants. The optional conversion feature of the subordinated convertible debentures was classified as a derivative liability within "Warrants and derivative liabilities" on the Company's balance sheet. The warrants issued in conjunction with the Debentures and PIPE are also considered a liability. Due to the provisions included in the warrant agreements, the warrants do not meet the exemptions for equity classification and as such, the Company accounts for these warrants as derivative instruments. The warrants and derivative liability are periodically remeasured with any changes in value recognized in "Other income (expense)" in the Statements of Operations.

Per the terms of the Debentures agreement, the Company had the ability to require each holder to convert up to 50% of the Debentures if the common stock closed above $15.00, or 100% of the Debentures if the common stock closed above $20.00 (in each case, as adjusted for stock splits, recapitalizations and similar events) during a 20 consecutive trading day period and the resale registration statement had been declared effective by the SEC and was available for the issuance of the common stock upon conversion of the Debentures. In the event of any forced conversion by the Company, the minimum amount that the Company could force the holders to convert was $2.5 million of Debentures in the aggregate. This mandatory redemption clause was classified as a derivative asset within "Prepaid and other current assets" on the Company's balance sheet. The derivative asset was periodically remeasured with any changes in value recognized in "Other income (expense)" in the Statement of Operations.

Based on the discussion of the Debentures in Note 10, the Debentures along with their derivative liability and asset, and related warrants were extinguished in the third quarter of 2013.

The initial valuation of Exchange warrants were valued as of August 7, 2013 using the following assumptions: 1) volatility of 111%; 2) risk-free interest rate of 1.46%; and 3) a closing stock price of $8.69.

The remaining Exchange warrants were revalued as of June 30, 2014 using the following assumptions: 1) volatility of 150.16%; 2) risk-free interest rate of 1.62%; and 3) a closing stock price of $3.55.

The remaining PIPE warrants were revalued as of June 30, 2014 using the following assumptions: 1) volatility of 157.74%; 2) risk-free interest rate of 1.62%; and 3) a closing stock price of $3.55.

The significant unobservable input used in the fair value measurement of the Company's warrants is volatility. Significant increases (decreases) in the volatility in isolation would result in significantly higher (lower) liability fair value measurements.

The following table sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities for the six month period ended June 30, 2014:

	Warrants issued December 29, 2008	Warrants issued May 2012	Warrants issued August 2013	Total Liabilities
Balance at beginning of period	$ 16,863	$ 1,915,753	$ 3,712,010	$ 5,644,626
Settlements	—	—	—	—
Revaluation	(16,863)	(9,542)	(78,582)	(104,987)
Balance at end of period	$ —	$ 1,906,211	$ 3,633,428	$ 5,539,639

The Company currently does not have derivative instruments to manage its exposure to currency fluctuations or other business risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. All derivative financial instruments are recognized in the balance sheet at fair value.

12. Product Warranty Provisions

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

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

	June 30, 2014	December 31, 2013
Warranty accrual, beginning of the fiscal period	$ 501,212	$ 653,473
Accrual adjustment for product warranty	1,550	84,562
Payments made	(65,004)	(236,823)
Warranty accrual, end of the fiscal period	$ 437,758	$ 501,212

13. Commitments and Contingencies

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

In 2012, the Company entered into a letter of credit to support a commitment in the amount of approximately $0.1 million. This letter of credit is valid through 2015.

14. Subsequent Events

During July 2014, the Company received gross proceeds of $0.1 million from the issuance of 24,355 shares of common stock through the Controlled Equity Offering. See Note 10 for additional information on Controlled Equity Offering.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2013. Operating results are not necessarily indicative of results that may occur in future periods. As described in Note 10 to the financial statements, on July 10, 2012, the Company effected a one-for-ten Reverse Stock Split of the Company's common stock. All information set forth in the following discussion and analysis gives effect to such Reverse Stock Split.

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," "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 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 ("*Vdrive* system").

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

In addition to the *Niobe* system and its components, Stereotaxis also has developed the *Odyssey* 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 the *Odyssey Cinema* solution, 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.

Our *Vdrive* system provides navigation and stability for diagnostic and therapeutic devices designed to improve interventional procedures. The *Vdrive* 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 the warranty period, and software licenses. 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.

The core components of Stereotaxis systems have received regulatory clearance in the U.S., European Union, Canada, China, Japan and elsewhere. The *V-Sono*™ ICE catheter manipulator has received U.S. clearance, and the *V-Loop*™ variable loop catheter manipulator and *V-CAS*™ catheter advancement system have been submitted for review by the U.S. Food and Drug Administration.

Since our inception, we have generated significant losses. As of June 30, 2014 we had incurred cumulative net losses of approximately $459.5 million. In May 2011, the Company introduced the *Niobe* ES system and as of June 30, 2014, the Company had an installed base of 113 *Niobe* ES systems and has received positive feedback from the physicians at these sites. Between 2011 and 2013, the Company implemented a wide ranging plan to rebalance and reduce operating expenses by 15% to 20% on an annual run rate basis. We expect to incur additional losses throughout the remainder of 2014 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 marketing initiatives. During 2014, we expect operating expenses to be generally consistent with 2013 with additional investment in certain targeted areas.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We review our estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements. For a complete listing of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2013.

Revenue Recognition

The Company accounts for revenue using Accounting Standards Codification Topic 605-25, *Multiple-Element Arrangements* ("ASC 605-25").

ASC 605-25 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. The Company believes that the 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, a portion of revenue for *Niobe* systems, *Vdrive* systems and certain *Odyssey* systems 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. 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. The Company does 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. 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 multiple-deliverable 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 minimis 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 estimated warranty costs and are recorded at the time of sale. Cost of revenue from services and license fees are recorded when incurred.

Results of Operations

Comparison of the Three Months Ended June 30, 2014 and 2013

Revenue. Revenue decreased from $9.7 million for the three months ended June 30, 2013 to $8.0 million for the three months ended June 30, 2014, a decrease of 17%. Revenue from the sale of systems decreased from $3.3 million to $1.2 million, a decrease of approximately 65%, primarily due to lower *Niobe* system sales volumes. We recognized revenue on one *Niobe* system which was a *Niobe* I to *Niobe* ES system upgrade and a total of $0.7 million for *Odyssey* and *Odyssey Cinema* systems during the 2014 period. System revenue for the prior year period included two *Niobe* ES systems, a total of $0.2 million for *Niobe* ES system upgrades, and a total of $1.1 million for *Odyssey* and *Odyssey Cinema* systems. Revenue from sales of disposable interventional devices, service and accessories increased to $6.9 million for the three months ended June 30, 2014 from $6.4 million for the three months ended June 30, 2013, an increase of approximately 8%. The increase was driven by service agreement additions and services related to the upgrade of a *Niobe* I system in 2014.

Cost of Revenue. Cost of revenue decreased to $2.0 million for the three months ended June 30, 2014 from $2.5 million for the three months ended June 30, 2013. As a percentage of our total revenue, overall gross margin has remained relatively consistent with the three months ended June 30, 2014 and 2013 at 75%. Cost of revenue for systems sold decreased from $1.6 million for the three months ended June 30, 2013 to $1.1 million for the three months ended June 30, 2014, a decrease of approximately 33%, due primarily to decreased *Niobe* system sales volumes. Gross margin for systems decreased to 6% for the three months ended June 30, 2014 from 52% for the three months ended June 30, 2013. This decrease was primarily due to low margin sales of *Odyssey* and *Odyssey Cinema* systems through our distribution agreement with Biosense Webster, Inc. and the sale of a *Niobe* I to *Niobe* ES system upgrade. Cost of revenue for disposables, service and accessories has remained consistent with the three months ended June 30, 2013 at $0.9 million. Gross margin for disposables, service and accessories was 87% for the current quarter compared to 86% for the three months ended June 30, 2013.

Research and Development Expenses. Research and development expenses decreased from $1.5 million for the three months ended June 30, 2013 to $1.3 million for the three months ended June 30, 2014, a decrease of approximately 12%. This decrease was primarily due to timing of project based expenses.

Sales and Marketing Expenses. Sales and marketing expenses decreased from $4.3 million for the three months ended June 30, 2013 to $4.1 million for the three months ended June 30, 2014, a decrease of approximately 4%. This decrease was primarily due to reduced headcount expenses as part of the Company's continued efforts to contain operating expenses.

General and Administrative Expenses. General and administrative expenses include regulatory, clinical, finance, information systems, legal, general management and training expenses. General and administrative expenses decreased from $3.3 million for the three months ended June 30, 2013 to $2.9 million for the three months ended June 30, 2014, a decrease of approximately 10%. This decrease was primarily reduction in consulting expenses.

Other Income. Other income represents the non-cash change in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock. Other income in prior year also includes the adjustment in fair value of the derivative asset and liability related to the conversion features embedded in the subordinated convertible debentures during periods in which the debentures were outstanding.

Interest Expense. Interest expense decreased to $0.8 million for the three months ended June 30, 2014 from $2.1 million for the three months ended June 30, 2013, due primarily to the extinguishment of the convertible debentures and pay off of the line of credit and term loan in 2013.

Comparison of the Six Months Ended June 30, 2014 and 2013

Revenue. Revenue decreased from $18.1 million for the six months ended June 30, 2013 to $16.4 million for the six months ended June 30, 2014, a decrease of approximately 10%. Revenue from the sale of systems decreased from $5.6 million to $2.5 million, a decrease of approximately 55%. We recognized revenue on one *Niobe* system which was a *Niobe* I to *Niobe* ES system upgrade, a total of $0.7 million for system installation revenue, one *Niobe* ES upgrade and a customer deposit for a previously cancelled *Niobe* system order. In addition, we recognized revenue on a total of $0.9 million for *Odyssey* and *Odyssey Cinema* systems and a total of $0.5 million for *Vdrive* systems during the 2014 period. System revenue for the prior year period included three *Niobe* ES systems, a total of $0.7 million for *Niobe* ES upgrades, a total of $1.7 million for *Odyssey* and *Odyssey Cinema* systems, and a total of $0.1 million for *Vdrive* systems. Revenue from sales of disposable interventional devices, service and accessories increased to $13.9 million for the six months ended June 30, 2014 from $12.6 million for the six months ended June 30, 2013, an increase of approximately 11%. The increase was attributable to higher disposable and service sales volume.

Cost of Revenue. Cost of revenue decreased from $4.7 million for the six months ended June 30, 2013 to $3.6 million for the six months ended June 30, 2014, a decrease of approximately 23%. As a percentage of our total revenue, overall gross margin increased to 78% for the six months ended June 30, 2014 compared to 74% during the same six month period of the prior year, due to a shift in mix from system revenue to disposable, service and accessory revenue. Cost of revenue for systems sold decreased from $2.8 million for the six months ended June 30, 2013 to $1.6 million for the six months ended June 30, 2014, a decrease of approximately 41%, primarily due to decreased system sales volumes across *Niobe*, *Odyssey* and *Odyssey Cinema* product lines. Gross margin for systems decreased from 50% for the six months ended June 30, 2013 to 34% for the six months ended June 30, 2014 due to low margin sales of *Odyssey* and *Odyssey Cinema* systems through our distribution agreement with Biosense Webster, Inc. and the sale of a *Niobe* I to *Niobe* ES system upgrade. Cost of revenue for disposables, service and accessories increased slightly to $2.0 million during the 2014 period from $1.9 million during the 2013 period, resulting in an increase in gross margin to 86% from 85% between these periods.

Research and Development Expenses. Research and development expenses decreased from $3.0 million for the six months ended June 30, 2013 to $2.8 million for the six months ended June 30, 2014, a decrease of approximately 7%. The decrease is primarily due to lower depreciation and outsourcing expenses.

Sales and Marketing Expenses. Sales and marketing expenses decreased from $9.1 million for the six months ended June 30, 2013 to $7.7 million for the six months ended June 30, 2014, a decrease of approximately 15%. The decrease was due to reduced headcount costs including severance as part of the Company's prior year efforts to reduce operating expenses.

General and Administrative Expenses. General and administrative expenses include regulatory, clinical, finance, information systems, legal, general management and training expenses. General and administrative expenses have remained relatively consistent with the six months ended June 30, 2013 at $6.7 million.

Other Income. Other income represents the change in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock. Other income in prior year also includes the adjustment in fair value of the derivative asset and liability related to the conversion features embedded in the subordinated convertible debentures. The primary drivers of fluctuations in this balance are changes in the Company's stock price from one period to the next.

Interest Expense. Interest expense decreased from $4.1 million for the six months ended June 30, 2013 to $1.7 million for the six months ended June 30, 2014, due primarily to the extinguishment of the convertible debentures and pay off of the line of credit and term loan in 2013.

Liquidity and Capital Resources

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash and cash equivalents. At June 30, 2014 we had $10.6 million of cash and equivalents. We had working capital of approximately $1.7 million and $4.4 million as of June 30, 2014 and December 31, 2013, respectively. The decrease in the working capital is due principally to the net losses incurred for the first six months of 2014.

The following table summarizes our cash flow by operating, investing and financing activities for the six months ended June 30, 2014 and 2013 (in thousands):

	Six Months Ended June 30, 2014	2013
Cash flow used in operating activities	$ (5,454)	$ (3,294)
Cash flow used in investing activities	(41)	—
Cash flow provided by financing activities	2,318	(370)

Net cash used in operating activities. We used approximately $5.5 million and $3.3 million of cash for operating activities during the six months ended June 30, 2014 and 2013, respectively. This increase was primarily driven by changes in working capital, partially offset by a decrease in the net loss.

Net cash used in investing activities. We used approximately $41,000 during the six month period ended June 30, 2014 for the purchase of equipment. There were no purchases of equipment for the six month period ended June 30, 2013.

Net cash provided by financing activities. We generated approximately $2.3 million of cash for the six month period ended June 30, 2014 compared to the $0.4 million used for the six month period ended June 30, 2013. This increase in cash generated was primarily driven by proceeds from issuance of stock in the current year period.

We may 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 cash needs through the sale of other equity securities or non-core assets, strategic collaboration agreements, debt financings or through distribution rights. 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 may not be sufficient to fund our operating expenses and capital equipment requirements through the next 12 months, which would require us to obtain additional financing before that time. We cannot assure that 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.

Borrowing facilities

As of June 30, 2014, our borrowing facilities were comprised of a revolving line of credit maintained with our primary lender, Silicon Valley Bank, as well as the Healthcare Royalty Partners debt discussed in the following sections.

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 its primary lender.

On March 29, 2013, the Company amended its agreement with its primary lender to extend the maturity date of the $13 million working capital line of credit from March 31, 2013 to June 30, 2013. The Company also received from stockholders, who at the time were affiliates of two current and former members of our board of directors (the “Lenders”) and were considered to be related parties, an extension of their commitment to provide $3 million in loan guarantees until June 30, 2013. As a result of this extension, the Company issued the Lenders warrants to purchase 113,636 shares of common stock at $1.98 per share. Under the facility the Company was required to maintain a minimum “tangible net worth” and liquidity ratio 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.

On June 28, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from June 30, 2013 to July 31, 2013, and decreased the amount of available advances from $13 million to $6 million. In addition, the primary lender waived the testing of the tangible net worth and liquidity ratio financial covenants under the Amended Loan Agreement for the period ended June 30, 2013. The Company and the Lenders also agreed to extend until July 31, 2013 the $3 million guarantee. As a result of this extension, the Company issued the Lenders warrants to purchase 48,387 shares of common stock at $1.55 per share.

On July 31, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from July 31, 2013 to August 31, 2013. In addition, the primary lender waived the testing of the liquidity ratio financial covenant under the Amended Loan Agreement for the period ended July 31, 2013. The Company and the Lenders also agreed to extend until August 31, 2013 the $3 million guarantee. As a result of this extension, the Company issued the Lenders warrants to purchase 14,313 shares of common stock at $5.24 per share.

On August 30, 2013, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from August 31, 2013 to March 31, 2014. In addition, the Company and the primary lender agreed to a reduction in the revolving credit line from $6.0 million to $3.0 million, the elimination of the $3.0 million sublimit guaranteed by the Lenders, and release of the guarantees by the Lenders in favor of the primary lender. The amendment eliminated the prepayment premium for the prepayment of the term loan and modified the financial covenants to (a) eliminate the minimum tangible net worth covenant, (b) substitute in lieu thereof an EBITDA test, requiring the Company to maintain a minimum EBITDA of no less than (no worse than) (i) negative $4.0 million for the trailing three-month period ending September 30, 2013 and (ii) negative $3.0 million for the trailing three-month period ending December 31, 2013, in each case tested quarterly on a trailing three month basis, and (c) revise the liquidity ratio covenant to require the Company to maintain a liquidity ratio of greater than 2:1, excluding certain short term advances from the calculation.

On March 28, 2014, the Company amended its agreement with its primary lender. The amendment extended the maturity date of the working capital line of credit from March 31, 2014 to March 31, 2015. In addition, the Company and the primary lender agreed to an increase in the revolving credit line from $3.0 million to $10.0 million and modified the financial covenants to (a) eliminate the EBITDA test, (b) substitute in lieu thereof a minimum tangible net worth test, requiring the Company to maintain a minimum tangible net worth of not less than (no worse than) negative $21 million, with such minimum requirement subject to increase under certain circumstances as described in the agreement, and (c) revise the liquidity ratio covenant to require the Company to maintain a liquidity ratio of greater than 1.75:1.00, excluding certain short term advances from the calculation.

As of June 30, 2014, the Company had no outstanding debt under the revolving line of credit. Draws on the line of credit are made based on the borrowing capacity one week in arrears. As of June 30, 2014 the Company had a borrowing capacity of $3.8 million based on the Company's collateralized assets. As such, the Company had the ability to borrow $3.8 million under the revolving line of credit at June 30, 2014.

Term note

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 accrued at the rate of the primary lender's prime plus 3.5% until September 2011, at which point it was adjusted to the lender's prime plus 5.5%. Under this agreement, the Company provided its primary lender with warrants to purchase 11,111 shares of common stock. The warrants are exercisable at $36.00 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, was deferred and amortized to interest expense ratably over the life of the term loan. The term note was paid in full in September 2013.

Healthcare Royalty Partners Debt

In November 2011, we entered into a loan agreement with Healthcare Royalty Partners. Under the agreement the Company borrowed from Healthcare Royalty Partners $15 million. The Company was permitted to 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. On August 8, 2012, the Company borrowed an additional $2.5 million based upon achievement of a milestone related to *Niobe* system sales for the nine months ended June 30, 2012. On January 31, 2013, the Company borrowed an additional $2.5 million based upon achievement of a milestone related to *Niobe* system sales for the twelve months ended December 31, 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, Healthcare Royalty Partners 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.

Subordinated Convertible Debentures

In May 2012, the Company entered into a securities purchase agreement with certain institutional investors whereby the Company agreed to sell an aggregate of approximately $8.5 million in aggregate principal amount of unsecured, subordinated, convertible debentures (the "Debentures"), which became convertible into shares of the Company's common stock at a conversion price of $3.361 per share (or approximately 2.5 million shares in the aggregate), on July 10, 2012, the date that the Company received shareholder approval for the transaction. The purchasers of the Debentures also received six-year warrants to purchase an aggregate of approximately 2.5 million shares of the Company's common stock at an exercise price of $3.361 per share ("Convert Warrants"). The Debentures bore interest at 8% per year and were to mature on May 7, 2014. In addition, the Company had the ability to issue shares of its common stock in lieu of cash interest payments under certain circumstances, and following the registration of the shares for resale, the Company issued shares in lieu of cash interest payments.

The Company recorded the Debentures on the balance sheet net of the debt discount. The debt discount of $7.6 million is due to warrants issued in conjunction with the Debentures and the debt conversion features. Upon issuance of the Debentures, the fair value of the warrants and derivative liability were $4.1 million and $3.5 million, respectively. The debt discount was amortized over the life of the loan using the effective interest method and the warrants and derivative liability were recorded at fair value on each reporting period. Refer to Note 11 for additional discussion of the fair value of the warrants.

On August 7, 2013, holders of Convert Warrants exercised all of their Convert Warrants for an aggregate of approximately 2.5 million shares of our common stock, resulting in cash proceeds of approximately $8.5 million. In addition, holders of all of the Debentures exchanged the balance of their unconverted Debentures for an aggregate of approximately 2.7 million shares of the Company's common stock and additional warrants (the "Exchange Warrants") to purchase approximately 2.5 million shares, having an exercise price of $3.361 per share. On August 8, 2013, certain former holders of the Debentures exercised Exchange Warrants to purchase an aggregate of 1.4 million shares of common stock in cashless net exercises as provided for in the Exchange Warrants, which resulted in the issuance to such funds of an aggregate of 0.8 million shares of common stock, but no net proceeds to the Company. The Company is relying on the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, based on representations to the Company made by the warrant holders.

Listing Transfer to NASDAQ Capital Market

On August 15, 2013, the NASDAQ Listing Qualifications Panel (the "Panel") granted approval of the Company's request to transfer its listing to The NASDAQ Capital Market from The NASDAQ Global Market. The Company's securities began trading on the NASDAQ Capital Market effective August 19, 2013.

Reverse Stock Split

On July 10, 2012, the Company filed a Certificate of Amendment to our Amended and Restated Certificate of Incorporation to implement a one-for-ten reverse split of our common stock (the "Reverse Stock Split"). The ratio for the Reverse Stock Split was determined by our Board of Directors pursuant to the approval of the stockholders at the Company's special meeting of stockholders held on July 10, 2012, authorizing the Board to effect a reverse stock split within a range of one-for-four to one-for-ten shares of the Company's common stock. The Reverse Stock Split was effective as of July 10, 2012, and the Company's common stock began trading on the NASDAQ Global Market on a post-split basis on July 11, 2012.

As a result of the Reverse Stock Split, each ten shares of the Company's issued and outstanding common stock were automatically combined and converted into one issued and outstanding share of common stock. The Reverse Stock Split affected all issued and outstanding shares of the Company's common stock, as well as common stock underlying stock options, stock appreciation rights, restricted stock, restricted stock units, warrants and convertible debentures outstanding immediately prior to the effectiveness of the Reverse Stock Split. The Reverse Stock Split reduced the number of shares of the Company's common stock outstanding from approximately 78 million to 7.8 million at the time of the Reverse Stock Split. In addition, the Amendment increased the number of authorized shares of the Company's common stock from 100 million to 300 million. The Reverse Stock Split did not alter the par value of common stock, which remained $0.001 per share, or modify any voting rights or other terms of the Company's common stock. Unless otherwise indicated, all information set forth herein gives effect to such Reverse Stock Split.

Common Stock

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the prior rights of holders of all classes of stock having priority rights as dividends and the conditions of the Revolving Credit Agreement. No dividends have been declared or paid as of June 30, 2014.

In May 2012, the Company entered into a Stock and Warrant Purchase Agreement with certain institutional investors whereby it agreed to sell an aggregate of approximately 2.17 million shares of the Company's common stock (the "PIPE Common Stock") at a price of $3.361 per share, together with six-year warrants at a price of $1.25 per share to purchase an aggregate of approximately 2.17 million shares of common stock having an exercise price of $3.361 per share (the "PIPE Warrants"). Each purchaser received a PIPE Warrant to purchase one share of common stock for every share of PIPE Common Stock purchased. Net proceeds from the sale of the securities were approximately $9.1 million, after placement agent fees and other offering expenses. The Company used the funds to repay $7 million of the revolving credit facility guaranteed by the Lenders and plans to use the balance for working capital and general corporate purposes.

On August 7, 2013, venture funds affiliated with Sanderling Ventures received an aggregate of 183,478 shares of common stock based upon the cashless exercise of warrants to purchase an aggregate of 262,450 shares of common stock. These warrants were comprised of 75,758 warrants with an exercise price of $1.98 per share, 156,204 warrants with an exercise price of $3.361 per share and 30,488 warrants with an exercise price of $4.10 per share. The warrants were issued by the Company in private placements in 2012 and 2013 in connection with the extension of previously disclosed guarantees.

On August 13, 2013, venture funds affiliated with Sanderling Ventures exercised PIPE Warrants to purchase an aggregate of 650,619 shares of common stock in a cashless net exercise as provided for in the PIPE Warrants, which resulted in the issuance to such funds of an aggregate of 308,194 shares of common stock. As a result, there were no net proceeds to the Company.

On August 16, 2013, certain affiliates of Franklin Templeton exercised PIPE Warrants to purchase an aggregate of 650,618 shares of common stock for cash. The Company received an aggregate of $2,186,727 gross proceeds from the sale.

On August 16, 2013, Alafi Capital Company exercised PIPE Warrants to purchase an aggregate of 261,241 shares of common stock for cash. The Company received an aggregate of $878,031 gross proceeds from the sale.

On November 27, 2013, the Company announced the results of its previously announced offering of subscription rights to purchase shares of its common stock, par value $0.001 per share. Pursuant to the rights offering, subscription rights to purchase approximately 3.4 million shares of common stock were exercised, resulting in gross proceeds to Stereotaxis of approximately $10.2 million.

Controlled Equity Offering

In May 2014, the Company entered into a Controlled Equity Offering℠ sales agreement (the "Sales Agreement"), with Cantor Fitzgerald & Co. ("Cantor"), as agent and/or principal, pursuant to which the Company could issue and sell, from time to time, shares of its common stock having an aggregate gross sales price of up to $18.0 million. The Company will pay Cantor a commission of 3.0% of the gross proceeds from any common stock sold through the Sales Agreement.

During the three months ended June 30, 2014, the Company sold an aggregate of 711,959 shares of common stock under the Sales Agreement, at an average price of approximately $3.62 per share for gross proceeds of $2.6 million and net proceeds of $2.5 million, after deducting Cantor's commission. As of June 30, 2014, $15.4 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the Sales Agreement.

Off-Balance Sheet Arrangements

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

ITEM 3. 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 June 30, 2014 we have not hedged exposures in foreign currencies or entered into any other derivative instruments.

For the six months ended June 30, 2014, sales denominated in foreign currencies were approximately 16% of total revenue and as such, our revenue would have decreased by approximately $0.3 million if the U.S. dollar exchange rate used would have strengthened by 10%. For the six months ended June 30, 2014, expenses denominated in foreign currencies were approximately 10% of our total expenses and as such, our operating expenses would have decreased by approximately $0.2 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 June 30, 2014 would have resulted in a $0.2 million decrease 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 June 30, 2014, 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. Certain issuances of our outstanding debt are subject to a minimum interest rate of 7.0%, however a hypothetical increase in interest rates of 100 basis points would have no impact on interest expense due to interest rate floors on our floating rate debt.

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 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, on October 7, 2011, a purported securities class action was filed against the Company and two of the Company's past executive officers in the U.S. District Court for the Eastern District of Missouri by Kevin Pound, a purported shareholder of the Company. On December 29, 2011, the court granted an unopposed motion appointing Local 522 Pension Fund as Lead Plaintiff in the action and granting Lead Plaintiff leave to file an Amended Complaint, which Lead Plaintiff filed on March 19, 2012. The Amended Complaint alleged 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 Amended Complaint sought unspecified damages, costs, attorneys' fees and such other relief as the Court may deem appropriate. On May 18, 2012, the Company filed a motion to dismiss the Amended Complaint. On July 24, 2012, Lead Plaintiff filed its response to the motion to dismiss, and on August 30, 2012, the Company filed its reply brief in support of the motion to dismiss. On March 18, 2014, the Court granted the Company's motion to dismiss and entered judgment in favor of the defendants and against the plaintiffs. The plaintiffs did not file a notice of appeal prior to the deadline of April 17, 2014.

As described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, on December 2, 2011, a purported shareholder derivative action 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 alleged 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 were at issue in the purported class action. The Complaint sought unspecified damages, restitution and other equitable relief, as well as costs and attorneys' fees from the named defendants on behalf of the Company. At the request of all parties, on March 22, 2012, the Court entered an order staying the case pending resolution of the motion to dismiss in the securities class action. On July 18, 2014, the Court granted the parties' joint motion to dismiss the case without prejudice.

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 1A. RISK FACTORS

Risk Factors are discussed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits: See Exhibit Index herein

STEREOTAXIS, INC.

SIGNATURES

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

STEREOTAXIS, INC.
(Registrant)

Date: August 7, 2014

By: /s/ William C. Mills III
William C. Mills III,
Chief Executive Officer

Date: August 7, 2014

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

EXHIBIT INDEX

Number	Description
3.1	Restated Certificate 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	Certificate of Amendment to Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 000-50884) filed on July 10, 2012.
3.3	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.
10.1	Controlled Equity Offering^{SM} Sales Agreement dated May 16, 2014, by and between Stereotaxis, Inc. and Cantor Fitzgerald & Co., incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on May 16, 2014.
10.2	Executive Employment Agreement dated May 30, 2014 between Stereotaxis, Inc. and William C. Mills III, incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on June 2, 2014.
10.3	Consulting Agreement effective June 4, 2014 between Stereotaxis, Inc. and Eric N. Prystowsky, M.D., filed herewith.
10.4	Amended and restated Stereotaxis, Inc. 2012 Stock Incentive Plan, as adopted March 27, 2014, filed herewith.
10.5	Amended and Restated Stereotaxis, Inc. Employee Stock Purchase Plan, as adopted March 27, 2014, filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
31.2	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
32.1	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
32.2	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
101.INS	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.

Exhibit 10.3

Eric N. Prystowsky, M.D.
CONSULTING AGREEMENT

This CONSULTING AGREEMENT (this "Agreement") is made by and between **STEREOTAXIS, INC.**, a Delaware corporation (hereinafter "Company"), and **ERIC N. PRYSTOWSKY, M.D.**, an individual (hereinafter "Consultant"), effective as of the last date signed by the parties (the "Effective Date").

WHEREAS, Consultant is affiliated with St. Vincent's Health System (hereinafter "Institution") and is affiliated with Ascension Health (hereinafter "Ascension"). Consultant has been involved in medical research in fields of particular interest to the Company and has achieved recognition as an international leader in the field of electrophysiology. The Company wishes to retain Consultant in a consulting capacity and Consultant desires to perform such consulting services.

WHEREAS, the Company has developed and acquired substantial information and expertise in the Field of Interest, with or without the use of Company Technology, and will disclose to Consultant such information as Company deems appropriate in connection with the consulting services to be furnished by Consultant.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

1. **Definitions.**

1.1 Field of Interest means computer-controlled or assisted navigation and delivery systems for interventional disposable devices, with or without the use of magnetic devices or systems, and related interventional workstations, devices, and integrated information networks, used in or with interventional medical procedures.

1.2 Company Technology means all information, data, equipment, devices, inventions, discoveries, trade secrets, know-how, software, hardware, and associated intellectual property rights in the Field of Interest that are owned, developed, or licensed to or by the Company.

1.3 US means the United States of America.

2. **Services.** Consultant shall advise the Company's management, employees, and agents, at reasonable times, in matters related to the Field of Interest, as requested by the Company. In response to a request by an officer or duly appointed representative of the Company, Consultant shall provide consultation over the telephone, in person at Consultant's office, or through written correspondence. Such consultation will include reviewing activities and developments in the Field of Interest and advising on new products and applications for the Company Technology. In addition, Consultant shall, from time-to-time, make himself available in person at the Company's offices or other locations as agreed upon by the parties. The consulting services ("Services") required under this Section 2 are described in greater detail on **Exhibit A**, attached hereto and incorporated herein by reference.

3. **Consideration.**

3.1 In consideration for the Services provided by Consultant under Section 2 hereof, Consultant will be compensated as described below:

(a) The Company agrees to pay Consultant US $600.00 per hour in consideration of Consultant's provision of the Services described in Section 2 hereof at the specific request of the Company, and shall be limited to such amount of time as the parties may agree in advance. The parties agree that the number of hours to be provided by Consultant pursuant to this Agreement on an annual basis shall be deemed to be as listed on **Exhibit A** to this Agreement. Company shall have no obligation to make payment unless and until Consultant shall have submitted his invoice for the applicable month. The Company shall not reimburse for time and/or services otherwise billable to insurance carriers or other third parties. Consultant shall also complete and submit the attached W-9 to the Company.

(b) The Company agrees to reimburse Consultant for reasonable and documented travel and related expenses actually incurred by Consultant and pre-approved in writing by the Company, in accordance with Company standard expense reimbursement policies, as amended from time to time. Consultant shall also maintain records of his actual expenses incurred in connection with the performance of the Services under the Agreement.

(c) Within thirty (30) days following the end of each month, Consultant shall submit to Company invoices for the Services performed, including a pro rata monthly portion of the deemed hours for the Services set forth on **Exhibit A** for such month, and the Company shall pay the applicable amount sixty (60) days following receipt of such invoice or otherwise in accordance with the Company's standard payment cycle.

3.2 Consultant acknowledges and agrees that the fees and expenses provided for above represent Company's full and complete obligation for any and all advisory and consulting services to be rendered, and expenses incurred, by Consultant under this Agreement.

3.3 The Company and Consultant acknowledge and agree that the consideration set forth in this Section 3 represents the fair market value for the Services to be rendered under this Agreement, and no amount payable hereunder is intended to constitute a payment for the inducement of patient referrals, the purchase, lease, or order of any item or service, or the recommending or arranging for the purchase, lease, or order of any item or service.

4. **Term and Termination**.

4.1 This Agreement shall have a term of one (1) year from the Effective Date (the "Term"). Thereafter, the parties may renew the Agreement for additional successive periods of one (1) year each at the expiration of the Term or any renewal term by written amendment to this Agreement. In the event the parties decide to renew this Agreement, in each instance, Consultant and the Company shall mutually agree upon a new **Exhibit A** for the services Consultant will provide during such renewal Term.

4.2 This Agreement may be terminated by the parties as follows:

(a) Either party may terminate this Agreement immediately in the event of a material breach of any term or condition of this Agreement by the other party that is not cured within thirty (30) days after written notice is provided by the non-breaching party.

(b) Either party may immediately terminate this Agreement upon written notice to the other party in the event the other party makes a general assignment for the benefit of creditors, or files a voluntary petition in bankruptcy, or if a decree is entered involuntarily adjudicating such other party bankrupt and such decree is not dissolved within sixty (60) days, or if a receiver shall be appointed for all the property of such other party and shall not be discharged within sixty (60) days.

(c) Either party may, with or without cause, terminate this Agreement by giving at least thirty (30) days prior written notice of such termination to the other party.

4.3 Any termination hereof shall not waive any legal or equitable remedy available to the non-breaching party against the breaching party by reason of such breach. In the event of a termination of this Agreement pursuant to this Section, the parties shall not enter into any new agreements or financial arrangements with respect to the subject matter hereof from the date of termination until the next anniversary date of the Effective Date.

4.4 Upon termination, all accrued payment obligations for Services as of the date of the notice of termination will be paid by the Company.

5. **Certain Other Contracts**.

5.1 Consultant will not disclose to the Company any information that Consultant is obligated to keep secret pursuant to an agreement with, or other duty of confidentiality to, a third party, and nothing in this Agreement shall be deemed to impose any obligation on Consultant to the contrary. In the event that either party has a contractual or ethical obligation to disclose the existence of this Agreement to a third party the other party hereby consents to such disclosure, provided that the disclosing party notifies the other party prior to such disclosure.

5.2 Consultant shall not use the time, funding, resources, or facilities of the Institution, Ascension or any other third party to perform Services hereunder, and Consultant shall not perform the Services hereunder in any manner that would give the Institution, Ascension or any third party any claim of benefit to, or rights (including intellectual property rights) in the product of such Services. If Consultant will use the resources or facilities of Institution, Ascension or other third parties for the hosting of site visits or other consulting activities, Consultant shall obtain the necessary prior permissions from the respective third parties for use of such resources or facilities.

5.3 Consultant has disclosed on **Schedule 5.3**, attached hereto and incorporated herein by reference, all present, and during the Term of this Agreement Consultant shall promptly disclose to the General Counsel of the Company (or such other person as may be designated by the Company) any subsequent, actual or potential conflicts between this Agreement and any other agreements between Consultant and any third party, including any such agreements relating to the Field of Interest.

6. **Exclusive Services**. Consultant agrees that during the Term of this Agreement and for a period ending one year after the expiration or earlier termination of this Agreement pursuant to Section 4 or otherwise, he will not directly or indirectly either (i) provide any consulting, education, advisory, development, and clinical research or other services to any other business

or commercial entity for the purpose of advancing the ability of such other business or commercial entity to compete with the Company in the Field of Interest, or (ii) participate in the formation of any business or commercial entity which competes with the Company in the Field of Interest.

7. **Disclosure of Discoveries to the Company**. Subject to Consultant's confidentiality obligations to third parties, during the Term Consultant will use his best efforts to disclose to the Vice President, Research and Development of the Company (or such other person as may be designated by the Company), on a confidential basis, technology and product opportunities which come to the attention of Consultant in the Field of Interest, and any idea, concept, invention, improvement, discovery, process, formula, technique, or method, or other intellectual property relating to, or useful in, the Field of Interest, whether or not patentable or copyrightable (hereinafter "Discoveries").

8. **Consultant Discoveries**. Consultant will promptly and fully disclose to the Vice President, Research and Development of the Company (or such other person as may be designated by the Company) any Discoveries conceived, developed, or first reduced to practice by Consultant or by the Institution, Ascension or anyone working on their respective behalves, either alone or jointly with others, while performing Services pursuant to this Agreement (the "Consultant Discoveries"). Consultant agrees to, and hereby does, assign to the Company all of his right, title, and interest in and to any such Consultant Discoveries. Consultant agrees to take such actions and execute such documents as reasonably required by Company to secure and enforce Company's rights in Consultant Discoveries, including the documents required for Company to apply for, obtain, and enforce patents or copyrights in any and all countries on such Consultant Discoveries. Consultant hereby irrevocably designates the Secretary of the Company as his agent and attorney-in-fact to execute and file any such document and to do all lawful acts necessary to apply for and obtain patents and copyrights, and to enforce the Company's rights under this Section. This Section 8 will survive the termination of this Agreement with respect to Consultant Discoveries. Without limiting the foregoing, but subject to Consultant's rights in Section 11 hereof, the Company shall have the exclusive right to use and exploit economically, to divulge, to publish, to record, to translate, to distribute, and to modify all the papers, publications, and any other document or information relating to Company Technology or otherwise within the Field of Interest. The documents, papers, and other information (including such Consultant Discoveries) shall not be transferred, communicated to third parties, divulged, or published for any reason without the Company's prior written consent.

9. **Health Information**. The parties recognize a common goal of securing the integrity of all individually identifiable health information and according that information the highest possible degree of confidentiality and protection from disclosure. The parties shall comply with all applicable state and federal laws and regulations including the privacy and confidentiality of patient records including but not limited to (i) The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"); (ii) the Privacy and Security Standards (45 C.F.R. Parts 160 and 164) and the Standards for Electronic Transactions (45 C.F.R Parts 160 and 162) (collectively, the "Standards") promulgated or as to be promulgated by the Secretary of Health and Human Services on and after the applicable effective dates specified in the Standards; and (iii) The Health Information Technology for Economic and Clinical Health Act of 2009 (the "HITECH Act"). The parties shall also comply with all applicable rules, regulations, and policies regarding the confidentiality and privacy of protected health information and individually identifiable health information as provided by HIPAA and the regulations promulgated pursuant thereto (collectively, "PHI"). Consultant agrees to report to the Company's designated privacy officer any known or suspected privacy breach of unsecured PHI or any use or disclosure of PHI in violation of this Agreement in accordance with applicable Company's Policies. The parties shall cooperate in the investigation and resolution of any reports of suspected violations of HIPAA.

10. **Confidentiality**.

10.1 Consultant acknowledges that, during the course of performing Services pursuant to this Agreement, the Company will be disclosing confidential information to Consultant, and that Consultant may develop information, related to the business of the Company, including but not limited to, Discoveries, Consultant Discoveries, projects, products, prospective suppliers, prospective customers, personnel, business plans, and finances, as well as other commercially valuable information (hereinafter "Company Information"). Consultant acknowledges that the Company's business is extremely competitive, dependent in part upon the maintenance of secrecy, and that any improper disclosure of the Company Information would result in serious and irreparable harm to the Company.

10.2 Consultant agrees that Consultant shall only use Company Information in connection with providing Services to Company hereunder, and that Consultant shall not use the Company Information in any way that is detrimental to the Company.

10.3 Consultant shall not disclose, directly or indirectly, Company Information to any third person or entity, other than to representatives or agents of the Company without the Company's consent. Consultant will treat Company Information as confidential and the proprietary property of the Company.

10.4 Nothing in this Agreement shall prevent Consultant from disclosing or using information that:

(a) Consultant can prove by documentary evidence was already in his possession and at his free disposal before the disclosure to him hereunder; or

(b) is subsequently disclosed to Consultant by a third party not under any obligations of confidentiality to the Company; or

(c) is or becomes generally available to the public through no fault of Consultant; or

(d) is independently developed by Consultant without the use of Company Information; or

(e) is required by law to be disclosed by Consultant, subject to Section 10.5 below.

10.5 Consultant may disclose Company Information hereunder solely to the extent such disclosure is reasonably necessary in connection with submissions to any governmental authority in connection with this Agreement or in filing or prosecuting patent applications contemplated under this Agreement, prosecuting or defending litigation, complying with applicable laws or for the purposes expressly permitted by this Agreement; *provided that* in the event of any such disclosure of the Company Information by Consultant, Consultant will, except where impracticable, give reasonable advance notice to the Company of such disclosure requirement so that the Company may seek a protective order and or other appropriate remedy or waive compliance with the confidentiality provisions of this Section 10, and will reasonably cooperate with the Company in any efforts to secure confidential treatment of such Company Information required to be disclosed.

10.6 Whenever requested by Company, Consultant will promptly return to the Company all materials containing or reflecting Company Information as well as data, records, reports, and other property, furnished by the Company to Consultant or produced by Consultant in connection with Services rendered hereunder, together with all copies of any of the foregoing. Notwithstanding such return, Consultant shall continue to be bound by the terms of the confidentiality provisions contained in this Section 10 for a period of four (4) years after the expiration or termination of this Agreement.

11. **Publication**. The Company acknowledges that Consultant, Institution and Ascension are dedicated to a free scholarly exchange and to public dissemination of the results of their scholarly activities. Except as otherwise agreed below, nothing in this Agreement shall restrict the right of Consultant to publish, disseminate, or otherwise disclose information about work conducted pursuant to this Agreement.

Consultant shall not publish or present any reports, abstracts, articles, or data compilations of or pertaining to work performed at the request of Company under this Agreement without providing Company thirty (30) days' prior written notice of the publication/presentation date and the text of the proposed publication/presentation so that Company may review it and submit comments. Consultant agrees to consider in good faith any comments reasonably requested by Company prior to publication or presentation. In addition, Consultant shall delay any proposed publication/presentation an additional sixty (60) days in the event Company so requests in order to enable the Company to secure patent or other proprietary protection for any invention(s) disclosed in such publication/presentation to the extent owned by Company. This obligation shall survive termination of this Agreement. In accordance with FDA regulations and the Company's Quality System (as defined by FDA regulations), publications co-authored by the Company personnel that are defined as labeling or advertising under current FDA guidelines, as determined at the sole discretion of the Company, are subject to the Company's document review and approval process prior to submission for publication, and shall, if appropriate, be amended by Consultant to conform to such guidelines. The document review and approval process shall be completed within the aforementioned thirty (30) day period.

12. **Use of Name**.

12.1 Neither party shall use the name of the other for any commercial purpose without the prior written consent of the named party for the specific use.

12.2 Notwithstanding the foregoing, Consultant understands that his name and his affiliation with the Institution and/or Ascension may appear in disclosure documents required by securities laws, and in other US or other applicable non-US regulatory and administrative filings in the ordinary course of the Company's business. The foregoing uses in this Section 12.2 will be deemed to be non-commercial uses.

13. **Consultant Representations, Warranties and Covenants**. Consultant represents and warrants to the Company that:

(a) he is free to enter into this Agreement and that neither this Agreement nor the performance of Consultant's obligations hereunder present actual or potential conflicts with any other agreements, understandings, policies, or other arrangements (including, without limitation, of the Institution and Ascension) under which Consultant owes any duties or obligations, including any agreements, understandings, policies or other arrangements that Consultant has with any person or firm relating to the Field of Interest; and

(b) neither the execution of this Agreement nor the performance of Consultant's obligations under this Agreement will result in a violation or breach of any other obligation of confidentiality or any employment, consulting, advisory, development, or other agreement by which Consultant is bound (including with respect to the Institution and Ascension) or, to Consultant's knowledge, of any U.S. or applicable non-U.S. law or regulation.

14. **Disclosure of Agreement**. In conjunction with the representations under Section 13 above, Consultant further represents that he has informed Institution and Ascension of the existence of this Agreement.

15. **Disclosure of Fees and Services**. Consultant acknowledges and agrees that all consulting arrangements and the Company's relationship with Consultant and/or Institution or Ascension are subject to public disclosure in Company communications, including on the Company's website. Such disclosure may include, but is not limited to, compensation paid to Consultant, Institution or Ascension for services, payments for travel expenses (lodging, transportation, and meals), consulting fees, royalties, equity, discounts, rebates, and/or intellectual property terms.

16. **Notices**. All notices, requests or other communications to a party will be sufficient if contained in a written instrument, addressed to such party at the address set forth below or such other address as may be designated in writing by the addressee to the addresser, if: delivered in person, or sent by overnight courier with record of receipt, or sent by fax or email, with receipt acknowledged by the below-named addressee or its authorized designee.

In the case of the Company:

Stereotaxis, Inc.
4320 Forest Park Avenue, Suite 100
St. Louis, Missouri 63108
Attention: General Counsel
Email : karen.duros@stereotaxis.com
Fax: 314-667-3448

In the case of Consultant:

Dr. Eric N. Prystowsky
958 Laurelwood
Carmel, IN 46032
Email: _____

or to such other address as may have been designated by the Company or Consultant by notice to the other given as provided herein.

17. **Independent Contractor; Withholding**. Consultant will at all times be an independent contractor, and as such will not have authority to bind the Company or commit Company or any affiliate of Company to any legal obligation whatsoever, or to hire or retain other parties at Company expense, without Company's prior written approval. Consultant shall not enter into any agreements or incur any obligations on behalf of the Company. While on Company

premises, Consultant shall comply strictly with all laws and regulations, take all safety precautions, and follow all of Company's safety and operating rules. Consultant will not act as an agent nor shall Consultant be deemed to be an employee of the Company for the purposes of any employee benefit program, unemployment benefits, or otherwise. Consultant recognizes that no amount will be withheld from his compensation for payment of any federal, state, or local taxes and that Consultant has sole responsibility to pay such taxes, if any, and file such returns as shall be required by applicable laws and regulations.

18. **Performance of Services**. Consultant shall perform the Services to the best of his ability and in accordance with the degree of skill, care, and diligence normally exercised by recognized professional persons or firms that supply services of a similar nature. If Consultant considers that any information, documents, or other particulars made available by Company are not sufficient to enable the Consultant to provide the Services in accordance with this Agreement, the Consultant shall advise Company which shall then provide such further assistance, information, or other particulars as Company deems necessary. Consultant shall give immediate written notice to Company of any fact, matter, or thing that may affect the Consultant's ability to provide the Services. Consultant represents that he has secured all necessary licenses, certificates, and permits required to perform Services pursuant to this Agreement.

19. **Assignment**. Due to the personal nature of the Services to be rendered by Consultant, Consultant may not assign this Agreement. The Company may assign all rights and liabilities under this Agreement to a subsidiary or an affiliate or to a successor to all or a substantial part of its business and assets without the consent of Consultant. Subject to the foregoing, this Agreement will inure to the benefit of and be binding upon each of the heirs, assigns, and successors of the respective parties.

20. **Severability and Modification Upon Triggering Event**. This Agreement shall be construed to the fullest extent possible to be in compliance with and permitted by all US, non-US, state, or other local laws, statutes, rules, and regulations. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, such provision shall be severed and the remaining provisions shall continue in full force and effect. Notwithstanding the foregoing, if a Triggering Event (as defined below) occurs after the date hereof, the parties agree that they shall amend this Agreement solely to the extent necessary to comply with the item giving rise to the Triggering Event, and in a manner that shall preserve the underlying economic and financial arrangements between the parties with the least changes to the parties' expectations hereunder. For purposes of this Section 20, a "Triggering Event" shall mean any U.S., state, or local governmental agency, or any other non-US local governmental agency, or any court or administrative tribunal, passing, issuing, or promulgating any law, final rule, final regulation, or rendering from an evidentiary proceeding any order, decision, or judgment (including but not limited to those relating to any final regulations or administrative interpretations promulgated under applicable anti-kickback or self-referral statutes) which in the good faith and reasonable judgment of a party hereto materially and adversely affects such party's licensure or certification, ability to obtain any material benefit hereunder or under any payment program to which it is a party or ability to perform a material obligation hereunder, or renders this Agreement unlawful. If the parties in good faith cannot agree on a necessary amendment under this Section 20 within thirty (30) days of notification of the Triggering Event, then this Agreement shall terminate without further action on the 30th day.

21. **Remedies**. Consultant acknowledges that the Company would have no adequate remedy at law to enforce Sections 6, 8, and 10 hereof. In the event of a violation by Consultant of such Sections, the Company shall have the right to obtain injunctive or other similar relief, as well as any other relevant damages, without the requirements of posting bond or other similar measures.

22. **Governing Law**. This Agreement shall be interpreted, and the rights of the parties determined in accordance with the substantive laws of the State of Missouri, US, without regard to conflicts of laws principles.

23. **Entire Agreement.** This Agreement sets forth the entire understanding of the parties with respect to the subject matter herein, and supersedes all prior agreements between the parties.

24. **Modifications.** This Agreement may only be amended in writing, specifically referencing this Agreement and signed by both Company and Consultant. No amendments shall be valid without endorsement by a Company Compliance Officer.

25. **Counterparts**. This Agreement may be executed by the parties hereto in separate counterparts, by facsimile transmission or by e-mail delivery of a ".pdf" format data file, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[*Remainder of page intentionally left blank. Signatures follow.*]

COUNTERPART SIGNATURE PAGE TO THE CONSULTING AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

COMPANY:
STEREOTAXIS, INC.

BY: /s/ Karen Witte Duros
Name: Karen Witte Duros
Title: Sr. VP and General Counsel
Clinical Compliance Officer

DATE: June 4, 2014

This Agreement is not valid without endorsement by a Stereotaxis Compliance Officer.

CONSULTANT:

SIGNED: /s/ Eric N. Prystowsky
Printed Name: Eric N. Prystowsky, M.D.

DATE: June 3, 2014

Exhibit A

Description of Consulting Services

	Hours on Annual Basis
Speaking/moderation role at scientific conferences*	
- AF Symposium	4
- HRS	1
- Other conferences	6
Clinical research & publication strategy*	10
Product roadmap advisory*	10
Board education on AF treatment*	4
Total	**35**

* The parties agree that the number of hours to be provided by Consultant for the Services pursuant to this Agreement on an annual basis shall be deemed to be as listed above. For each month, Consultant shall be deemed to have provided a pro rata monthly portion of the deemed hours for these Services set forth above.

STEREOTAXIS, INC.
2012 STOCK INCENTIVE PLAN

As amended and restated effective March 27, 2014

1. Purpose of the Plan.

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

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

A. “Act” means the Securities Exchange Act of 1934, as amended, or any successor thereto.

B. “Award” means a grant under the Plan of an Option, Stock Appreciation Right, Cash-Based Award or Other Stock-Based Award.

C. “Award Agreement” means the document (in written or electronic form) communicating the terms, conditions and limitations applicable to an Award. The Committee may, in its discretion, require that the Participant execute such Award Agreement, or may provide for procedures through which Award Agreements are made available but not executed. Any Participant who is granted an Award and who does not affirmatively reject the applicable Award Agreement shall be deemed to have accepted the terms of Award as embodied in the Award Agreement.

D. “Board” means the Board of Directors of the Company.

E. “Cash-Based Award” means an Award described in Section 7 as a Cash-Based Award.

F. “Change of Control” means the occurrence of one or more of the following:

(1) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 35% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding voting securities entitled to vote generally in the election of directors;

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

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

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

G. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.

H. "Committee" means the Compensation Committee of the Board, and any successor committee thereto or such other committee of the Board as may be designated by the Board to administer this Plan in whole or in part including any subcommittee of the Board as designated by the Board.

I. "Company" means Stereotaxis, Inc., a Delaware corporation, and any successor thereto.

J. "Employer" means the Company and any other entity directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board or the Committee in which the Company has an interest. The term "control" (including the terms "controlling", "controlled by" and "under common control with") has the meaning ascribed to it under Rule 405 of the Securities Act of 1933, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.

K. "Fair Market Value" means the closing sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, on the date such Fair Market Value is measured of one share of Stock as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Nasdaq Global Market or, if the shares of Stock are not listed or admitted to trading on the Nasdaq Global Market, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Stock are listed or admitted to trading or, if the shares of Stock are not listed or admitted to trading on any national

securities exchange, the last quoted sale price on such date or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market on such date, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use. If shares of Stock are not publicly held or so listed or publicly traded, the Fair Market Value per share of Stock shall be 100% of the fair market value of a share of Stock on the date such Fair Market Value is measured, as determined in good faith by the Committee.

L. “Incentive Stock Option” means a stock option which is intended to be an incentive stock option within the meaning of Code Section 422.

M. “Non-Qualified Stock Option” means a stock option which is not an Incentive Stock Option.

N. “Option” means both an Incentive Stock Option and a Non-Qualified Stock Option.

O. “Other Stock-Based Award” means an Award granted pursuant to Section 7 and described as an Other Stock-Based Award.

P. “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

Q. “Participant” means any director or any employee of the Company, or any of its subsidiaries (including subsidiaries of subsidiaries), or any other entity in which the Company has a significant equity or other interest, as determined by the Committee, as well as any individual providing services to the Company who is selected to receive an Award; provided, that Incentive Stock Options may only be granted to employees of the Company or any of its Subsidiaries.

R. “Plan” means the Stereotaxis, Inc. 2012 Stock Incentive Plan.

S. “Stock” means the common stock, par value of $0.001 per share, of the Company.

T. “Stock Appreciation Right” means a stock appreciation right described in Section 6.

U. “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

3. Stock Subject to the Plan.

As of the date of adoption of this Plan by the Board or the Committee, as applicable, the number of shares of Stock available for Awards under the Plan shall be two million seven hundred ninety thousand (2,790,000). The maximum number of shares of Stock subject to Awards which may be granted during a calendar year to a Participant shall be 1,000,000. The Company may, in its

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

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

4. Administration.

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

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

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

5. Options.

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

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

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

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

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

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

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

6. Stock Appreciation Rights.

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

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

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

7. Other Stock-Based Awards and Cash-Based Awards.

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

8. Performance-Based Awards.

The Committee may, in its sole and absolute discretion, determine that certain Awards should be subject to such requirements so that they are deductible by the Employer under Code Section 162(m). If the Committee so determines, such Awards shall be considered Performance-Based Awards subject to the terms of this Section 8, as provided in the Award Agreement. A Performance-Based Award shall be granted by the Committee in a manner to satisfy the requirements of Code Section 162(m) and the regulations thereunder. The performance measures to be used for purposes of a Performance-Based Award shall be determined by the Committee, in its sole and absolute discretion, from among the following: the Company’s earnings per share growth; earnings; earnings per share; cash flow; working capital; expense management; customer satisfaction; revenues; financial return ratios; market performance; shareholder return and/or value; operating income (loss) (including earnings (loss) before income taxes, depreciation and amortization); net income (loss); profit returns; margins; stock price; working capital; business trends; production cost; product cost; return on assets; project milestones; and plant and equipment performance. The performance measures may relate to the Company, a Parent, a Subsidiary, an Employer or one or more units of such an entity.

The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to an Award and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. Each performance measure that constitutes a criteria measured by reference to the Company’s financial statements shall be determined in accordance with generally accepted accounting principles as consistently applied by the Company and, if so determined by the Committee prior to the date the performance measures are established in writing, adjusted, to the extent permitted under Code Section 162(m), to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles. The Committee shall have the discretion to adjust the amount payable on a Company-wide or divisional basis or to reflect individual performance and/or unanticipated factors; provided, however, that Awards which are designed to qualify as Performance-Based Awards may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

9. Vesting Limitations.

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

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

11. Nontransferability of Awards.

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

12. Investment Purpose.

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

13. Adjustments Upon Changes in Capitalization or Corporation Acquisitions.

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

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

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

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

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

14. Amendment and Termination.

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

15. Effectiveness of the Plan.

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

16. Time of Granting of an Award.

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

17. Term of Plan.

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

18. No Right To Continued Employment.

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

19. Choice of Law.

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

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

* * *

The foregoing amended and restated Plan was approved and adopted by the Committee on March 27, 2014, and approved by the Stockholders on June 10, 2014.

/s/ Karen W. Duros
Secretary

Exhibit 10.5

STEREOTAXIS, INC.
2009 EMPLOYEE STOCK PURCHASE PLAN

As Amended and restated effective March 27, 2014

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

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

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

(d) "Company" shall mean Stereotaxis, Inc. and any Designated Subsidiary of the Company.

(e) "Compensation" shall mean all cash compensation reportable on Form W-2, including without limitation base straight time gross earnings, sales commissions, payments for overtime, shift premiums, incentive compensation, incentive payments and bonuses, plus any amounts contributed by the Participant to any Company 401(k) Plan from compensation paid to the Participant by the Company, but excluding compensatory fringe benefit payments and special award or bonus payments classified by the Company as excludable from Compensation.

(f) "Designated Subsidiary" shall mean any Subsidiary that has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(g) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three months and the individual's right

to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated after the third month of such leave. An individual who performs services as an employee for the Company shall not be considered an Employee if the laws of the country in which the services are performed prohibits his or her participation in the Plan.

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

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

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

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

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

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

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

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

(m) "Plan" shall mean this Stereotaxis, Inc. 2009 Employee Stock Purchase Plan.

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

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

(p) "Subsidiary" shall mean any corporation other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of granting an option under the Plan, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(q) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan.

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

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

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

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

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

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

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

All payroll deductions made for a Participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A Participant may not make any additional payments into such account.

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

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

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

7. Grant of Option. On the Enrollment Date of each Offering Period, each Participant participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Participant's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock a Participant may purchase during each Offering Period. Exercise of the option shall occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

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

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

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

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

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

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

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

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

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be five hundred thousand (500,000) shares.

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

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

14. Administration. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

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

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

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

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

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

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

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each Participant may purchase each Offering Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except

as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

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

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

20. Amendment or Termination.

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

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

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

(i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the action of the Board (or a committee of the Board); and

(iii) allocating shares.

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

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

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

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

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

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

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

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

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

***

The foregoing amended and restated Plan was approved and adopted by the Committee on March 27, 2014, and approved by the Stockholders on June 10, 2014.

/s/ Karen W. Duros
Secretary

Exhibit 31.1

Certification of Principal Executive Officer

I, William C. Mills III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ William C. Mills III

William C. Mills III
Chief Executive Officer
Stereotaxis, Inc.
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Martin C. Stammer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ Martin C. Stammer

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

Exhibit 32.1

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Mills III, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2014

/s/ William C. Mills III
William C. Mills III
Chief Executive Officer
Stereotaxis, Inc.

Exhibit 32.2

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin C. Stammer, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2014

/s/ Martin C. Stammer
Martin C. Stammer
Chief Financial Officer
Stereotaxis, Inc.