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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-36159

STEREOTAXIS, INC.
(Exact name of the Registrant as Specified in its Charter)

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

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

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

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

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of outstanding shares of the registrant's common stock on October 31, 2021 was 74,581,038.

STEREOTAXIS, INC.
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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 40,243,223	$ 43,939,512
Restricted cash - current	1,604,331	-
Compensating cash arrangement	251,548	250,620
Accounts receivable, net of allowance of $153,148 and $123,614 at 2021 and 2020, respectively	5,073,265	3,515,136
Inventories, net	3,854,572	3,295,457
Prepaid expenses and other current assets	2,383,673	1,716,014
Total current assets	53,410,612	52,716,739
Property and equipment, net	1,153,231	195,129
Restricted cash	700,000	-
Operating lease right-of-use assets	6,403,035	2,235,442
Other assets	253,416	308,515
Total assets	$ 61,920,294	$ 55,455,825
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	$ -	$ 1,185,058
Accounts payable	3,937,228	1,608,636
Accrued liabilities	2,562,390	3,209,235
Deferred revenue	6,688,239	5,282,770
Current portion of operating lease liabilities	654,611	2,287,487
Total current liabilities	13,842,468	13,573,186
Long-term debt	-	973,252
Long-term deferred revenue	1,793,298	548,915
Operating lease liabilities	5,911,757	-
Other liabilities	215,861	131,231
Total liabilities	21,763,384	15,226,584
Series A - Convertible preferred stock:		
Convertible preferred stock, Series A, par value $0.001; 22,387 and 22,513 shares outstanding at 2021 and 2020, respectively	5,583,768	5,605,323
Stockholders' equity:		
Convertible preferred stock, Series B, par value $0.001; 10,000,000 shares authorized, 5,610,121 shares outstanding at 2021 and 2020	5,610	5,610
Common stock, par value $0.001; 300,000,000 shares authorized,74,579,198 and 73,694,203 shares issued at 2021 and 2020, respectively	74,579	73,694
Additional paid in capital	530,019,539	522,709,846
Treasury stock, 4,015 shares at 2021 and 2020	(205,999)	(205,999)
Accumulated deficit	(495,320,587)	(487,959,233)
Total stockholders' equity	34,573,142	34,623,918
Total liabilities and stockholders' equity	$ 61,920,294	$ 55,455,825

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Systems	$ 3,541,360	$ 2,953,005	$ 8,830,052	$ 2,965,774
Disposables, service and accessories	5,318,562	5,504,048	17,210,790	16,099,915
Sublease	246,530	246,530	739,590	739,590
Total revenue	9,106,452	8,703,583	26,780,432	19,805,279
Cost of revenue:				
Systems	3,374,857	3,031,440	6,199,980	3,253,976
Disposables, service and accessories	750,507	747,285	2,558,414	2,068,085
Sublease	246,530	246,530	739,590	739,590
Total cost of revenue	4,371,894	4,025,255	9,497,984	6,061,651
Gross margin	4,734,558	4,678,328	17,282,448	13,743,628
Operating expenses:				
Research and development	2,499,789	1,952,641	7,583,908	6,038,753
Sales and marketing	2,910,134	2,822,680	8,902,100	8,279,853
General and administrative	3,944,452	1,466,046	10,335,100	4,962,227
Total operating expenses	9,354,375	6,241,367	26,821,108	19,280,833
Operating loss	(4,619,817)	(1,563,039)	(9,538,660)	(5,537,205)
Interest (expense) income, net	1,258	(9,933)	(5,585)	71,596
Gain on extinguishment of debt	-	-	2,182,891	-
Net loss	$ (4,618,559)	$ (1,572,972)	$ (7,361,354)	$ (5,465,609)
Cumulative dividend on Series A convertible preferred stock	(338,718)	(343,101)	(1,006,466)	(1,028,950)
Loss attributable to common stockholders	$ (4,957,277)	$ (1,916,073)	$ (8,367,820)	$ (6,494,559)
Net loss per share attributable to common stockholders:				
Basic	$ (0.07)	$ (0.03)	$ (0.11)	$ (0.09)
Diluted	$ (0.07)	$ (0.03)	$ (0.11)	$ (0.09)
Weighted average number of common shares and equivalents:				
Basic	75,700,389	74,488,771	75,476,381	72,004,956
Diluted	75,700,389	74,488,771	75,476,381	72,004,956

See accompanying notes.

STEREOTAXIS, INC
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)
Three Months Ended September 30, 2020

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at June 30, 2020	22,813	$ 5,682,141	5,610,121	$ 5,610	73,030,824	$ 73,031	$ 521,013,702	$ (205,999)	$ (485,205,411)	$ 35,680,933
Issuance of common stock					40,953	41	46,508			46,549
Share-based compensation					30,750	31	755,682			755,713
Components of net loss									(1,572,972)	(1,572,972)
Employee stock purchase plan					6,154	6	26,087			26,093
Preferred stock conversion	(300)	(76,818)			569,525	569	76,249			76,818
Balance at September 30, 2020	22,513	$ 5,605,323	5,610,121	$ 5,610	73,678,206	$ 73,678	$ 521,918,228	$ (205,999)	$ (486,778,383)	$ 35,013,134

Three Months Ended September 30, 2021

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at June 30, 2021	22,407	$ 5,578,181	5,610,121	$ 5,610	74,428,865	$ 74,429	$ 527,294,470	$ (205,999)	$ (490,702,028)	$ 36,466,482
Issuance of common stock					54,146	54	106,648			106,702
Share-based compensation					53,454	53	2,597,012			2,597,065
Components of net loss									(4,618,559)	(4,618,559)
Employee stock purchase plan					2,952	3	27,036			27,039
Preferred stock conversion	(20)	5,587			39,781	40	(5,627)			(5,587)
Balance at September 30, 2021	22,387	$ 5,583,768	5,610,121	$ 5,610	74,579,198	$ 74,579	$ 530,019,539	$ (205,999)	$ (495,320,587)	$ 34,573,142

See accompanying notes.

STEREOTAXIS, INC
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)
Nine Months Ended September 30, 2020

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at December 31, 2019	23,110	$ 5,758,190	5,610,121	$ 5,610	68,529,623	$ 68,530	$ 504,211,040	$ (205,999)	$ (481,312,774)	$ 22,766,407
Issuance of common stock and warrants					3,856,045	3,856	15,051,062			15,054,918
Share-based compensation					147,739	148	2,413,286			2,413,434
Components of net loss									(5,465,609)	(5,465,609)
Employee stock purchase plan					23,989	24	91,093			91,117
Preferred stock conversion	(597)	(152,867)			1,120,810	1,120	151,747			152,867
Balance at September 30, 2020	22,513	$ 5,605,323	5,610,121	$ 5,610	73,678,206	$ 73,678	$ 521,918,228	$ (205,999)	$ (486,778,383)	$ 35,013,134

Nine Months Ended September 30, 2021

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at December 31, 2020	22,513	$ 5,605,323	5,610,121	$ 5,610	73,694,203	$ 73,694	$ 522,709,846	$ (205,999)	$ (487,959,233)	$ 34,623,918
Issuance of common stock					298,730	300	446,088			446,388
Share-based compensation					325,954	325	6,753,015			6,753,340
Components of net loss									(7,361,354)	(7,361,354)
Employee stock purchase plan					14,159	14	89,281			89,295
Preferred stock conversion	(126)	(21,555)			246,152	246	21,309			21,555
Balance at September 30, 2021	22,387	$ 5,583,768	5,610,121	$ 5,610	74,579,198	$ 74,579	$ 530,019,539	$ (205,999)	$ (495,320,587)	$ 34,573,142

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities		
Net loss	$ (7,361,354)	$ (5,465,609)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	79,547	86,482
Non-cash lease expense	1,898,457	1,756,758
Share-based compensation	6,753,340	2,413,434
Gain on debt extinguishment	(2,182,891)	-
Non-cash interest	24,581	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,558,129)	(80,145)
Inventories	(559,115)	(998,521)
Prepaid expenses and other current assets	(667,659)	(303,870)
Compensating cash arrangement	(928)	(250,295)
Other assets	55,099	(38,566)
Accounts payable	2,328,592	(530,516)
Accrued liabilities	(646,845)	235,026
Deferred revenue	2,649,852	1,112,558
Operating lease liability	(1,787,169)	(1,756,471)
Other liabilities	84,630	-
Net cash used in operating activities	(889,992)	(3,819,735)
Cash flows from investing activities		
Purchase of property and equipment	(1,037,649)	(70,896)
Net cash used in investing activities	(1,037,649)	(70,896)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	-	2,158,310
Proceeds from issuance of stock, net of issuance costs	535,683	15,146,035
Net cash provided by financing activities	535,683	17,304,345
Net (decrease) increase in cash and cash equivalents	(1,391,958)	13,413,714
Cash and cash equivalents at beginning of period	43,939,512	30,182,115
Cash and cash equivalents at end of period	$ 42,547,554	$ 43,595,829
Reconciliation of cash, cash equivalents, and restricted cash to balance sheet as of September 30th:		
Cash and cash equivalents	$ 40,243,223	$ 43,595,829
Restricted cash - current	1,604,331	-
Restricted cash	700,000	-
Total cash, cash equivalents, and restricted cash	$ 42,547,554	$ 43,595,829

See accompanying notes.

Notes to Financial Statements

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

1. Description of Business

Stereotaxis designs, manufactures and markets an advanced robotic magnetic navigation system for use in a hospital’s interventional surgical suite, or “interventional lab”, that we believe revolutionizes the treatment of arrhythmias by enabling enhanced safety, efficiency, and efficacy for catheter-based, or interventional, procedures. Our primary products include the *Genesis RMN* System, the *Niobe* System, the *Odyssey* Solution, and related devices. We also offer to our customers the Stereotaxis Imaging Model S x-ray System.

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

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

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

We have received regulatory clearance, licensing and/or CE Mark approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. The *Niobe* System, *Odyssey* Solution, *Cardiodrive*, and various disposable interventional devices have received regulatory clearance in the U.S., Europe, Canada, China, Japan and various other countries. We have received the regulatory clearance, licensing and/or CE Mark approvals that allow us to market the *Vdrive* and *Vdrive Duo* Systems with the *V-CAS*, *V-Loop* and *V-Sono* devices in the U.S., Canada and Europe. Stereotaxis Imaging Model S is CE marked and FDA cleared.

We have strategic relationships with technology leaders and innovators in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic navigation system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. There are no guarantees that any existing strategic relationships will continue and efforts are ongoing to ensure the availability of integrated next generation systems and/or equivalent alternatives. We cannot provide assurance as to the timeline of the ongoing availability of such compatible systems or our ability to obtain equivalent alternatives on competitive terms or at all.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the nine-month period ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021 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, 2020, as filed with the Securities and Exchange Commission (SEC) on March 12, 2021.

Risks and Uncertainties

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

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

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

As of the date of the filing of this Quarterly Report on Form 10-Q, we believe our manufacturing operations and supply chains have been manageably interrupted, but we cannot guarantee that they will not be interrupted more severely in the future. If our manufacturing operations or supply chains are materially interrupted, it may not be possible for us to timely manufacture relevant products at required levels, or at all. A material reduction or interruption to any of our manufacturing processes would have a material adverse effect on our business, operating results, and financial condition.

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

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

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of cash that the Company is obligated to maintain in accordance with contractual obligations. The Company’s restricted cash was $2.3 million at September 30, 2021. No cash was restricted at December 31, 2020.

Compensating Cash Arrangement

In July 2020, the Company entered into a letter of credit to support a commitment of less than $0.3 million. As a condition of the letter of credit, the Company is required to maintain a $0.3 million compensating balance until the expiration of the letter of credit.

Financial Instruments

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

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

The Company's financial assets consist of restricted cash and cash equivalents invested in money market funds which totaled \$2.3 million and \$1.4 million as of September 30, 2021 and December 31, 2020, respectively. The financial assets consisting of cash equivalents invested in money market funds are classified as Level 2 as described above and total interest income recorded for these investments was insignificant for the nine months ended September 30, 2021. As of September 30, 2021, the Company did not have any financial liabilities valued at fair value on a recurring basis. As of September 30, 2020, the Company did not have any financial assets or liabilities valued at fair value on a recurring basis.

Revenue and Costs of Revenue

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

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

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

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

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

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

<u>Systems:</u>

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software enhancements throughout the period and is included in Other Recurring Revenue. The Company's system contracts do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were \$0.2 million and less than \$0.1 million for the nine months ended September 30, 2021 and 2020, respectively. Revenue from system delivery and installation represented 33% and less than 15% of revenue for the nine months ended September 30, 2021 and 2020, respectively.

<u>Disposables:</u>

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the nine months ended September 30, 2021 and 2020. Disposable revenue represented 23% and 27% of revenue for the nine months ended September 30, 2021 and 2020, respectively.

Royalty:

The Company is entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters. Royalty revenue from the co-developed catheters represented 7% and 8% of revenue for the nine-month periods ended September 30, 2021 and 2020, respectively.

Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for a specified period, typically one year following installation of our systems. Revenue from services and software enhancements is deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed. Other recurring revenue represented 34% and 46% of revenue for the nine months ended September 30, 2021 and 2020, respectively.

Sublease Revenue:

A portion of our principal executive office is subleased to a third party through 2021. In accordance with Accounting Standards Update (ASU) 2016-02, "Leases" (Topic 842), the Company records sublease income as revenue. Sublease revenue represented 3% and 4% of revenue for the nine months ended September 30, 2021 and 2020, respectively.

	Three Months Ended September 30		Nine Months Ended September 30,	
	2021	2020	2021	2020
Systems	$ 3,541,360	$ 2,953,005	$ 8,830,052	$ 2,965,774
Disposables, service and accessories	5,318,562	5,504,048	17,210,790	16,099,915
Sublease	246,530	246,530	739,590	739,590
Total revenue	$ 9,106,452	$ 8,703,583	$ 26,780,432	$ 19,805,279

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to the Company's systems contracts and obligations that will be recognized as revenue in future periods. These obligations are generally satisfied within two years after contract inception but may occasionally extend longer. Transaction price representing revenue to be earned on remaining performance obligations on system contracts was approximately $6.5 million as of September 30, 2021. Performance obligations arising from contracts for disposables, royalty and service are generally expected to be satisfied within one year after entering into the contract.

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

	September 30, 2021	December 31, 2020
Contract Assets - unbilled receivables	$ 444,277	$ 284,415
Customer deposits	$ 1,400,000	$ -
Product shipped, revenue deferred	1,348,458	645,200
Deferred service and license fees	5,733,079	5,186,485
Total deferred revenue	$ 8,481,537	$ 5,831,685
Less: Long-term deferred revenue	(1,793,298)	(548,915)
Total current deferred revenue	$ 6,688,239	$ 5,282,770

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

Revenue recognized for the nine months ended September 30, 2021 and 2020, that was included in the deferred revenue balance at the beginning of each reporting period was $4.8 million and $4.7 million, respectively.

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

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets, in the Company's balance sheet was $0.2 million and $0.3 million as of September 30, 2021 and December 31, 2020, respectively. The Company did not incur any impairment losses during any of the periods presented.

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

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.

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

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

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

Net Earnings (Loss) per Common Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (4,618,559)	$ (1,572,972)	$ (7,361,354)	$ (5,465,609)
Cumulative dividend on Series A Convertible Preferred Stock	(338,718)	(343,101)	(1,006,466)	(1,028,950)
Net loss attributable to common stockholders	$ (4,957,277)	$ (1,916,073)	$ (8,367,820)	$ (6,494,559)
Weighted average number of common shares and equivalents:	75,700,389	74,488,771	75,476,381	72,004,956
Basic EPS	$ (0.07)	$ (0.03)	$ (0.11)	$ (0.09)
Diluted EPS	$ (0.07)	$ (0.03)	$ (0.11)	$ (0.09)

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

As of September 30, 2021, the Company had 2,842,490 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $4.10 per share, 44,785,320 shares of our common stock issuable upon conversion of our Series A Convertible Preferred Stock, 5,610,121 shares of our common stock issuable upon conversion of our Series B Convertible Preferred Stock and 1,164,723 shares of unvested restricted share units. The Company had no unearned restricted shares outstanding and all warrants were expired as of September 30, 2021.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued Accounting Standards Update (ASU) 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" as part of its effort to reduce the complexity of accounting standards. The ASU is effective for fiscal years beginning after December 15, 2020. The Company adopted with no impact to the Company's financial statements.

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

3. Inventories

Inventories consist of the following:

	September 30, 2021	December 31, 2020
Raw materials	$ 3,265,351	$ 2,950,912
Work in process	847,847	433,026
Finished goods	2,170,998	2,987,039
Reserve for excess and obsolescence	(2,429,624)	(3,075,520)
Total inventory	$ 3,854,572	$ 3,295,457

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

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	September 30, 2021	December 31, 2020
Prepaid expenses	$ 1,154,731	$ 754,062
Prepaid commissions	212,317	271,174
Deposits	1,167,013	855,970
Other assets	103,028	143,323
Total prepaid expenses and other assets	2,637,089	2,024,529
Less: Noncurrent prepaid expenses and other assets	(253,416)	(308,515)
Total current prepaid expenses and other assets	$ 2,383,673	$ 1,716,014

5. Property and Equipment

Property and Equipment consist of the following:

	September 30, 2021	December 31, 2020
Equipment	$ 4,940,877	$ 6,488,984
Leasehold improvements	2,299,550	2,338,441
Construction in process	1,037,649	-
	8,278,076	8,827,425
Less: Accumulated depreciation	(7,124,845)	(8,632,296)
Net property and equipment	$ 1,153,231	$ 195,129

The company retired approximately $1.6 million of fully depreciated assets during the nine months ended September 30, 2021.

6. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company accounts for leases in accordance with Accounting Standards Update No. 2016-02 "Leases" (Topic 842) and all subsequent ASUs that modified Topic 842 ("ASC 842"). The Company determines if an arrangement contains a lease at inception.

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

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

On March 1, 2021, the Company entered into an office lease agreement (the "Lease") with Globe Building Company (the "Landlord"), under which the Company will lease executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the "Premises") that will serve as the Company's new principal executive and administrative offices and manufacturing facility. Lease payments commence at the later of January 1, 2022 or the date on which the Company has received an occupancy permit, and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately $0.8 million in 2022 to $1.0 million in 2031. Upon receipt of an occupancy permit, the Company will relocate its current St. Louis, Missouri operations to the Premises in the new building.

The Company gained access to the Premises in the third quarter 2021 to begin constructing leasehold improvements. In accordance with ASC 842, the Company recorded a ROU asset and lease liability. The initial recognition of the ROU asset and lease liability was $5.9 million.

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments. ASC 842 requires the use of the discount rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception. As of September 30, 2021, the weighted average discount rate for operating leases was 9.0% and the weighted average remaining lease term for operating lease term is 9.65 years.

The following table represents lease costs and other lease information.

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Operating lease cost	$ 733,033	$ 585,588	$ 1,898,457	$ 1,756,758
Short-term lease cost	13,853	19,084	44,557	53,858
Sublease income	(246,530)	(246,530)	(739,590)	(739,590)
Total net lease cost	$ 500,356	$ 358,142	$ 1,203,424	$ 1,071,026
Cash paid within operating cash flows	$ 623,594	$ 634,918	$ 1,793,884	$ 1,860,165

Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased facilities and equipment which are paid based on actual costs incurred.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of September 30, 2021, excluding sublease income, were as follows:

	September 30, 2021
2021	$ 595,665
2022	801,183
2023	870,782
2024	891,596
2025	912,410
2026 and thereafter	5,919,096
Total lease payments	$ 9,990,732
Less: Interest	(3,424,364)
Present value of lease liabilities	$ 6,566,368

The remaining undiscounted future cash flows to be received under the sublease are $0.3 million in 2021.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	September 30, 2021	December 31, 2020
Accrued salaries, bonus, and benefits	$ 1,399,703	$ 2,044,826
Accrued licenses and maintenance fees	483,879	483,879
Accrued warranties	267,647	157,615
Accrued taxes	195,529	172,744
Accrued professional services	121,305	138,359
Other	310,188	343,043
Total accrued liabilities	2,778,251	3,340,466
Less: Long term accrued liabilities	(215,861)	(131,231)
Total current accrued liabilities	$ 2,562,390	$ 3,209,235

8. Debt and Credit Facilities

The Company had a working capital line of credit with its primary lender, Silicon Valley Bank, that matured on June 30, 2020 and was not renewed.

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

In accordance with general accounting principles for fair value measurement, the Company's debt was measured at fair value (Level 2), which approximated the carrying value of the debt as of December 31, 2020.

9. Convertible Preferred Stock and Stockholders' Equity

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends. No dividends have been declared or paid as of September 30, 2021.

2020 Equity Financing

On May 25, 2020, the Company entered into a Securities Purchase Agreement with certain accredited investors, whereby it, in a direct registered offering, agreed to issue and sell to the investors an aggregate of 3,658,537 shares of the Company's common stock, $0.001 par value per share, at a price of $4.10 per share. The Company received net proceeds of approximately $15.0 million, after offering expenses.

Series B Convertible Preferred Stock

On August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, as part of a private placement, agreed to issue and sell to the 5,610,121 shares of the Company's Series B Convertible Preferred Stock, $0.001 par value per share which are convertible into shares of the Company's common stock, at a price of $2.05 per share. The Series B Preferred Stock, which is a common stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into common stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement. The Series B Convertible Preferred Stock is reported in the stockholders' equity section of the Company's balance sheet.

Series A Convertible Preferred Stock and Warrants

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

The remaining warrants issued in conjunction with the Series A Preferred Stock (the "SPA Warrants") expired on September 29, 2021.

2021 CEO Performance Award Unit Grant

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

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

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

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

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

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

Total stock-based compensation recorded as operating expense for the CEO Performance Award was $4.3 million for the nine-month period ended September 30, 2021. As of September 30, 2021, the Company had approximately $53.1 million of total unrecognized stock-based compensation expense remaining under the CEO Performance Award assuming the grantee's continued employment as CEO of the Company, or in a similar capacity, through 2030.

2012 Stock Award Plan

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

On May 20, 2021, the shareholders approved an amendment to the Plan, which was previously approved and adopted by the Compensation Committee of the Board of Directors of the Company. Under the amendment on May 20, 2021, the number of shares authorized for issuance under the Plan was increased by four million shares. At September 30, 2021, the Company had 4,918,872 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At September 30, 2021, the total compensation cost related to options, stock appreciation rights, and non-vested stock granted to employees and non-employees under the Company's stock award plans but not yet recognized was approximately $5.8 million, excluding compensation not yet recognized related to the CEO Performance Award discussed above. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in actual forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the nine-month period ended September 30, 2021 is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2020	2,456,979	$0.74 - $35.20	$ 2.90
Granted	894,000	$6.96 - $9.87	$ 7.16
Exercised	(325,111)	$0.74 - $4.52	$ 1.98
Forfeited	(183,378)	$0.74 - $35.20	$ 6.69
Outstanding, September 30, 2021	2,842,490	$0.74 - $9.87	$ 4.10

A summary of the restricted stock unit activity for the nine-month period ended September 30, 2021 is as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2020	1,112,473	$ 2.46
Granted	378,204	$ 7.18
Vested	(325,954)	$ 3.97
Forfeited	-	$ -
Outstanding, September 30, 2021	1,164,723	$ 3.57

10. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including certain cash equivalents. Generally accepted accounting principles for fair value measurement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). The three levels of the fair value hierarchy are described below:

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

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

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

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

	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 September 30, 2021:				
Cash invested in money market accounts	$ 2,304,331	$ —	$ 2,304,331	$ —
Total assets at fair value	$ 2,304,331	$ —	$ 2,304,331	$ —
Assets at December 31, 2020:				
Cash invested in money market accounts	$ 1,429,331	$ —	$ 1,429,331	$ —
Total assets at fair value	$ 1,429,331	$ —	$ 1,429,331	$ —

The Company did not have any financial liabilities valued at fair value on a recurring basis as of September 30, 2021 or December 31, 2020.

Level 1

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

Level 2

The Company's financial assets consist of restricted cash and cash equivalents invested in money market funds in the amount of $2,304,331 and $1,429,331 at September 30, 2021 and December 31, 2020, respectively. These assets are classified as Level 2, as described above, and total interest income recorded for these investments was insignificant during the nine months ended September 30, 2021 and year ended December 31, 2020.

Level 3

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

11. Product Warranty Provisions

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

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

	September 30, 2021	December 31, 2020
Warranty accrual, beginning of the fiscal period	$ 157,615	$ 141,697
Accrual adjustment for product warranty	193,697	49,974
Payments made	(83,665)	(34,056)
Warranty accrual, end of the fiscal period	$ 267,647	$ 157,615

12. Commitments and Contingencies

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

In February 2021, the Company entered into letters of credit to support commitments totaling approximately $1.3 million. The letters of credit are valid through 2022. In April 2021, the Company entered into a letter of credit pursuant to the Lease agreement totaling approximately $1.8 million to be delivered in four equal installments of which the first was delivered in April 2021 and the second was delivered in July 2021 for approximately $0.4 million each. The amount available under this letter of credit will automatically reduce by one fortieth at the end of each month during the lease term.

As discussed further in Part II, Item 1, in response to an April 29, 2021 punitive class action complaint, in August 2021, the Company agreed to pay $675,000 to plaintiff's counsel for attorneys' fees and expenses in full satisfaction of the claims in the matter. The Chancery Court has not been asked to review, and will pass no judgment on, the payment of the attorneys' fees and expenses or their reasonableness.

13. Subsequent Events

None.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020. Operating results are not necessarily indicative of results that may occur in future periods.

This report includes various forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Part II - Item 1A. Risk Factors" included in this Quarterly Report on Form 10-Q and in Part I, Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for the year ended December 31, 2020. Forward-looking statements discuss matters that are not historical facts. Forward-looking statements include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity, capital resources, results of operations, and the impact of the recent coronavirus ("COVID-19") pandemic and our response to it. Such statements include, but are not limited to, statements preceded by, followed by, or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "can", "could", "may", "would", or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they are made. They give our expectations regarding the future but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Stereotaxis designs, manufactures and markets an advanced robotic magnetic navigation system for use in a hospital's interventional surgical suite, or "interventional lab", that we believe revolutionizes the treatment of arrhythmias by enabling enhanced safety, efficiency, and efficacy for catheter-based, or interventional, procedures. Our primary products include the *Genesis RMN* System, the *Niobe* System, the *Odyssey* Solution, and related devices. We also offer to our customers the Stereotaxis Imaging Model S x-ray System.

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

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

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

We have received regulatory clearance, licensing and/or CE Mark approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. The *Niobe* System, *Odyssey* Solution, *Cardiodrive*, and various disposable interventional devices have received regulatory clearance in the U.S., Europe, Canada, China, Japan and various other countries. We have received the regulatory clearance, licensing and/or CE Mark approvals that allow us to market the *Vdrive* and *Vdrive Duo* Systems with the *V-CAS*, *V-Loop* and *V-Sono* devices in the U.S., Canada and Europe. Stereotaxis Imaging Model S is CE marked and FDA cleared.

We have strategic relationships with technology leaders and innovators in the global interventional market. Through these strategic relationships we provide compatibility between our robotic magnetic navigation system and digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices. The maintenance of these strategic relationships, or the establishment of equivalent alternatives, is critical to our commercialization efforts. There are no guarantees that any existing strategic relationships will continue and efforts are ongoing to ensure the availability of integrated next generation systems and/or equivalent alternatives. We cannot provide assurance as to the timeline of the ongoing availability of such compatible systems or our ability to obtain equivalent alternatives on competitive terms or at all.

COVID-19 Pandemic

During the first quarter of 2021, periodic resurgences of COVID-19 and the delayed rollout of vaccines in some geographies continued to impact our procedure volumes. Overall, procedure volumes improved slightly compared to the fourth quarter 2020 and were approximately 5% higher than the first quarter of 2020. While procedures in the Asia Pacific region had recovered to pre-pandemic levels, procedures in other geographies remained impacted with total procedures approximately 15% below those seen in the first quarter of 2019.

During the second quarter of 2021, as the rollout of vaccines continued in the US and were varied in other geographies, overall procedure volumes for the second quarter 2021 remained fairly consistent with the first quarter of 2021 and were nearly 40% higher than the second quarter of 2020.

During the third quarter of 2021, a resurgence of COVID and hospital staffing shortages depressed procedure volumes. Overall procedure volumes fell by approximately 9% as compared to the third quarter of 2020.

While travel restrictions and supply chain concerns remain in some areas, we are generally able to conduct normal business activities albeit in a more deliberate manner than prior to the pandemic.

Ongoing

Even with the rollout of effective vaccines, we do not expect all markets to recover at the same pace. The impact that the pandemic will have on our business will likely continue to vary by individual geography based on the extent of the outbreak in each area, the timing of vaccine distribution, specific governmental restrictions and the availability of testing capabilities, personal protective equipment, and hospital facilities, as well as decisions by our vendors, suppliers, customers and, ultimately, patients in response to the pandemic, none of which we are able to currently and accurately predict. While we cannot reliably estimate the depth or length of the impact, we continue to anticipate significant, periodic disruptions to our procedures volumes, service activities and system placements in 2021. In addition, we would expect that capital system orders will experience some delay.

Capital markets and worldwide economies have also been significantly impacted by the COVID-19 pandemic, and the outlook for 2021 depends on future developments, including but not limited to: the length and severity of the outbreak (including new strains, which may be more contagious, more severe or less responsive to treatment or vaccines), the effectiveness of containment actions, and the timing of vaccinations and achievement of herd immunity. The impact on local and/or global economies is uncertain, including ongoing risk of recession. Such economic disruptions, including a recession, could have a material adverse effect on our long-term business as hospitals curtail and reduce capital and overall spending or redirect such spending to treatments related directly to the pandemic. To date, we have managed disruptions to our manufacturing operations and supply chains, but we cannot guarantee that such will not be interrupted further in the future. If our manufacturing operations or supply chains are interrupted, it may not be possible for us to timely manufacture relevant products at required levels, or at all. A material reduction or interruption to any of our manufacturing processes could have a material adverse effect on our business, operating results, and financial condition. Further, the COVID-19 pandemic and local actions, such as “shelter-in-place” orders and restrictions on our ability to travel and access our customers or temporary closures of our facilities or the facilities of our suppliers and their contract manufacturers, could also significantly impact our sales and our ability to ship our products and supply our customers. Any of these events could negatively impact the number of procedures performed and the number of system placements and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. We review our estimates and judgments on an 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, 2020.

Revenue Recognition

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

In accordance with Accounting Standards Codification Topic 606 (“ASC 606”), “Revenue from Contracts with Customers,” we account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. We record our revenue based on consideration specified in the contract with each customer, net of any taxes collected from customers that are remitted to government authorities.

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

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

Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software enhancements throughout the period and is included in Other Recurring Revenue. The Company's system contracts do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were $0.2 million and less than $0.1 million for the nine months ended September 30, 2021 and 2020, respectively.

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the nine months ended September 30, 2021 and 2020.

Royalty:

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

Other Recurring Revenue:

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

Sublease Revenue:

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

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

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

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets in the Company's balance sheets were $0.2 million and $0.3 million as of September 30, 2021 and December 31, 2020, respectively. The Company did not incur any impairment losses during any of the periods presented.

Leases

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

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

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

As disclosed in Note 9, on March 1, 2021, the Company entered into an office lease agreement (the “Lease”) with Globe Building Company (the “Landlord”), under which the Company will lease executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the “Premises”) that will serve as the Company’s new principal executive and administrative offices and manufacturing facility. Lease payments commence at the later of January 1, 2022 or the date on which the Company has received an occupancy permit, and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately $0.8 million in 2022 to $1.0 million in 2031. Upon receipt of an occupancy permit, the Company will relocate its current St. Louis, Missouri operations to the Premises in the new building.

The Company gained access to the Premises in the third quarter 2021 to begin constructing leasehold improvements. In accordance with ASC 842, the Company recorded a ROU asset and lease liability. The initial recognition of the ROU asset and lease liability was $5.9 million.

Cost of Contracts

Costs of systems revenue include direct product costs, installation labor and other costs, estimated warranty costs, and initial training and product maintenance costs. These costs are recognized at the time of sale. Costs of disposable revenue include direct product costs and estimated warranty costs and are recognized at the time of sale. Cost of revenue from services and license fees are recognized when incurred. Cost of sublease revenue is recognized on a straight-line basis.

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.

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

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

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

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020

Revenue. Revenue increased from $8.7 million for the three months ended September 30, 2020, to $9.1 million for the three months ended September 30, 2021, an increase of 5%. Revenue from the sales of systems increased to $3.5 million for the three months ended September 30, 2021 from $3.0 million for the three months ended September 30, 2020. This increase is due to increased system sales in the current year period. Revenue from sales of disposable interventional devices, service, and accessories decreased to $5.3 million for the three months ended September 30, 2021, from $5.5 million for the three months ended September 30, 2020, a decrease of approximately 3%, driven by lower procedures and service revenue during the current year period. The Company recognized $0.2 million of sublease revenue for both the three-month periods ended September 30, 2021 and 2020.

Cost of Revenue. Cost of revenue increased from $4.0 million for the three months ended September 30, 2020, to $4.4 million for the three months ended September 30, 2021, an increase of approximately 9%. As a percentage of our total revenue, overall gross margin decreased to 52% for the three months ended September 30, 2021, from 54% for the three months ended September 30, 2020, primarily due to changes in product mix. Cost of revenue for systems sold increased to $3.4 million for the three months ended September 30, 2021, from $3.0 million for the three months ended September 30, 2020, driven by increased system sales volumes in the current year period. Gross margin for systems was less than negative $0.1 million for the three months ended September 30, 2020, compared to positive $0.2 million for the three months ended September 30, 2021. Cost of revenue for disposables, service, and accessories remained consistent for the three-month periods ended September 30, 2021 and 2020. Gross margin for disposables, service, and accessories was 86% for the three-month periods ended September 30, 2021 and 2020. Cost of sublease revenue was $0.2 million for both the three-month periods ended September 30, 2021 and 2020.

Research and Development Expenses. Research and development expenses increased from $2.0 million for the three months ended September 30, 2020, to $2.5 million for the three months ended September 30, 2021, an increase of approximately 28%. This increase was primarily due to higher project spending and measured hiring in the current year period.

Sales and Marketing Expenses. Sales and marketing expenses increased from $2.8 million for the three months ended September 30, 2020 to $2.9 million for the three months ended September 30. 2021, an increase of approximately 3%. The increase was primarily due to increased sales and marketing activities as normal activities resume following the height of the pandemic.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased from $1.5 million for the three months ended September 30, 2020, to $3.9 million for the three months ended September 30, 2021, an increase of approximately 169%. This increase was primarily driven by higher stock-based compensation expense for the previously announced CEO Performance Award and higher professional service fees in the current year period.

Interest Income (Expense). Net interest income was less than $0.1 million for the three months ended September 30, 2021, and net interest expense was less than $0.1 million for the three months ended September 30, 2020.

Comparison of the Nine Months Ended September *30, 2021 and 2020*

Revenue. Revenue increased from $19.8 million for the nine months ended September 30, 2020 to $26.8 million for the nine months ended September 30, 2021, an increase of approximately 35%. Revenue from the sales of systems increased to $8.8 million for the nine months ended September 30, 2021 from $3.0 million for the nine months ended September 30, 2020. This increase is due to increased system sales in the current year period. Revenue from sales of disposable interventional devices, service and accessories increased to $17.2 million for the nine months ended September 30, 2021 from $16.1 million for the nine months ended September 30, 2020, an increase of approximately 7%, driven by higher procedure volumes as the Company recovers from the COVID pandemic. Sublease revenue was $0.7 million for both the nine-month periods ended September 30, 2021 and September 30, 2020.

Cost of Revenue. Cost of revenue increased from $6.1 million for the nine months ended September 30, 2020 to $9.5 million for the nine months ended September 30, 2021, an increase of approximately 57%. As a percentage of our total revenue, overall gross margin decreased to 65% for the nine months ended September 30, 2021 from 69% for the nine months ended September 30, 2020, primarily due to changes in product mix. Cost of revenue for systems sold increased from $3.3 million for the nine months ended September 30, 2020 to $6.2 million for the nine months ended September 30, 2021, driven by increased system sales volumes offset by reductions to excess and obsolescence reserves in the current year period. Gross margin for systems increased from negative $0.3 million for the nine months ended September 30, 2020 to positive $2.6 million for the nine months ended September 30, 2021. Cost of revenue for disposables, service, and accessories increased to $2.6 million for the nine months ended September 30, 2021 from $2.1 million for the nine months ended September 30, 2020, primarily due to increased disposable sales volumes and higher expenses incurred under service contracts in the current year period. Gross margin for disposables, service and accessories was 85% for the nine months ended September 30, 2021 compared to 87% for the nine months ended September 30, 2020. Cost of sublease revenue was $0.7 million for both the nine-month periods ended September 30, 2021 and September 30, 2020.

Research and Development Expenses. Research and development expenses increased from $6.0 million for the nine months ended September 30, 2020 to $7.6 million for the nine months ended September 30, 2021, an increase of approximately 26%. This increase was primarily due to higher project spending and measured hiring in the current year period.

Sales and Marketing Expenses. Sales and marketing expenses increased from $8.3 million for the nine months ended September 30, 2020 to $8.9 million for the nine months ended September 30, 2021, an increase of approximately 8%. This increase was primarily due to increased sales and marketing activities as normal activities resume following the height of the pandemic as well as higher compensation related costs.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased to $10.3 million for the nine months ended September 30, 2021 from $5.0 million for the nine months ended September 30, 2020, an increase of approximately 108%. This increase was primarily driven by higher stock-based compensation expense for the previously announced CEO Performance Award and the appreciating stock price as well as higher professional service fees in the current year period.

Interest Income (Expense). Net interest expense was less than $0.1 million for the nine months ended September 30, 2021, and net interest income was approximately $0.1 million for the nine months ended September 30, 2020.

Liquidity and Capital Resources

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash and cash equivalents. We are continuously and critically reviewing our liquidity and anticipated capital requirements in light of the significant uncertainty created by the COVID-19 pandemic.

At September 30, 2021 we had $42.8 million of cash and cash equivalents, inclusive of restricted cash and the compensating cash arrangement. We had working capital of $39.6 million as of September 30, 2021, compared to $39.1 million as of December 31, 2020.

The following table summarizes our cash flow by operating, investing and financing activities for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,	
	2021	**2020**
Cash flow used in operating activities	$ (890)	$ (3,820)
Cash flow used in investing activities	(1,038)	(71)
Cash flow provided by financing activities	536	17,304

Net cash used in operating activities. We used approximately $0.9 million and $3.8 million of cash for operating activities during the nine months ended September 30, 2021 and 2020, respectively. The decrease in cash used in operating activities was driven by lower working capital requirements in the current year period.

Net cash used in investing activities. We used approximately $1.0 million and less than $0.1 million of cash during the nine months ended September 30, 2021 and 2020, respectively, for the purchase of equipment and design costs associated with our new facility.

Net cash provided by financing activities. We generated $0.5 million and $17.3 million of cash during the nine months ended September 30, 2021 and 2020, respectively. The cash generated in the current year period was driven by the proceeds from issuance of stock, net of issuance costs. The cash generated in the prior year period was driven by the net proceeds of $15.0 million received from the May 2020 Securities Purchase Agreement and $2.2 million of net proceeds received from the Paycheck Protection Program loan.

Capital Resources

As of September 30, 2021, the Company did not have any debt.

Revolving Line of Credit

The Company had a working capital line of credit with its primary lender, Silicon Valley Bank that matured on June 30, 2020 and was not renewed.

Paycheck Protection Program

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

Common Stock

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends. No dividends have been declared or paid as of September 30, 2021.

2020 Equity Financing

On May 25, 2020, the Company entered into a Securities Purchase Agreement with certain accredited investors, whereby it, in a direct registered offering, agreed to issue and sell to the investors an aggregate of 3,658,537 shares of the Company's common stock, $0.001 par value per share, at a price of $4.10 per share. The Company received net proceeds of approximately $15.0 million, after offering expenses.

Series B Convertible Preferred Stock

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

Series A Convertible Preferred Stock and Warrants

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

The remaining warrants issued in conjunction with the Series A Preferred Stock (the "SPA Warrants") expired on September 29, 2021.

Off-Balance Sheet Arrangements

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

ITEM 3. [RESERVED]

None.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is 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, the Company does not believe any of them will have a material adverse effect on its business, financial condition or results of operations.

As previously disclosed, on April 29, 2021, a putative class action complaint was filed in Delaware Chancery Court by Richard Barre, a purported shareholder, against Stereotaxis, Inc. (the “Company”) and its current directors, as defendants (the “Action”). The complaint alleged breaches of fiduciary duty against the defendants based on alleged disclosure deficiencies in the definitive proxy statement (the “Proxy Statement”) filed by the Company on April 9, 2021 relative to the vote at the Company’s 2021 Annual Meeting of Stockholders that was to be held on May 20, 2021 (the “2021 Stockholder Meeting”) seeking stockholder approval of issuance of shares under the Performance Share Unit Award (the “CEO Performance Award”) granted to David L. Fischel, the Company’s chief executive officer. The complaint sought various remedies, including a preliminary injunction seeking to enjoin the vote at the 2021 Stockholder Meeting to approve the issuance of shares for the CEO Performance Award.

Although the Company believed that the claims were wholly without merit and that no further disclosure was required to supplement the Proxy Statement under applicable law, as previously disclosed, the Company filed a supplement to the Proxy Statement on May 10, 2021 (the “Proxy Supplement”) addressing the alleged disclosure claims in order to eliminate the burden, expense, and uncertainties inherent in such litigation, and without admitting any liability or wrongdoing. On May 12, 2021, the plaintiff withdrew the motion for a preliminary injunction and voluntarily dismissed the Action, reserving the right to apply for an award of attorneys’ fees and reimbursement of expenses.

On May 21, 2021, the Chancery Court approved a stipulation under which the plaintiff voluntarily dismissed the Action with prejudice as to itself only, but without prejudice as to any other putative class member. The Chancery Court retained jurisdiction solely for the purpose of adjudicating the anticipated application of plaintiff’s counsel for an award of attorneys’ fees and reimbursement of expenses in connection with the supplemental disclosures included in the Proxy Supplement.

The Company subsequently agreed to pay $675,000 to plaintiff’s counsel for attorneys’ fees and expenses in full satisfaction of the claim for attorneys’ fees and expenses in the Action. The Chancery Court has not been asked to review, and will pass no judgment on, the payment of the attorneys’ fees and expenses or their reasonableness.

ITEM 1A. RISK FACTORS

The following risk factor is provided to update the risk factors previously disclosed under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Risks Related to the February 2021 CEO Performance Stock Unit Grant

We will incur significant additional stock-based compensation expense over the term of the CEO Performance Award regardless of whether or not any of the milestones are achieved.

As described in Note 9 of the accompanying notes to the consolidated financial statements in Part I, Item 1 of this Form 10-Q, on February 23, 2021, the Company`s Board of Directors, upon recommendation of the Compensation Committee, approved the grant of the Performance Share Unit Award (“CEO Performance Award”) pursuant to the CEO Performance Share Unit Award Agreement (the “PSU Agreement”), to David L. Fischel, the Company’s Chief Executive Officer. Under the terms of the PSU Agreement, we will incur significant additional stock-based compensation expense over the term of the award regardless of whether or not any of the milestones are achieved as the probability of meeting the ten market capitalization milestones is not considered in determining the timing of expense recognition. The expense will be recognized on an accelerated basis through 2030. Total stock-based compensation recorded as operating expense for the CEO Performance Award was $4.3 million for the nine months ended September 30, 2021. As of September 30, 2021, the Company had approximately $53.1 million of total unrecognized stock-based compensation expense remaining under the CEO Performance Award if Mr. Fischel continues to serve as CEO, or in a similar capacity, through 2030. This additional stock-based compensation expense, incurred regardless of whether or not any milestones are achieved, increases the difficulty for the Company to achieve a profitable position as measured by generally accepted accounting principles.

Our stockholders may experience substantial dilution upon payout of shares under the CEO Performance Award.

If Mr. Fischel achieves all the milestones specified in the CEO Performance Award, by increasing the Company’s market capitalization to $5.5 billion for the specified period, he will receive 13,000,000 shares of common stock subject to the vesting requirements in the agreement. If (i) all 13,000,000 shares of common stock subject to the PSU Agreement were to become fully vested, outstanding and held by Mr. Fischel; (ii) all other shares of common stock and stock units held by Mr. Fischel were fully vested and were outstanding; (iii) estimated dilution as a result of potential exercises or conversions from existing grants to employees and non-employee directors and the outstanding convertible warrants and preferred stock were to be considered; and (iv) there were no other dilutive events of any kind, Mr. Fischel would beneficially own approximately 10% of the outstanding shares of Stereotaxis common stock after the dilutive events described above and without considering the impact of any other potential future dilutive events or the potential sale of stock required to pay taxes upon the vesting of the restricted stock units.

Certain provisions in the PSU Agreement may discourage a change in control of the Company even if such a transaction would otherwise be beneficial to our stockholders.

Under the terms of the CEO Performance Award, in the event of a change in control of the Company, the market capitalization formula will be modified to equal the total amount of consideration paid to all equity holders of the Company, with the number of shares to be issued pursuant to the CEO Performance Grant giving effect to such valuation. For all valuations above $1.0 billion in connection with a change in control, partial credit for the next following tranche shall be allocated pro rata based on the market capitalization in such change in control. Any vested shares upon such a change in control will vest and be paid at the time of the consummation of the change in control, and the service component of the CEO Performance Award will otherwise be disregarded. These terms may discourage potential business partners from pursuing a merger or acquisition, even if the merger or acquisition would be viewed favorably by, or be beneficial to, our other stockholders.

We are highly dependent on the services of Mr. Fischel, and our compensation package, including the CEO Performance Award, may fail to retain him.

Since assuming the role of CEO in February 2017, Mr. Fischel has revitalized the Company's commercial capabilities, strengthened its financial position, and led the development of a robust innovation strategy, and stockholders have benefited substantially, with Stereotaxis' stock appreciating approximately 10-fold. However, between February 2017 and December 2020, Mr. Fischel served as CEO without drawing a salary or any other form of cash or equity compensation for his work as CEO, and currently his only compensation is an annual salary of $60,000, which is substantially below market. While the Board believes that the CEO Performance Award provides substantial future benefit to all its stockholders and incentivizes Mr. Fischel to serve as CEO for the long term, there is no assurance that Mr. Fischel will continue as CEO.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description
3.1	Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 000-50884) filed on July 10, 2012.
3.3	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on September 30, 2016.
3.4	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on August 8, 2019.
3.5	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	Summary of Non-Employee Director Compensation Program effective July 1, 2021, 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.

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: November 12, 2021	By: */s/ David L. Fischel* **David L. Fischel** **Chief Executive Officer**
Date: November 12, 2021	By: */s/ Kimberly R. Peery* **Kimberly R. Peery** **Chief Financial Officer**

Exhibit 10.1

NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

The Stereotaxis, Inc. Non-Employee Director Compensation program effective July 1, 2021:

Annual Awards of Restricted Share Units ("RSUs")

Annual award to each director	RSUs equal to $200,000

All equity awards to directors will be issued under the Stereotaxis, Inc. 2012 Stock Incentive Plan or a successor Plan.

Annual equity awards will be made in two installments on the first business day of January and the first business day of July in each calendar year, paid in arrears and pro-rated according to the length of time served as a director. The value of each semi-annual installment will equal $100,000. The number of RSUs issued at each semi-annual installment will be calculated by dividing a) the total semi-annual grant value of $100,000 by b) the adjusted closing per share on the accounting grant date for each semi-annual period.

The RSUs will vest on the earliest to occur of (i) the fifth anniversary of the date of the award, (ii) the date on which the service of the director on the board of directors terminates, or (iii) a Change of Control of the Company. Notwithstanding the foregoing, directors receiving an award of RSUs may elect to receive the RSUs pursuant to an alternate vesting schedule under which the RSUs will vest immediately but will be subject to a one year limit on trading, provided that such an election is made in the year preceding the year in which the RSUs are earned.

Notwithstanding anything in this Program to the contrary, this program and each award is intended to comply with the requirements imposed by Internal Revenue Code Section 409A. If any program provision or award would result in the imposition of an additional tax under Section 409A of the Code, the Company and the director intend that the program provision or award will be reformed to avoid imposition, to the extent possible, of the applicable tax and no action taken to comply with Section 409A of the Code shall be deemed to adversely affect the director's rights to an award. The director further agrees that the Company, in the exercise of its sole discretion and without the consent of the Director, may amend or modify an award in any manner and delay the payment of any amounts payable pursuant to an award to the minimum extent necessary to meet the requirements of Section 409A of the Code as the Company deems appropriate or desirable. Notwithstanding anything in the program, an award, or any other agreement (written or oral) to the contrary, if the director is a "specified employee" (within the meaning of Code Section 409A) on the date of separation from service, any payments made with respect to such separation from service under any award will be delayed to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits will be paid or distributed to the director during the five-day period commencing on the expiration of the six-month period measured from the date of the director's separation from service. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments so deferred will be paid to the director in a lump sum payment without interest. Any remaining payments and benefits due under an award will be paid as otherwise provided in the award.

Exhibit 31.1

Certification of Principal Executive Officer

I, David L. Fischel, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 12, 2021

/s/ David L. Fischel

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

Exhibit 31.2

Certification of Principal Financial Officer

I, Kimberly R. Peery, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 12, 2021

/s/ Kimberly R. Peery
Kimberly R. Peery
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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David L. Fischel, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 12, 2021	*/s/ David L. Fischel*
	David L. Fischel 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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kimberly R. Peery, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 12, 2021

/s/ Kimberly R. Peery
Kimberly R. Peery
Chief Financial Officer
Stereotaxis, Inc.