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

FORM 10-Q

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

For the quarterly period ended September 30, 2007.

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

For the transition period from _____ to _____.

Commission File Number: 000-50884

STEREOTAXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-3120386
(I.R.S. employer identification no.)

4320 Forest Park Avenue
Suite 100
St. Louis, Missouri
(Address of principal executive offices)

63108
(Zip Code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of outstanding shares of the registrant's common stock on October 31, 2007 was 37,051,208

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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,432,918	\$ 15,210,493
Short-term investments	2,128,333	21,773,288
Accounts receivable, net of allowance of \$160,656 and \$90,716 in 2007 and 2006, respectively	12,207,510	15,280,628
Current portion of long-term receivables	270,094	163,362
Inventory	8,780,250	8,285,825
Prepaid expenses and other current assets	3,002,076	2,580,773
Total current assets	52,821,181	63,294,369
Property and equipment, net	6,963,836	4,130,295
Intangible assets, net	1,444,445	1,544,444
Long-term receivables	399,784	—
Other assets	321,655	321,552
Total assets	<u>\$ 61,950,901</u>	<u>\$ 69,290,660</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 1,000,000	\$ 1,666,666
Accounts payable	6,116,505	5,555,121
Accrued liabilities	11,336,110	10,025,231
Deferred contract revenue	5,975,946	5,663,553
Total current liabilities	24,428,561	22,910,571
Long-term debt, less current maturities	1,222,222	305,556
Long-term deferred contract revenue	1,386,927	1,220,174
Other liabilities	462,488	65,367
Stockholders' equity:		
Preferred stock, par value \$0.001; 10,000,000 shares authorized at 2007 and 2006, none outstanding at 2007 and 2006	—	—
Common stock, par value \$0.001; 100,000,000 shares authorized at 2007, and 2006; 37,044,189 and 34,755,397 issued at 2007 and 2006, respectively	37,044	34,755
Additional paid-in capital	274,479,408	248,908,918
Treasury stock, 40,151 shares at cost at 2007 and 2006, respectively	(205,999)	(205,999)
Accumulated deficit	(239,859,122)	(203,950,839)
Accumulated other comprehensive income (loss)	(628)	2,157
Total stockholders' equity	34,450,703	44,788,992
Total liabilities and stockholders' equity	<u>\$ 61,950,901</u>	<u>\$ 69,290,660</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2007	2006	2007	2006
Revenue:				
Systems	\$ 9,500,848	\$ 6,370,082	\$ 22,479,877	\$ 10,212,780
Disposables, service and accessories	2,546,906	1,270,231	6,564,071	2,973,346
Total revenue	<u>12,047,754</u>	<u>7,640,313</u>	<u>29,043,948</u>	<u>13,186,126</u>
Cost of Revenue:				
Systems	3,541,756	3,016,685	8,024,046	5,436,912
Disposable, service and accessories	491,827	658,837	1,732,562	1,653,026
Inventory Impairment	—	—	1,870,653	—
Cost of revenue	<u>4,033,583</u>	<u>3,675,522</u>	<u>11,627,261</u>	<u>7,089,938</u>
Gross margin	<u>8,014,171</u>	<u>3,964,791</u>	<u>17,416,687</u>	<u>6,096,188</u>
Operating expenses:				
Research and development	6,690,032	5,576,769	19,475,675	17,247,408
General and administration	4,320,208	4,244,995	14,112,033	12,550,143
Sales and marketing	7,667,013	5,879,047	20,733,407	16,467,817
Total operating expenses	<u>18,677,253</u>	<u>15,700,811</u>	<u>54,321,115</u>	<u>46,265,368</u>
Operating loss	(10,663,082)	(11,736,020)	(36,904,428)	(40,169,180)
Interest income	339,087	527,812	1,212,644	1,638,643
Interest expense	(74,267)	(145,365)	(216,499)	(1,028,871)
Net loss	<u>\$(10,398,262)</u>	<u>\$(11,353,573)</u>	<u>\$(35,908,283)</u>	<u>\$(39,559,408)</u>
Net loss per common share:				
Basic and diluted	<u>\$ (0.29)</u>	<u>\$ (0.34)</u>	<u>\$ (1.01)</u>	<u>\$ (1.21)</u>
Weighted average shares used in computing net loss per common share:				
Basic and diluted	<u>36,256,089</u>	<u>33,541,140</u>	<u>35,612,871</u>	<u>32,641,732</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$(35,908,283)	\$(39,559,408)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	1,194,475	880,841
Amortization (accretion)	(92,938)	552,062
Interest receivable from sale of stock	—	48,992
Noncash compensation	4,182,046	3,186,943
Loss on asset disposal	8,010	6,968
Inventory impairment charge	1,870,653	—
Changes in operating assets and liabilities:		
Accounts receivable	3,073,118	(7,054,861)
Interest receivable on investments	162,871	(2,006)
Long-term receivables	(506,516)	451,113
Inventories	(2,365,078)	359,957
Prepaid expenses and other current assets	(421,303)	1,931,549
Other assets	(103)	(196,251)
Accounts payable	561,384	(1,009,276)
Accrued liabilities	1,310,879	2,012,618
Deferred contract revenue	479,146	3,010,231
Other	397,121	45,344
Net cash used in operating activities	<u>(26,054,518)</u>	<u>(35,335,184)</u>
Cash flows from investing activities:		
Purchase of equipment	(4,136,666)	(2,119,654)
Sale or disposal of equipment	100,640	10,071
Proceeds from the maturity/sale of available-for-sale investments	28,500,000	16,504,217
Purchase of available-for-sale investments	(8,827,764)	(26,287,430)
Net cash provided by (used in) investing activities	<u>15,636,210</u>	<u>(11,892,796)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	2,000,000	—
Payments under long-term debt	(1,750,000)	(750,000)
Proceeds from issuance of stock and warrants, net of issuance costs	21,390,733	66,917,546
Purchase of treasury stock	—	(43,453)
Payments received on notes receivable from common stock	—	134,700
Net cash provided by financing activities	<u>21,640,733</u>	<u>66,258,793</u>
Net increase in cash and cash equivalents	11,222,425	19,030,813
Cash and cash equivalents at beginning of period	15,210,493	3,598,493
Cash and cash equivalents at end of period	<u>\$ 26,432,918</u>	<u>\$ 22,629,306</u>

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. (the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007 or for future operating periods. These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 13, 2007 for the year ended December 31, 2006.

Recently Adopted Accounting Pronouncements

Effective January 1, 2007 the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109 (FIN 48)*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity’s uncertain tax positions. The adoption of FIN 48 did not have an impact on the Company’s financial position or results of operations.

Pending Accounting Pronouncements

In February 2007, The FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 159 on its financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 provides a single definition of fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS No. 123R and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. SFAS No. 157 is effective for financial statements issued for fiscal years beginning January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 157 on its financial statements.

Revenue Recognition

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

Net Loss Per Common Share

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

The Company has deducted unearned restricted shares from the calculation of shares used in computing net loss per share, basic and diluted. The Company has excluded all outstanding options, stock appreciation rights and warrants from the calculation of diluted loss per common share because all such securities are anti-dilutive for all periods presented. As of September 30, 2007, the Company had 3,347,459 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of \$8.65 per share and 510,626 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$8.52 per share. The Company had a weighted average of 690,019 and 682,952 unearned restricted shares excluded from the calculation of net loss per common share for the three and nine months ended September 30, 2007, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board Statement No. 123(R), *Share-Based Payment* ("SFAS 123(R)"), using the modified prospective transition method to account for its grants of stock options, stock appreciation rights, restricted shares and its employee stock purchase plan. SFAS 123(R) requires the determination of the fair value of the share-based compensation at the grant date and the recognition of the related expense over the period in which the share-based compensation vests.

The Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights at the date of grant. The resulting compensation expense is recognized over the requisite service period, which is generally one to four years. Compensation expense is recognized only for those awards expected to vest, with forfeitures estimated based on the Company's historical experience and future expectations.

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

Restricted shares granted to employees are valued at the fair market value at the date of grant. The Company amortizes the amount to expense over the service period on a straight-line basis. 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.

At September 30, 2007, the total compensation cost related to options, stock appreciation rights and non-vested stock granted to employees under the Company's equity incentive plans that has not yet been recognized was approximately \$12.1 million, net of estimated forfeitures of approximately \$1.3 million. This cost will be amortized on a straight-line basis over the underlying estimated service periods, generally four years, and may be adjusted for subsequent changes in estimated forfeitures or anticipated vesting periods.

Stock Award Plans

The Company has various stock plans that permit the Company to provide incentives to employees and directors of the Company in the form of equity compensation that are described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. At September 30, 2007, the Board of Directors has reserved a total of 4,310,057 shares of the Company's common stock to provide for current and future grants under its various equity plans.

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A summary of the option and stock appreciation rights activity for the nine months ended September 30, 2007 is as follows:

	<u>Number of Shares</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price per Share</u>
Outstanding, December 31, 2006	2,403,507	\$ 0.25-\$12.35	\$ 7.08
Granted	1,211,295	\$ 10.24-\$14.84	\$ 11.04
Exercised	(194,204)	\$ 0.54-\$10.46	\$ 4.53
Forfeited	(73,139)	\$ 0.30-\$12.03	\$ 7.48
Outstanding, September 30, 2007	<u>3,347,459</u>	<u>\$ 0.25-\$14.84</u>	<u>\$ 8.65</u>

A summary of the restricted share grant activity for the nine months ended September 30, 2007 is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value per Share</u>
Outstanding, December 31, 2006	679,544	\$ 9.84
Granted	181,161	\$ 11.98
Vested	(40,876)	\$ 9.86
Forfeited	(59,882)	\$ 9.60
Outstanding, September 30, 2007	<u>759,947</u>	<u>\$ 10.37</u>

A summary of the restricted stock outstanding as of September 30, 2007 is as follows:

	<u>Number of Shares</u>
Time based restricted shares	234,023
Performance based restricted shares	525,924
Outstanding, September 30, 2007	<u>759,947</u>

Comprehensive Loss

Comprehensive loss for the three month periods ended September 30, 2007 and 2006 was \$(10,399,315) and \$(11,320,368) respectively. Comprehensive loss for the nine month periods ended September 30, 2007 and 2006 was \$(35,911,068) and \$(39,513,401), respectively. The only adjustment to net loss in arriving at comprehensive loss is the unrealized gain or loss on investments available for sale.

Investments

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

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Short-term investments:		
Corporate debt	\$ —	\$ 1,843,988
U.S. government agency	—	9,276,631
Commercial paper	1,626,433	7,559,259
Certificates of deposit	—	2,092,253
Auction rate securities	501,900	1,001,157
Total short-term investments	<u>\$ 2,128,333</u>	<u>\$ 21,773,288</u>

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Inventory

Inventory consists of the following:

	September 30, 2007	December 31, 2006
Raw materials	\$ 1,725,336	\$2,501,312
Work in process	213,197	29,443
Finished goods	8,885,147	5,966,525
Reserve for impairment and obsolescence	(2,043,430)	(211,455)
Total inventory	<u>\$ 8,780,250</u>	<u>\$8,285,825</u>

The reserve for inventory at September 30, 2007 includes a \$1.9 million adjustment to the carrying value of the first generation Niobe systems remaining in inventory.

Property and Equipment

Property and equipment consist of the following:

	September 30, 2007	December 31, 2006
Equipment	\$ 9,073,557	\$ 5,184,996
Equipment held for lease	303,412	303,412
Leasehold improvements	1,509,410	1,432,238
	10,886,379	6,920,646
Less accumulated depreciation	(3,922,543)	(2,790,351)
Total property and equipment, net	<u>\$ 6,963,836</u>	<u>\$ 4,130,295</u>

Equipment held for lease consists of medical equipment provided to customers under operating lease arrangements where the Company is the lessor.

Accrued Liabilities

Accrued liabilities consist of the following:

	September 30, 2007	December 31, 2006
Accrued salaries, bonus and benefits	\$ 3,786,184	\$ 3,495,023
Accrued research and development	3,224,612	3,471,094
Accrued legal and other professional fees	643,766	323,224
Other	3,681,548	2,735,890
Total accrued liabilities	<u>\$11,336,110</u>	<u>\$10,025,231</u>

Line of Credit

In March 2007, the Company amended its credit agreement with its primary lending bank. The amended agreement retained substantially all of the same terms and conditions as the agreement in place at December 31, 2006, but increased the maximum borrowing capacity to \$25 million, an increase of \$15 million, and provided for an additional \$2 million in equipment advances. As of September 30, 2007, the Company had no outstanding amounts due under the working capital line of credit and had an unused line of approximately \$25.0 million with current borrowing capacity of approximately \$11.2 million, secured by qualifying receivables and inventory balances. In the event the Company's quick asset ratio (as defined in the agreement) falls below 1.75 to 1, the Company would also be required to maintain certain operating performance measures. The maturity date of the revolving line of credit was extended to March 2009 and the interest rate was adjusted to the lender's prime rate plus either 0.25% or 0.75%, depending on a defined liquidity measure. The \$2 million equipment loan was drawn in June 2007. As of September 30, 2007 the Company is in compliance with all covenants of this agreement.

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Stockholders' Equity

In February 2006, the Company completed an offering of 5,500,000 shares of its common stock at \$12.00 per share which included the exercise by the underwriters of an option to purchase an additional 500,000 shares. In conjunction with these transactions, the Company received approximately \$61.7 million in net proceeds after deduction of underwriting discounts and commissions and payment of offering expenses.

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

Product Warranty Provisions

The Company's standard policy is to warrant all NIOBE 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 consists of the following:

	<u>September 30,</u> <u>2007</u>
Warranty accrual at December 31, 2006	\$ 188,198
Warranty expense incurred	135,393
Payments made	<u>(117,529)</u>
Warranty accrual at September 30, 2007	<u>\$ 206,062</u>

During the year ended December 31, 2006 the Company expensed approximately \$237,000 related to a warranty obligation for a system installed at a hospital whose President and Chief Executive Officer is a member of our Board of Directors.

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.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2006. 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 below under Part II – Item 1A "Risk Factors" and in our Annual Report on Form 10-K for the year ended December 31, 2006. Forward-looking statements discuss matters that are not historical facts and include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity and capital resources and results of operations. Such statements include, but are not limited to, statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," "projects," "can," "could," "may," "will," "would," or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they were made. They give our expectations regarding the future, but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Stereotaxis designs, manufactures and markets an advanced cardiology instrument control system for use in a hospital's interventional surgical suite to enhance the treatment of arrhythmias and coronary artery disease. The Stereotaxis System is designed to enable physicians to complete more complex interventional procedures by providing image guided delivery of catheters and guidewires through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter or guidewire, resulting in improved navigation, efficient procedures and reduced x-ray exposure. The core components of the Stereotaxis System have received regulatory clearance in the U.S., Canada and Europe.

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, 2006.

Our accounting policy for income taxes was recently modified due to the adoption of FIN 48. In June 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain tax positions. FIN 48 is effective for us beginning January 1, 2007. The adoption of FIN 48 did not have an impact on our financial position or results of operations.

In February 2007, The FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will be effective for the Company on January 1, 2008. We are currently evaluating the impact of adopting SFAS 159 on our financial statements.

Revenue Recognition

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

Under our revenue recognition policy, revenue for system sales is recognized for the portion of sales price due upon delivery, provided delivery has occurred, title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. The balance of the sales price due upon installation is recognized as revenue when the standard installation process is complete. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since these arrangements do not include an installation element or right of return privileges. If uncertainties exist regarding collectability, we recognize revenue when those uncertainties are resolved. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services and license

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fees, whether sold individually or as a separate unit of accounting in a multi-element arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans. We recognize revenue from disposable device sales or accessories upon shipment and an appropriate reserve for returns is established. The return reserve is estimated based on historical experience which is periodically reviewed and updated as necessary. We recognize fees earned on the shipment of product to customers as revenue and recognize costs incurred on the shipment of product to customers as cost of revenue.

Results of Operations

Comparison of the Three Months Ended September 30, 2007 and 2006

Revenue. Revenue increased to \$12.0 million for the three months ended September 30, 2007 from \$7.6 million for the three months ended September 30, 2006, an increase of approximately 58%. Revenue from the sale of systems increased from \$6.4 million to \$9.5 million, an increase of approximately 49% because of an increase in the number of systems delivered from seven to nine and a higher average selling price. Revenue from sales of disposable interventional devices, service and accessories increased to \$2.5 million for the three months ended September 30, 2007 from \$1.3 million for the three months ended September 30, 2006, an increase of approximately 101%. This increase was principally attributable to the increased base of installed systems.

Purchase orders and other commitments for our magnetic navigation system and integrated cath lab display were approximately \$58 million at September 30, 2007. We do not include orders for disposables, service or other accessories in the backlog data. Backlog includes amounts withheld at the time of revenue recognition which will generally be included in systems revenue in the future when the related obligations are completed. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or cancelled, either by their express terms, as a result of negotiations, or by project changes or delays.

Cost of Revenue. Cost of revenue increased to \$4.0 million for the three months ended September 30, 2007 from \$3.7 million for the three months ended September 30, 2006, an increase of approximately 10%. This increase was in part due to the increased number of systems sold and a lower cost to produce and deliver each unit sold.

Research and Development Expenses. Research and development expenses increased to \$6.7 million for the three months ended September 30, 2007 from \$5.6 million for the three months ended September 30, 2006, an increase of approximately 20%. The increase was due principally to an increase in expenses related to development and commercialization of the integrated cath lab display and other research and development projects.

General and Administrative Expenses. General and administrative expenses increased to \$4.3 million from \$4.2 million for the three months ended September 30, 2007 and 2006, an increase of approximately 2%. The increase was due primarily to increased headcount and compensation costs.

Sales and Marketing Expenses. Sales and marketing expenses increased to \$7.7 million for the three months ended September 30, 2007 from \$5.9 million for the three months ended September 30, 2006, an increase of approximately 30%. The increase related primarily to increased salary, benefits and travel expenses associated with expanded sales headcount.

Interest Income. Interest income decreased to \$339,000 for the three months ended September 30, 2007 from \$528,000 for the three months ended September 30, 2006, a decrease of approximately 36% due to lower invested balances.

Interest Expense. Interest expense decreased approximately 49% to \$74,000 for the three months ended September 30, 2007 from \$145,000 for the three months ended September 30, 2006 primarily due to a decrease in certain letter of credit fees.

Comparison of the Nine months Ended September 30, 2007 and 2006

Revenue. Revenue increased to \$29.0 million for the nine months ended September 30, 2007 from \$13.2 million for the nine months ended September 30, 2006, an increase of approximately 120%. Revenue from the sale of systems increased to \$22.5 million from \$10.2 million, an increase of approximately 120%, because of an increase in the number of systems delivered from 11 to 20. Revenue from sales of disposable interventional devices, service and accessories increased to \$6.6 million for the nine months ended September 30, 2007 from \$3.0 million for the nine months ended September 30, 2006, an increase of approximately 121%. This increase was principally attributable to the increased base of installed systems.

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Cost of Revenue. Cost of revenue increased to \$11.6 million for the nine months ended September 30, 2007 from \$7.1 million for the nine months ended September 30, 2006, an increase of approximately 64%. This increase was due in part to the increased number of systems sold offset by a decrease in unabsorbed overhead associated with a reduced production and installation schedule during the first two quarters of 2006. Cost of sales for the 2007 period also includes a \$1.9 million adjustment to the carrying value of the first generation Niobe systems remaining in inventory.

Research and Development Expenses. Research and development expenses increased to \$19.5 million for the nine months ended September 30, 2007 from \$17.2 million for the nine months ended September 30, 2006, an increase of approximately 13%. The increase was due principally to an increase in expenses related to the 8mm and irrigated catheter development, integrated cath lab display and other research and development projects.

General and Administrative Expenses. General and administrative expenses increased to \$14.1 million for the nine months ended September 30, 2007 from \$12.6 million for the nine months ended September 30, 2006, an increase of approximately 12%. The increase was due primarily to expanded activity in clinical affairs and training and increased compensation costs.

Sales and Marketing Expenses. Sales and marketing expenses increased to \$20.7 million for the nine months ended September 30, 2007 from \$16.5 million for the nine months ended September 30, 2006, an increase of approximately 26%. The increase related primarily to increased salary, benefits and travel expenses associated with expanded sales headcount.

Interest Income. Interest income decreased to \$1.2 million for the nine months ended September 30, 2007 from \$1.6 million for the nine months ended September 30, 2006, a decrease of approximately 26% due to lower invested balances.

Interest Expense. Interest expense decreased approximately 79% to \$216,000 for the nine months ended September 30, 2007 from \$1.0 million for the nine months ended September 30, 2006 primarily due to the amortization of warrant expense during 2006 related to the affiliate line of credit.

Liquidity and Capital Resources

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash and cash equivalents, as well as investments. In addition to our cash and cash equivalent balances, we maintained \$2.1 million of investments in commercial paper and auction rate securities at September 30, 2007 and \$21.8 million of investments in corporate debt securities, U.S. government agency notes, commercial paper, certificates of deposit and auction rate securities at December 31, 2006. At September 30, 2007, we had working capital of approximately \$28.4 million, compared to \$40.4 million at December 31, 2006.

The following table summarizes our cash flow by operating, investing and financing activities for each of nine month periods ended September 30, 2007 and 2006 (in thousands):

	Nine months Ended September 30,	
	2007	2006
Cash Flow used in operating activities	\$(26,055)	\$(35,335)
Cash Flow provided by (used in) investing activities	15,636	(11,893)
Cash Flow provided by financing activities	21,641	66,259

Net cash used in operating activities. We used approximately \$26.1 million and \$35.3 million of cash for operating activities during the nine months ended September 30, 2007 and 2006, respectively, primarily as a result of operations during these periods. During the nine months ended September 30, 2007 we generated approximately \$2.7 million from operating assets and liabilities. We used approximately \$452,000 to fund operating assets and liabilities during the nine months ended September 30, 2006.

Net cash provided by (used in) investing activities. We generated approximately \$15.6 million of cash from investing activities during the nine months ended September 30, 2007, principally from the maturity of investments. During the nine months ended September 30, 2006, we used approximately \$11.9 million of cash, substantially for the purchase of investments. We used approximately \$4.1 million and \$2.1 million of cash for the purchase of equipment during the nine months ended September 30, 2007 and 2006, respectively.

Net cash provided by financing activities. We generated approximately \$21.6 million from financing activities during the nine months ended September 30, 2007 primarily from the proceeds of our common stock offering in the first quarter of

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2007. We drew \$2 million under our equipment line and repaid amounts drawn under our working capital line and scheduled amounts due under older equipment loans. We generated approximately \$66.3 million from financing activities during the nine months ended September 30, 2006, primarily from the proceeds of our common stock offering.

In March 2007, we entered into a loan modification agreement with our primary lender to increase the maximum borrowing capacity from \$10 million to \$25 million. In addition, this agreement provided for an additional \$2 million in equipment advances which was drawn in June 2007. The maturity date of the revolving line of credit under the loan agreement was extended to March 2009 and the interest rate will be calculated at the lender's prime rate plus either 0.25% or 0.75%, depending on a defined liquidity measure. These loan agreements are secured by substantially all of our assets. The loan agreements include customary affirmative, negative and financial covenants. For example, we are restricted from incurring additional debt, disposing of or pledging our assets, entering into merger or acquisition agreements, making certain investments, allowing fundamental changes to our business, ownership, management or business locations, and from making certain payments in respect of stock or other ownership interests, such as dividends and stock repurchases. In the event our quick asset ratio (as defined in the agreement) falls below 1.75 to 1, we would be required to meet certain operating performance covenants. We are also required under the loan agreements to maintain our primary operating account and the majority of our cash and investment balances in accounts with the lender. As of September 30, 2007, we had no outstanding amounts due under our working capital line of credit and had an unused line of approximately \$25.0 million with current borrowing capacity of approximately \$11.2 million, secured by qualifying receivables and inventory balances. As of September 30, 2007, we had aggregate outstanding balances of approximately \$2.2 million under our two equipment loan agreements. As of September 30, 2007, we were in compliance with all covenants of this agreement.

In November 2005, we entered into a six-month commitment with certain affiliates providing for the availability of up to \$20.0 million in unsecured borrowings. This commitment was available to be drawn against at any time through May 10, 2006, the initial six-month commitment period. The commitment period, as well as the maturity date on any funds drawn under the commitment, was subject to one six-month extension, through November 2006, at our sole election. The lenders received five-year warrants to purchase shares of our common stock upon commitment of the funds. We did not draw funds under this agreement nor did we extend the commitment period beyond its May 2006 expiration.

In February 2006, we completed an offering of 5,500,000 shares of our common stock at \$12.00 per share which included the exercise by the underwriters of an option to purchase an additional 500,000 shares. In conjunction with these transactions, we received approximately \$61.7 million in net proceeds after deduction of underwriting discounts and commissions and payment of offering expenses.

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

We expect to have negative cash flow from operations through 2007. We expect to continue the development and commercialization of our products, the continuation of our research and development programs and the advancement of new products into clinical development. We expect that total operating expenses for the year will increase by less than 25% over 2006 expenditures as we continue to increase our direct sales and marketing efforts and strengthen our training capabilities in support of our targeted system order growth. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with existing cash resources that were primarily generated from the proceeds of our public offerings, private sales of our equity securities and working capital and equipment financing loans. In the future, we may finance future cash needs through the sale of other equity securities, strategic collaboration agreements and debt financings. We cannot accurately predict the timing and amount of our utilization of capital, which will depend on a number of factors outside of our control.

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

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

STEREOTAXIS, INC.
PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006 (as filed with the SEC on March 13, 2007), except with respect to the risk factor captioned “Customers may choose to purchase competing products and not ours.” We are aware of one public company that has developed a catheter delivery system that is now commercially available and could compete with the Stereotaxis System.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: See Exhibit Index herein

**STEREOTAXIS, INC.
SIGNATURES**

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

Date: November 9, 2007

STEREOTAXIS, INC.
(Registrant)

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

Date: November 9, 2007

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

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
3.1(1)	Restated Certificate of Incorporation of the Company
3.2(1)	Restated Bylaws of the Company
10.1(2)	Stereotaxis, Inc. 2002 Stock Incentive Plan, as Amended and Restated August 9, 2007
10.2	Letter Agreement and Employment Agreement dated August 1, 2007 between Luke Harada and the Registrant.
31.1	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
31.2	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
32.1	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
32.2	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).

- (1) This exhibit was previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (filed November 12, 2004) (File No. 000-50884), and is incorporated herein by reference.
- (2) This exhibit was previously filed as an exhibit to the Registrant's Current Report on Form 8-K dated August 9, 2007 (filed August 13, 2007) (File No. 000-50884), and is incorporated herein by reference.



August 1, 2007

Luke Harada
1 Deer Creek Drive
Basking Ridge, NJ 07920

Dear Luke:

I am pleased to extend to you this amended offer to join Stereotaxis as Senior Vice President, Business Development, reporting to me in my capacity as Chief Executive Officer. Your position will be located in our St. Louis, Missouri facility. This letter outlines the terms of your employment offer.

Your annualized base salary will be \$270,000 payable semi-monthly. As a member of the senior management team, you will be eligible to participate in the Corporate Bonus Plan with a bonus potential of up to a maximum of 50% of your base salary, based upon achieving specific corporate objectives (*2007 Objectives attached*). Your participation in the 2007 Corporate Bonus Plan will be on a pro-rata basis. In addition, you will receive a gross lump sum signing bonus of \$68,500, (less all required deductions) payable after 60 days of continuous employment with the Company. This payment will be processed in accordance with the Company's regular payroll schedule. Said bonus will be subject to recovery should you voluntarily resign within one year of employment.

Additionally, I will recommend that the Board of Directors grant you 50,000 Performance Based Restricted shares of the Company's stock at its next regular meeting. Performance Based Restricted shares shall vest as specific corporate performance goals are achieved (*see attached Performance Share Agreement which includes the goals*). There are no time limitations on vesting. However, if any of the performance criteria are not met on or before June 15, 2010, the portion of shares subject to that criteria will be forfeited. All shares shall be subject to the other terms and conditions set forth in the Company's stock option plan and the Performance Share Agreement. Such grant is subject to the final approval of the Board of Directors.

I will also recommend that the Board of Directors grant you options to purchase up to 150,000 shares of the Company's stock. These options will vest 25% after the first year and then monthly thereafter at the rate of 2.0833% per month such that all rights are available by the end of 4 years from the date of grant. The options will be treated as Incentive Stock Options to the extent allowed under the IRS Code. All shares shall be subject to the other terms and conditions set forth in the Company's stock option plan and the Incentive Stock Option Agreement (*see copies of attached documents*). Such grant is subject to the final approval of the Board of Directors.

In order for you to continue to reside in New Jersey, but work in our corporate office, we will also provide a furnished corporate apartment fully paid for by the Company and reimbursement

for travel to and from New Jersey on a weekly basis. It is anticipated that you would, when not traveling elsewhere or working in New Jersey at the Company's request, be in St. Louis from Tuesday morning until Friday afternoon.

You shall be entitled to the standard benefits made available by the Company from time to time including medical and dental insurance for you and your family (subject to employee contributions) and paid time off for vacation and sick time (PTO) of fifteen days per year accumulated at a rate of 1.25 days per month.

Stereotaxis is an "at-will" employer, which means that you or Stereotaxis may terminate your employment at any time, with or without cause and without notice. You will be required to execute the Company's standard At-Will-Employment Agreement and Confidentiality and Non- Compete Agreement (*copies attached*) for senior executives that includes provisions relating to arbitration of employment disputes. Should you be terminated for other than cause, you would receive a guarantee of 6 months severance pay.

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

Luke, we welcome you to Stereotaxis and are enthusiastic about working with you to further build our company. This letter contains all the terms and conditions of the Company's offer of employment to you and any previous discussions, understandings or agreements are superseded by this letter. This offer is contingent upon your completion of the Company's employment application and background checks. If the foregoing terms are acceptable, please indicate your agreement by signing this letter in the space provided below at your earliest convenience.

Sincerely,

/s/ Bevil Hogg

Chief Executive Officer

ACCEPTED and AGREED this 2nd day of August of 2007.

My starting date will be the 6th day of September 2007

/s/ Luke Harada

AT-WILL EMPLOYMENT AGREEMENT

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

1. Position; Base Salary; Incentive Compensation.

Employee shall serve as Senior Vice President, Business Development, or in such other capacity or capacities as Stereotaxis may from time to time direct. Employee shall report to Bevil Hogg, CEO, or such other person as the Company may from time to time direct. Employee's supervisor shall schedule employee's hours of work and Employee's position with the Company is Exempt.

Employee shall be paid according to the terms of his offer letter. Such payments shall be subject to applicable withholdings and deductions.

2. Vacation and Sick Leave Benefits.

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

3. Company Benefits.

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

4. Attention to Duties; Conflict of Interest.

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

5. Proprietary Information.

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

At-Will employer.

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

6. Binding Arbitration.

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

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

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

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

7. No Inconsistent Obligations.

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

8. Miscellaneous.

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

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

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

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

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

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

The Parties to this Agreement represent and acknowledge that in executing this Agreement they do not rely and have not relied upon any representation or statement made by the other party or the other party's agents, attorneys or representatives regarding the subject matter, basis, or effect of this Agreement or otherwise, other than those specifically stated in this written Agreement. This Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any party. This Agreement shall be construed as if each party was its author and each party hereby adopts the language of this Agreement as if it were his, her or its own. The captions to this Agreement and its sections, subsections, tables and exhibits are inserted only for convenience and shall not be construed as part of this Agreement or as a limitation on or broadening of the scope of this Agreement or any section, subsection, table or exhibit.

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of September 6, 2007.

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

STEREOTAXIS, INC.

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

Signature: /s/ Luke T. Harada

EXHIBIT A
CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement ("Agreement") is made and entered into this 6th day of September 2007, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Luke Harada, ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

- 1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith,

best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

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

2. Confidential and Trade Secret Information.

- 2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.
- 2.2 "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information concerning relationships between Company and its employees or customers.
- 2.3 During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances

and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

- 3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company ("Competitive Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company.
- 3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and
- 3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation involving Competitive Work.

4. Acknowledgment Regarding Restrictions.

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

5. Inventions.

- 5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's

current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

- 5.2 Paragraph 5(*.1) shall not apply to any invention for which no equipment, supplies, facilities or Confidential and Trade Secret Information of Company was used and which was developed entirely on Employee's own time, unless (i) the invention relates to Company's business or to Company's actual or demonstrably-anticipated research or development, or (ii) the invention results from any work performed by Employee for Company.

6. Company Property.

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

7. Non-Waiver of Rights.

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

8. Company's Right to Injunctive Relief.

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

9. Invalidity of Provisions.

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

10. Employee Representations.

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

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

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

12. Employment at Will.

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

13. Exit Interview.

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

14. Amendments.

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

15. Assignments.

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

16. Choice of Forum and Governing Law.

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

17. Headings.

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

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

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

/s/ Luke T. Harada

Employee: Luke T. Harada

/s/ David Giffin

Stereotaxis, Inc.

David Giffin, Vice President, Human Resources

Certification of Principal Executive Officer

I, Bevil J. Hogg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

/s/ BEVIL J. HOGG

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

Certification of Principal Financial Officer

I, James M. Stolze, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stereotaxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

/s/ JAMES M. STOLZE

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

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bevil J. Hogg, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2007

/s/ BEVIL J. HOGG

Bevil J. Hogg
Chief Executive Officer
Stereotaxis, Inc.

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Stolze, Vice President and Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2007

/s/ JAMES M. STOLZE

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