

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

FORM 10-Q

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021**

OR

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

COMMISSION FILE NUMBER 001-36159

STEREOTAXIS, INC.

(Exact name of the Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

94-3120386
(I.R.S. Employer
Identification Number)

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

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

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

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

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

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

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

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

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

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

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

The number of outstanding shares of the registrant's common stock on July 31, 2021 was 74,507,581.

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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	<u>June 30, 2021</u> (Unaudited)	<u>December 31, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,054,296	\$ 43,939,512
Restricted cash - current	1,484,018	-
Compensating cash arrangement	251,232	250,620
Accounts receivable, net of allowance of \$154,727 and \$123,614 at 2021 and 2020, respectively	4,651,804	3,515,136
Inventories, net	4,146,691	3,295,457
Prepaid expenses and other current assets	2,646,806	1,716,014
Total current assets	55,234,847	52,716,739
Property and equipment, net	291,578	195,129
Restricted cash	382,813	-
Operating lease right-of-use assets	1,143,355	2,235,442
Other assets	283,093	308,515
Total assets	\$ 57,335,686	\$ 55,455,825
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$ -	\$ 1,185,058
Accounts payable	1,124,178	1,608,636
Accrued liabilities	2,857,479	3,209,235
Deferred revenue	8,284,600	5,282,770
Current portion of operating lease liabilities	1,169,378	2,287,487
Total current liabilities	13,435,635	13,573,186
Long-term debt	-	973,252
Long-term deferred revenue	1,648,792	548,915
Other liabilities	206,596	131,231
Total liabilities	15,291,023	15,226,584
Series A - Convertible preferred stock:		
Convertible preferred stock, Series A, par value \$0.001; 22,407 and 22,513 shares outstanding at 2021 and 2020, respectively	5,578,181	5,605,323
Stockholders' equity:		
Convertible preferred stock, Series B, par value \$0.001; 10,000,000 shares authorized, 5,610,121 shares outstanding at 2021 and 2020	5,610	5,610
Common stock, par value \$0.001; 300,000,000 shares authorized, 74,428,865 and 73,694,203 shares issued at 2021 and 2020, respectively	74,429	73,694
Additional paid in capital	527,294,470	522,709,846
Treasury stock, 4,015 shares at 2021 and 2020	(205,999)	(205,999)
Accumulated deficit	(490,702,028)	(487,959,233)
Total stockholders' equity	36,466,482	34,623,918
Total liabilities and stockholders' equity	\$ 57,335,686	\$ 55,455,825

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Systems	\$ 2,686,180	\$ 12,769	\$ 5,288,692	\$ 12,769
Disposables, service and accessories	6,118,712	5,086,156	11,892,228	10,595,867
Sublease	246,530	246,530	493,060	493,060
Total revenue	9,051,422	5,345,455	17,673,980	11,101,696
Cost of revenue:				
Systems	1,389,588	157,514	2,825,123	222,536
Disposables, service and accessories	883,289	680,937	1,807,907	1,320,800
Sublease	246,530	246,530	493,060	493,060
Total cost of revenue	2,519,407	1,084,981	5,126,090	2,036,396
Gross margin	6,532,015	4,260,474	12,547,890	9,065,300
Operating expenses:				
Research and development	2,717,078	1,976,942	5,084,119	4,086,112
Sales and marketing	3,044,750	2,541,749	5,991,966	5,457,173
General and administrative	4,160,909	1,663,456	6,390,648	3,496,181
Total operating expenses	9,922,737	6,182,147	17,466,733	13,039,466
Operating loss	(3,390,722)	(1,921,673)	(4,918,843)	(3,974,166)
Interest (expense) income, net	(2,567)	567	(6,843)	81,529
Gain on extinguishment of debt	2,182,891	-	2,182,891	-
Net loss	\$ (1,210,398)	\$ (1,921,106)	\$ (2,742,795)	\$ (3,892,637)
Cumulative dividend on Series A convertible preferred stock	(335,197)	(342,126)	(667,748)	(685,849)
Loss attributable to common stockholders	\$ (1,545,595)	\$ (2,263,232)	\$ (3,410,543)	\$ (4,578,486)
Net loss per share attributable to common stockholders:				
Basic	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Diluted	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Weighted average number of common shares and equivalents:				
Basic	75,547,574	71,628,762	75,362,521	70,749,401
Diluted	75,547,574	71,628,762	75,362,521	70,749,401

See accompanying notes.

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

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at March 31, 2020	22,918	\$ 5,709,027	5,610,121	\$ 5,610	69,040,781	\$ 69,041	\$ 504,990,377	\$(205,999)	\$(483,284,305)	\$ 21,574,724
Issuance of common stock					3,774,276	3,774	15,028,445			15,032,219
Share-based compensation					7,500	8	935,401			935,409
Components of net loss									(1,921,106)	(1,921,106)
Employee stock purchase plan					11,429	11	32,790			32,801
Preferred stock conversion	(105)	(26,886)			196,838	197	26,689			26,886
Balance at June 30, 2020	<u>22,813</u>	<u>\$ 5,682,141</u>	<u>5,610,121</u>	<u>\$ 5,610</u>	<u>73,030,824</u>	<u>\$ 73,031</u>	<u>\$ 521,013,702</u>	<u>\$(205,999)</u>	<u>\$(485,205,411)</u>	<u>\$ 35,680,933</u>

Three Months Ended June 30, 2021

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at March 31, 2021	22,408	\$ 5,578,437	5,610,121	\$ 5,610	74,089,659	\$ 74,090	\$ 524,388,783	\$(205,999)	\$(489,491,630)	\$ 34,770,854
Issuance of common stock					89,778	90	86,761			86,851
Share-based compensation					242,250	242	2,785,475			2,785,717
Components of net loss									(1,210,398)	(1,210,398)
Employee stock purchase plan					5,204	5	33,197			33,202
Preferred stock conversion	(1)	(256)			1,974	2	254			256
Balance at June 30, 2021	<u>22,407</u>	<u>\$ 5,578,181</u>	<u>5,610,121</u>	<u>\$ 5,610</u>	<u>74,428,865</u>	<u>\$ 74,429</u>	<u>\$ 527,294,470</u>	<u>\$(205,999)</u>	<u>\$(490,702,028)</u>	<u>\$ 36,466,482</u>

See accompanying notes.

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

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	23,110	\$ 5,758,190	5,610,121	\$ 5,610	68,529,623	\$ 68,530	\$ 504,211,040	\$ (205,999)	\$ (481,312,774)	\$ 22,766,407
Issuance of common stock and warrants					3,815,092	3,815	15,004,554			15,008,369
Share-based compensation					116,989	117	1,657,604			1,657,721
Components of net loss									(3,892,637)	(3,892,637)
Employee stock purchase plan					17,835	18	65,006			65,024
Preferred stock conversion	(297)	(76,049)			551,285	551	75,498			76,049
Balance at June 30, 2020	<u>22,813</u>	<u>\$ 5,682,141</u>	<u>5,610,121</u>	<u>\$ 5,610</u>	<u>73,030,824</u>	<u>\$ 73,031</u>	<u>\$ 521,013,702</u>	<u>\$ (205,999)</u>	<u>\$ (485,205,411)</u>	<u>\$ 35,680,933</u>

Six Months Ended June 30, 2021

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	22,513	\$ 5,605,323	5,610,121	\$ 5,610	73,694,203	\$ 73,694	\$ 522,709,846	\$ (205,999)	\$ (487,959,233)	\$ 34,623,918
Issuance of common stock					244,584	246	339,440			339,686
Share-based compensation					272,500	272	4,156,002			4,156,274
Components of net loss									(2,742,795)	(2,742,795)
Employee stock purchase plan					11,207	11	62,246			62,257
Preferred stock conversion	(106)	(27,142)			206,371	206	26,936			27,142
Balance at June 30, 2021	<u>22,407</u>	<u>\$ 5,578,181</u>	<u>5,610,121</u>	<u>\$ 5,610</u>	<u>74,428,865</u>	<u>\$ 74,429</u>	<u>\$ 527,294,470</u>	<u>\$ (205,999)</u>	<u>\$ (490,702,028)</u>	<u>\$ 36,466,482</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (2,742,795)	\$ (3,892,637)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	53,272	58,300
Non-cash lease expense	1,165,424	1,171,170
Share-based compensation	4,156,274	1,657,721
Gain on debt extinguishment	(2,182,891)	-
Non-cash interest	24,581	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,136,668)	2,288,477
Inventories	(851,234)	(2,728,548)
Prepaid expenses and other current assets	(930,792)	(140,582)
Compensating cash arrangement	(612)	-
Other assets	25,422	(51,439)
Accounts payable	(484,458)	(527,418)
Accrued liabilities	(351,756)	(319,479)
Deferred revenue	4,101,707	318,654
Operating lease liability	(1,191,446)	(1,170,979)
Other liabilities	75,365	-
Net cash used in operating activities	(270,607)	(3,336,760)
Cash flows from investing activities		
Purchase of property and equipment	(149,721)	(70,896)
Net cash used in investing activities	(149,721)	(70,896)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	-	2,158,310
Proceeds from issuance of stock, net of issuance costs	401,943	15,073,393
Net cash provided by financing activities	401,943	17,231,703
Net (decrease) increase in cash and cash equivalents	(18,385)	13,824,047
Cash and cash equivalents at beginning of period	43,939,512	30,182,115
Cash and cash equivalents at end of period	\$ 43,921,127	\$ 44,006,162
Reconciliation of cash, cash equivalents, and restricted cash to balance sheet as of June 30th:		
Cash and cash equivalents	\$ 42,054,296	\$ 44,006,162
Restricted cash - current	1,484,018	-
Restricted cash	382,813	-
Total cash, cash equivalents, and restricted cash	\$ 43,921,127	\$ 44,006,162

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Notes to Financial Statements

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

1. Description of Business

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission (SEC) on March 12, 2021.

Risks and Uncertainties

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of cash that the Company is obligated to maintain in accordance with contractual obligations. The Company’s restricted cash was \$1.9 million at June 30, 2021. No cash was restricted at December 31, 2020.

Compensating Cash Arrangement

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

Financial Instruments

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

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

The Company’s financial assets consist of restricted cash and cash equivalents invested in money market funds which totaled \$1.9 million and \$1.4 million as of June 30, 2021 and December 31, 2020, respectively. The financial assets consisting of cash equivalents invested in money market funds are classified as Level 2 as described above and total interest income recorded for these investments was insignificant for the six months ended June 30, 2021. As of June 30, 2021, the Company did not have any financial liabilities valued at fair value on a recurring basis. As of June 30, 2020, the Company did not have any financial assets or liabilities valued at fair value on a recurring basis.

Revenue and Costs of Revenue

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

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

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

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

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

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

Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software enhancements throughout the period and is included in Other Recurring Revenue. The Company’s system contracts do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were \$0.1 million and less than \$0.1 million for the six months ended June 30, 2021 and 2020, respectively. Revenue from system delivery and installation represented 30% and less than 1% of revenue for the six months ended June 30, 2021 and 2020, respectively.

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the six months ended June 30, 2021 and 2020. Disposable revenue represented 25% and 31% of revenue for the six months ended June 30, 2021 and 2020, respectively.

Royalty:

The Company is entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters. Royalty revenue from the co-developed catheters represented 7% and 9% of revenue for the six months ended June 30, 2021 and 2020, respectively.

Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for a specified period, typically one year following installation of our systems. Revenue from services and software enhancements is deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed. Other recurring revenue represented 35% and 56% of revenue for the six months ended June 30, 2021 and 2020, respectively.

Sublease Revenue:

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

	Three Months Ended June 30		Six Months Ended June 30,	
	2021	2020	2021	2020
Systems	\$ 2,686,180	\$ 12,769	\$ 5,288,692	\$ 12,769
Disposables, service and accessories	6,118,712	5,086,156	11,892,228	10,595,867
Sublease	246,530	246,530	493,060	493,060
Total revenue	\$ 9,051,422	\$ 5,345,455	\$ 17,673,980	\$ 11,101,696

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to the Company's systems contracts and obligations that will be recognized as revenue in future periods. These obligations are generally satisfied within two years after contract inception but may occasionally extend longer. Transaction price representing revenue to be earned on remaining performance obligations on system contracts was approximately \$8.7 million as of June 30, 2021. Performance obligations arising from contracts for disposables, royalty and service are generally expected to be satisfied within one year after entering into the contract.

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

	June 30, 2021	December 31, 2020
Contract Assets - unbilled receivables	\$ 180,751	\$ 284,415
Customer deposits	\$ 2,132,598	\$ -
Product shipped, revenue deferred	2,173,300	645,200
Deferred service and license fees	5,627,494	5,186,485
Total deferred revenue	\$ 9,933,392	\$ 5,831,685
Less: Long-term deferred revenue	(1,648,792)	(548,915)
Total current deferred revenue	\$ 8,284,600	\$ 5,282,770

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

Revenue recognized for the six months ended June 30, 2021 and 2020, that was included in the deferred revenue balance at the beginning of each reporting period remained consistent at \$4.0 million.

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

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

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

Share-Based Compensation

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

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

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

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

Net Earnings (Loss) per Common Share

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (1,210,398)	\$ (1,921,106)	\$ (2,742,795)	\$ (3,892,637)
Cumulative dividend on Series A Convertible Preferred Stock	(335,197)	(342,126)	(667,748)	(685,849)
Net loss attributable to common stockholders	<u>\$ (1,545,595)</u>	<u>\$ (2,263,232)</u>	<u>\$ (3,410,543)</u>	<u>\$ (4,578,486)</u>
Weighted average number of common shares and equivalents:	75,547,574	71,628,762	75,362,521	70,749,401
Basic EPS	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Diluted EPS	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.06)

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

As of June 30, 2021, the Company had 2,845,041 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of \$3.93 per share, 15,385 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.70 per share, 44,303,996 shares of our common stock issuable upon conversion of our Series A Convertible Preferred Stock, 5,610,121 shares of our common stock issuable upon conversion of our Series B Convertible Preferred Stock and 1,044,973 shares of unvested restricted share units. The Company had no unearned restricted shares outstanding for the period ended June 30, 2021.

Recently Issued Accounting Pronouncements

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

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

3. Inventories

Inventories consist of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 3,284,691	\$ 2,950,912
Work in process	919,214	433,026
Finished goods	2,397,991	2,987,039
Reserve for excess and obsolescence	(2,455,205)	(3,075,520)
Total inventory	<u>\$ 4,146,691</u>	<u>\$ 3,295,457</u>

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

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Prepaid expenses	\$ 1,165,885	\$ 754,062
Prepaid commissions	235,745	271,174
Deposits	1,411,544	855,970
Other assets	116,725	143,323
Total prepaid expenses and other assets	2,929,899	2,024,529
Less: Noncurrent prepaid expenses and other assets	(283,093)	(308,515)
Total current prepaid expenses and other assets	<u>\$ 2,646,806</u>	<u>\$ 1,716,014</u>

5. Property and Equipment

Property and Equipment consist of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Equipment	\$ 4,940,877	\$ 6,488,984
Leasehold improvements	2,299,550	2,338,441
Construction in process	149,721	-
	7,390,148	8,827,425
Less: Accumulated depreciation	(7,098,570)	(8,632,296)
Net property and equipment	<u>\$ 291,578</u>	<u>\$ 195,129</u>

The company retired approximately \$1.6 million of fully depreciated assets during the three and six months ended June 30, 2021.

6. Leases

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

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

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

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments. ASC 842 requires the use of the discount rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception. At June 30, 2021, the weighted average discount rate for operating leases was 9.0% and the weighted average remaining lease term for operating lease term is 0.5 years.

The following table represents lease costs and other lease information.

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Operating lease cost	\$ 582,712	\$ 585,584	\$ 1,165,424	\$ 1,171,170
Short-term lease cost	14,042	19,304	30,704	34,774
Sublease income	(246,530)	(246,530)	(493,060)	(493,060)
Total net lease cost	\$ 350,224	\$ 358,358	\$ 703,068	\$ 712,884
Cash paid within operating cash flows	\$ 539,204	\$ 588,897	\$ 1,170,290	\$ 1,225,247

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

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

	June 30, 2021
2021	
Total lease payments	\$ 1,191,330
Less: Interest	(21,952)
Present value of lease liabilities	\$ 1,169,378

The remaining undiscounted future cash flows to be received under the sublease are \$0.5 million in 2021.

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

7. Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2021	December 31, 2020
Accrued salaries, bonus, and benefits	\$ 1,424,592	\$ 2,044,826
Accrued licenses and maintenance fees	483,879	483,879
Accrued warranties	222,206	157,615
Accrued taxes	167,979	172,744
Accrued professional services	453,348	138,359
Other	312,071	343,043
Total accrued liabilities	3,064,075	3,340,466
Less: Long term accrued liabilities	(206,596)	(131,231)
Total current accrued liabilities	\$ 2,857,479	\$ 3,209,235

8. Debt and Credit Facilities

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

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

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

9. Convertible Preferred Stock and Stockholders’ Equity

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

2020 Equity Financing

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

Series B Convertible Preferred Stock

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

Series A Convertible Preferred Stock and Warrants

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

The warrants issued in conjunction with the Series A Preferred Stock (the “SPA Warrants”) have an exercise price of \$0.70 per share subject to adjustments for events such as stock splits, combinations, and the like as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership issuance limitations.

2021 CEO Performance Award Unit Grant

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

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

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

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

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

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

Total stock-based compensation recorded as operating expense for the CEO Performance Award was \$2.5 million for the six-month period ended June 30, 2021. As of June 30, 2021, the Company had approximately \$54.9 million of total unrecognized stock-based compensation expense remaining under the CEO Performance Award assuming the grantee’s continued employment as CEO of the Company, or in a similar capacity, through 2030.

2012 Stock Award Plan

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

On May 20, 2021, the shareholders approved an amendment to the Plan, which was previously approved and adopted by the Compensation Committee of the Board of Directors of the Company. Under the amendment on May 20, 2021, the number of shares authorized for issuance under the Plan was increased by four million shares. At June 30, 2021, the Company had 5,144,178 remaining shares of the Company’s common stock to provide for current and future grants under its various equity plans.

At June 30, 2021, the total compensation cost related to options, stock appreciation rights, and non-vested stock granted to employees under the Company’s stock award plans but not yet recognized was approximately \$5.7 million, excluding compensation not yet recognized related to the CEO Performance Award discussed above. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in actual forfeitures and anticipated vesting periods.

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

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2020	2,456,979	\$0.74 - \$35.20	\$ 2.90
Granted	829,000	\$6.96 - \$7.91	\$ 6.97
Exercised	(270,458)	\$0.74 - \$4.52	\$ 1.97
Forfeited	(170,480)	\$0.74 - \$35.20	\$ 6.88
Outstanding, June 30, 2021	<u>2,845,041</u>	\$0.74 - \$7.91	<u>\$ 3.93</u>

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

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2020	1,112,473	\$ 2.46
Granted	205,000	\$ 5.16
Vested	(272,500)	\$ 2.88
Forfeited	-	-
Outstanding, June 30, 2021	<u>1,044,973</u>	<u>\$ 2.88</u>

10. Fair Value Measurements

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

- Level 1: Values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or other model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Values are generated from model-based techniques that use significant assumptions not observable in the market.

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

	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets at June 30, 2021:				
Cash invested in money market accounts	\$ 1,866,831	\$ —	\$ 1,866,831	\$ —
Total assets at fair value	<u>\$ 1,866,831</u>	<u>\$ —</u>	<u>\$ 1,866,831</u>	<u>\$ —</u>
Assets at December 31, 2020:				
Cash invested in money market accounts	\$ 1,429,331	\$ —	\$ 1,429,331	\$ —
Total assets at fair value	<u>\$ 1,429,331</u>	<u>\$ —</u>	<u>\$ 1,429,331</u>	<u>\$ —</u>

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

Level 1

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

Level 2

The Company's financial assets consist of restricted cash and cash equivalents invested in money market funds in the amount of \$1,866,831 and \$1,429,331 at June 30, 2021 and December 31, 2020, respectively. These assets are classified as Level 2, as described above, and total interest income recorded for these investments was insignificant during the six months ended June 30, 2021 and year ended December 31, 2020.

Level 3

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

11. Product Warranty Provisions

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Warranty accrual, beginning of the fiscal period	\$ 157,615	\$ 141,697
Accrual adjustment for product warranty	139,831	49,974
Payments made	(75,240)	(34,056)
Warranty accrual, end of the fiscal period	<u>\$ 222,206</u>	<u>\$ 157,615</u>

12. Commitments and Contingencies

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

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

13. Subsequent Events

None.

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

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

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

Overview

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

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

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

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

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

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

COVID-19 Pandemic

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

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

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

Ongoing

Even with the rollout of effective vaccines, we do not expect all markets to recover at the same pace. The impact that the pandemic will have on our business will likely continue to vary by individual geography based on the extent of the outbreak in each area, the timing of vaccine distribution, specific governmental restrictions and the availability of testing capabilities, personal protective equipment, and hospital facilities, as well as decisions by our

vendors, suppliers, customers and, ultimately, patients in response to the pandemic, none of which we are able to currently and accurately predict. While we cannot reliably estimate the depth or length of the impact, we continue to anticipate significant, periodic disruptions to our procedures volumes, service activities and system placements in 2021. In addition, we would expect that capital system orders will experience some delay.

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

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. We review our estimates and judgments on an ongoing basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements. For a complete listing of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2020.

Revenue Recognition

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

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

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

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

Systems:

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

Disposables:

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

Royalty:

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

Other Recurring Revenue:

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

Sublease Revenue:

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

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

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

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

Leases

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

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

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

Cost of Contracts

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

Share-Based Compensation

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

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

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

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

Results of Operations

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

Revenue. Revenue increased from \$5.3 million for the three months ended June 30, 2020, to \$9.1 million for the three months ended June 30, 2021, an increase of 69%. Revenue from the sales of systems increased to \$2.7 million for the three months ended June 30, 2021 from less than \$0.1 million for the three months ended June 30, 2020. This increase is due to increased system sales in the current year period. Revenue from sales of disposable interventional devices, service, and accessories increased to \$6.1 million for the three months ended June 30, 2021, from \$5.1 million for the three months ended June 30, 2020, an increase of approximately 20%, driven by higher procedure volumes as the Company recovers from the COVID pandemic. The Company recognized \$0.2 million of sublease revenue for both the three-month periods ended June 30, 2021 and 2020.

Cost of Revenue. Cost of revenue increased from \$1.1 million for the three months ended June 30, 2020, to \$2.5 million for the three months ended June 30, 2021, an increase of approximately 132%. As a percentage of our total revenue, overall gross margin decreased to 72% for the three months ended June 30, 2021, from 80% for the three months ended June 30, 2020, primarily due to changes in product mix. Cost of revenue for systems sold increased to \$1.4 million for the three months ended June 30, 2021, from \$0.2 million for the three months ended June 30, 2020, driven by increased system sales volumes offset by reductions to excess and obsolete inventory in the current year period. Gross margin for systems was negative \$0.1 million for the three months ended June 30, 2020, compared to \$1.3 million for the three months ended June 30, 2021. Cost of revenue for disposables, service, and accessories increased to \$0.9 million for the three months ended June 30, 2021, from \$0.7 million for the three months ended June 30, 2020, primarily due to increased disposable sales volumes in the current year period. Gross margin for disposables, service, and accessories was 86% for the current year period compared to 87% for the three months ended June 30, 2020. Cost of sublease revenue was \$0.2 million for both the three-month periods ended June 30, 2021 and 2020.

Research and Development Expenses. Research and development expenses increased from \$2.0 million for the three months ended June 30, 2020, to \$2.7 million for the three months ended June 30, 2021, an increase of approximately 37%. This increase was primarily due to higher project spending and measured hiring in the current year period.

Sales and Marketing Expenses. Sales and marketing expenses increased from \$2.5 million for the three months ended June 30, 2020 to \$3.0 million for the three months ended June 30, 2021, an increase of approximately 20%. The increase was primarily due to higher sales commissions and travel expenses as normal sales activities resume following the height of the pandemic.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased from \$1.7 million for the three months ended June 30, 2020, to \$4.2 million for the three months ended June 30, 2021, an increase of approximately 150%. This increase was primarily driven by higher stock-based compensation expense for the previously announced CEO Performance Award and higher professional service fees in the current year period.

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

Comparison of the Six Months Ended June 30, 2021 and 2020

Revenue. Revenue increased from \$11.1 million for the six months ended June 30, 2020 to \$17.7 million for the six months ended June 30, 2021, an increase of approximately 59%. Revenue from the sales of systems increased to \$5.3 million for the six months ended June 30, 2021 from less than \$0.1 million for the six months ended June 30, 2020. This increase is due to increased system sales in the current year period. Revenue from sales of disposable interventional devices, service and accessories increased to \$11.9 million for the six months ended June 30, 2021 from \$10.6 million for the six months ended June 30, 2020, an increase of approximately 12%, driven by higher procedure volumes as the Company recovers from the COVID pandemic. Sublease revenue was \$0.5 million for both the six-month periods ended June 30, 2021 and June 30, 2020.

Cost of Revenue. Cost of revenue increased from \$2.0 million for the six months ended June 30, 2020 to \$5.1 million for the six months ended June 30, 2021, an increase of approximately 152%. As a percentage of our total revenue, overall gross margin decreased to 71% for the six months ended June 30, 2021 from 82% for the six months ended June 30, 2020, primarily due to changes in product mix. Cost of revenue for systems sold increased from \$0.2 million for the six months ended June 30, 2020 to \$2.8 million for the six months ended June 30, 2021, driven by increased system sales volumes offset by reductions to excess and obsolete inventory in the current year period. Gross margin for systems increased from negative \$0.2 million for the six months ended June 30, 2020 to \$2.5 million for the six months ended June 30, 2021. Cost of revenue for disposables, service, and accessories increased to \$1.8 million for the six months ended June 30, 2021 from \$1.3 million for the six months ended June 30, 2020, primarily due to increased disposable sales volumes and higher expenses incurred under service contracts in the current year period. Gross margin for disposables, service and accessories was 85% for the six months ended June 30, 2021 compared to 88% for the six months ended June 30, 2020. Cost of sublease revenue was \$0.5 million for both the six-month periods ended June 30, 2021 and June 30, 2020.

Research and Development Expenses. Research and development expenses increased from \$4.1 million for the six months ended June 30, 2020 to \$5.1 million for the six months ended June 30, 2021, an increase of approximately 24%. This increase was primarily due to higher project spending and measured hiring in the current year period.

Sales and Marketing Expenses. Sales and marketing expenses increased from \$5.5 million for the six months ended June 30, 2020 to \$6.0 million for the six months ended June 30, 2021, an increase of approximately 10%. This increase was primarily due to higher sales commissions as normal sales activities resume following the height of the pandemic and higher non-cash compensation expenses driven by appreciating stock price in the current year period.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased to \$6.4 million for the six months ended June 30, 2021 from \$3.5 million for the six months ended June 30, 2020, an increase of approximately 83%. This increase was primarily driven by higher stock-based compensation expense for the previously announced CEO Performance Award and the appreciating stock price as well as higher professional service fees in the current year period.

Interest Income (Expense). Interest expense was less than \$0.1 million for the six months ended June 30, 2021, and interest income was less than \$0.1 million for the six months ended June 30, 2020.

Liquidity and Capital Resources

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

At June 30, 2021 we had \$44.2 million of cash and cash equivalents, inclusive of restricted cash and the compensating cash arrangement. We had working capital of \$41.8 million as of June 30, 2021, compared to \$39.1 million as of December 31, 2020.

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

	Six Months Ended June 30,	
	2021	2020
Cash flow used in operating activities	\$ (271)	\$ (3,337)
Cash flow used in investing activities	(150)	(71)
Cash flow provided by financing activities	402	17,232

Net cash used in operating activities. We used approximately \$0.3 million and \$3.3 million of cash for operating activities during the six months ended June 30, 2021 and 2020, respectively. The decrease in cash used in operating activities was driven by the decrease in operating loss and decreased use of working capital in the current year period.

Net cash used in investing activities. We used less than \$0.2 million and less than \$0.1 million of cash during the six months ended June 30, 2021 and 2020, respectively, for the purchase of equipment and design costs associated with our new facility.

Net cash provided by financing activities. We generated \$0.4 million and \$17.2 million of cash during the six months ended June 30, 2021 and 2020, respectively. The cash generated in the current year period was driven by the proceeds from issuance of stock, net of issuance costs. The cash generated in the prior year period was driven by the net proceeds of \$15.0 million received from the May 2020 Securities Purchase Agreement and \$2.2 million of net proceeds received from the Paycheck Protection Program loan.

Capital Resources

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

Revolving Line of Credit

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

Paycheck Protection Program

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

Common Stock

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

2020 Equity Financing

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

Series B Convertible Preferred Stock

As disclosed in Note 9, on August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, as part of the private placement, agreed to issue and sell to the investors 5,610,121 shares of the Company’s Series B Convertible Preferred Stock, \$0.001 par value per share which are convertible into shares of the Company’s Common Stock, at a price of \$2.05 per share. The Series B Preferred Stock, which is a common stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into common stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement. The Series B Convertible Preferred Stock is reported in the stockholders’ equity section of the balance sheet.

Series A Convertible Preferred Stock and Warrants

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

The warrants issued in conjunction with the Series A Preferred Stock (the “SPA Warrants”) have an exercise price of \$0.70 per share subject to adjustments for events such as stock splits, combinations, and the like as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership issuance limitations

Off-Balance Sheet Arrangements

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

ITEM 3. [RESERVED]

None.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

On April 29, 2021, a putative class action complaint was filed in Delaware Chancery Court by Richard Barre, a purported shareholder. The defendants were the Company and its current directors. The complaint alleged breaches of fiduciary duty against the defendants based on alleged disclosure deficiencies in the definitive proxy statement (the "Proxy Statement") filed by the Company on April 9, 2021 relative to the vote at the Company's 2021 Annual Meeting of Stockholders that was to be held on May 20, 2021 (the "2021 Stockholder Meeting") seeking stockholder approval of issuance of shares under the Performance Share Unit Award (the "CEO Performance Award") granted to David L. Fischel, the Company's chief executive officer. The complaint sought various remedies, including a preliminary injunction seeking to enjoin the vote at the 2021 Stockholder Meeting to approve the issuance of shares for the CEO Performance Award. Following discussions with the plaintiff's counsel and the Delaware Chancery Court, the parties agreed to an expedited discovery and briefing schedule, with the Chancery Court scheduled to hear arguments on the plaintiff's motion for a preliminary injunction on May 18, 2021.

Although the Company believed that the claims were wholly without merit and that no further disclosure was required to supplement the Proxy Statement under applicable law, the Company filed a supplement to the Proxy Statement on May 10, 2021 addressing the alleged disclosure claims in order to eliminate the burden, expense, and uncertainties inherent in such litigation, and without admitting any liability or wrongdoing. On May 12, 2021, the plaintiff withdrew the motion for a preliminary injunction and voluntarily dismissed the motion, reserving the right to apply for an award of attorneys' fees and reimbursement of expenses. The court approved the motion to dismiss on May 21, 2021.

ITEM 1A. RISK FACTORS

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

Risks Related to the February 2021 CEO Performance Stock Unit Grant

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

As described in Note 9 of the accompanying notes to the consolidated financial statements in Part I, Item 1 of this Form 10-Q, on February 23, 2021, the Company's Board of Directors, upon recommendation of the Compensation Committee, approved the grant of the Performance Share Unit Award ("CEO Performance Award") pursuant to the CEO Performance Share Unit Award Agreement (the "PSU Agreement"), to David L. Fischel, the Company's Chief Executive Officer. Under the terms of the PSU Agreement, we will incur significant additional stock-based compensation expense over the term of the award regardless of whether or not any of the milestones are achieved as the probability of meeting the ten market capitalization milestones is not considered in determining the timing of expense recognition. The expense will be recognized on an accelerated basis through 2030. Total stock-based compensation recorded as operating expense for the CEO Performance Award was \$2.5 million for the six months ended June 30, 2021. As of June 30, 2021, the Company had approximately \$54.9 million of total unrecognized stock-based compensation expense remaining under the CEO Performance Award if Mr. Fischel continues to serve as CEO, or in a similar capacity, through 2030. This additional stock-based compensation expense, incurred regardless of whether or not any milestones are achieved, increases the difficulty for the Company to achieve a profitable position as measured by generally accepted accounting principles.

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

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

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

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

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

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description
3.1	<u>Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.</u>
3.2	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 000-50884) filed on July 10, 2012.</u>
3.3	<u>Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on September 30, 2016.</u>
3.4	<u>Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on August 8, 2019.</u>
3.5	<u>Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.</u>
10.1	<u>Amended and Restated Stereotaxis, Inc. 2012 Stock Incentive Plan, effective February 11, 2021, filed herewith.</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).</u>
32.1	<u>Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).</u>
32.2	<u>Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

**STEREOTAXIS, INC.
SIGNATURES**

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

STEREOTAXIS, INC. (Registrant)

Date: August 12, 2021

By: */s/ David L. Fischel*

David L. Fischel
Chief Executive Officer

Date: August 12, 2021

By: */s/ Kimberly R. Peery*

Kimberly R. Peery
Chief Financial Officer

STEREOTAXIS, INC.
2012 STOCK INCENTIVE PLAN

As amended and restated effective February 11, 2021

1. PURPOSE OF THE PLAN.

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

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

- A. "Act" means the Securities Exchange Act of 1934, as amended, or any successor thereto.
 - B. "Award" means a grant under the Plan of an Option, Stock Appreciation Right, Cash-Based Award or Other Stock-Based Award.
 - C. "Award Agreement" means the document (in written or electronic form) communicating the terms, conditions and limitations applicable to an Award. The Committee may, in its discretion, require that the Participant execute such Award Agreement, or may provide for procedures through which Award Agreements are made available but not executed. Any Participant who is granted an Award and who does not affirmatively reject the applicable Award Agreement shall be deemed to have accepted the terms of Award as embodied in the Award Agreement.
 - D. "Board" means the Board of Directors of the Company.
 - E. "Cash-Based Award" means an Award described in Section 7 as a Cash-Based Award.
 - F. "Change of Control" means the occurrence of one or more of the following:
 - (1) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 35% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors
 - (2) Individuals who, as of the date hereof, constitute the Board (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or
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(3) The consummation of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

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

- G. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.
 - H. "Committee" means the Compensation Committee of the Board, and any successor committee thereto or such other committee of the Board as may be designated by the Board to administer this Plan in whole or in part including any subcommittee of the Board as designated by the Board.
 - I. "Company" means Stereotaxis, Inc., a Delaware corporation, and any successor thereto.
 - J. "Employer" means the Company and any other entity directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board or the Committee in which the Company has an interest. The term "control" (including the terms "controlling", "controlled by" and "under common control with") has the meaning ascribed to it under Rule 405 of the Securities Act of 1933, as amended, or any successor thereto, and the regulations and other guidance promulgated thereunder.
 - K. "Fair Market Value" means the closing sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, on the date such Fair Market Value is measured of one share of Stock as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Nasdaq Global Market or, if the shares of Stock are not listed or admitted to trading on the Nasdaq Global Market, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Stock are listed or admitted to trading or, if the shares of Stock are not listed or admitted to trading on any national securities exchange, the last quoted sale price on such date or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market on such date, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use. If shares of Stock are not publicly held or so listed or publicly traded, the Fair Market Value per share of Stock shall be 100% of the fair market value of a share of Stock on the date such Fair Market Value is measured, as determined in good faith by the Committee.
 - L. "Incentive Stock Option" means a stock option which is intended to be an incentive stock option within the meaning of Code Section 422.
 - M. "Non-Qualified Stock Option" means a stock option which is not an Incentive Stock Option.
 - N. "Option" means both an Incentive Stock Option and a Non-Qualified Stock Option.\
 - O. "Other Stock-Based Award" means an Award granted pursuant to Section 7 and described as an Other Stock-Based Award.
 - P. "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.
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- Q. "Participant" means any director or any employee of the Company, or any of its subsidiaries (including subsidiaries of subsidiaries), or any other entity in which the Company has a significant equity or other interest, as determined by the Committee, as well as any individual providing services to the Company who is selected to receive an Award; provided, that Incentive Stock Options may only be granted to employees of the Company or any of its Subsidiaries.
- R. "Plan" means the Stereotaxis, Inc. 2012 Stock Incentive Plan.
- S. "Stock" means the common stock, par value of \$0.001 per share, of the Company.
- T. "Stock Appreciation Right" means a stock appreciation right described in Section 6.
- U. "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

3. STOCK SUBJECT TO THE PLAN.

As of the date of adoption of this Plan by the Board or the Committee, as applicable, the number of shares of Stock available for Awards under the Plan shall be twelve million two hundred ninety thousand (12,290,000). The maximum number of shares of Stock subject to Awards which may be granted during a calendar year to a Participant shall be 1,000,000. The Company may, in its discretion, use shares of Stock held in the treasury in lieu of authorized but unissued shares of Stock. If any Award shall expire or terminate or be cancelled or forfeited for any reason, the shares subject to the Award shall again be available for the purposes of the Plan. Any shares of Stock which are tendered by a Participant as full or partial payment to the Company to satisfy a purchase price related to an Award shall not be available for the purposes of the Plan. To the extent any shares subject to an Award are not delivered to a Participant because such shares are used to satisfy an applicable tax-withholding obligation or used to satisfy a purchase price related to an Option, such withheld shares shall not be available for the purposes of the Plan. Shares of Stock subject to the grant of a Stock Appreciation Right shall not become available again for issuance under this Plan upon exercise or settlement of such Stock Appreciation Right for a lesser number of shares. Awards that by their terms may only be settled in cash shall not reduce the number of shares available for purposes of the Plan, and if cash is issued in lieu of Stock pursuant to an Award, such shares will not become available again for issuance under this Plan.

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

4. ADMINISTRATION.

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

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

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

5. OPTIONS.

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

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

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

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

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

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

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

6. STOCK APPRECIATION RIGHTS.

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

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

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

7. OTHER STOCK-BASED AWARDS AND CASH-BASED AWARDS

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

8. PERFORMANCE-BASED AWARDS.

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

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

9. VESTING LIMITATIONS.

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

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

11. NONTRANSFERABILITY OF AWARDS.

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

12. INVESTMENT PURPOSE.

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

13. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR CORPORATION ACQUISITIONS.

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

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

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

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

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

14. AMENDMENT AND TERMINATION.

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

15. EFFECTIVENESS OF THE PLAN.

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

16. TIME OF GRANTING OF AN AWARD.

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

17. TERM OF PLAN.

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

18. NO RIGHT TO CONTINUED EMPLOYMENT.

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

19. CHOICE OF LAW.

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

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

* * *

The foregoing amended and restated Plan was approved and adopted by the Committee on February 11, 2021, and approved by the Stockholders on May 20, 2021.

/s/ Kimberly R. Peery

Secretary

Certification of Principal Executive Officer

I, David L. Fischel, certify that:

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

Date: August 12, 2021

/s/ David L. Fischel

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

Certification of Principal Financial Officer

I, Kimberly R. Peery, certify that:

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

Date: August 12, 2021

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

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

Date: August 12, 2021

/s/ David L. Fischel

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

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

Date: August 12, 2021

/s/ Kimberly R. Peery

Kimberly R. Peery
Chief Financial Officer
Stereotaxis, Inc.
