As filed with the Securities and Exchange Commission on May 7, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Stereotaxis, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3845**	**94-3120386**
(State or other jurisdiction of Incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

4041 Forest Park Avenue

St. Louis, Missouri 63108
(314) 615-6940
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Bevil J. Hogg

President and Chief Executive Officer
Stereotaxis, Inc.
4041 Forest Park Avenue
St. Louis, Missouri 63108
(314) 615-6940
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.001 par value per share	$115,000,000	$14,570.50

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, and includes shares of common stock which may be sold upon exercise of the underwriters' over-allotment option, if any, and shares of common stock that are to be offered outside the U.S. in transactions that are not subject to registration under the Securities Act of 1933, as amended, but that may be resold from time to time in the U.S. in transactions subject to a registration under the Securities Act of 1933, as amended. Offers and sales outside the U.S. are being made under Regulation S of the Securities Act 1933, as amended, and are not covered by this registration statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion. Dated May 6, 2004.

Shares

Common Stock

This is an initial public offering of shares of common stock of Stereotaxis, Inc. All of the shares of common stock are being sold by Stereotaxis.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Application has been made for quotation of the common stock on the Nasdaq National Market under the symbol "STXS".

See "Risk Factors" on page 7 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Stereotaxis	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Stereotaxis at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2004.

Goldman, Sachs & Co. **Bear, Stearns & Co. Inc.**
Deutsche Bank Securities **A.G. Edwards**

Prospectus dated , 2004.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before buying shares in this offering. You should read the entire prospectus carefully, including the section entitled "Risk Factors" and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision.

Stereotaxis, Inc.

Overview

We design, manufacture and market an advanced cardiology instrument control system for use in the cath lab that we believe revolutionizes the treatment of coronary artery disease and arrhythmias by enabling important new therapeutic solutions and enhancing the efficiency and efficacy of existing interventional procedures. Our Stereotaxis System is designed to allow physicians to more effectively navigate proprietary catheters, guidewires and stent delivery devices, both our own and those we are co-developing with strategic partners, through the blood vessels and chambers of the heart to treatment sites and then to effect treatment. This is achieved using computer-controlled, externally applied magnetic fields that precisely and directly govern the motion of the working tip of the catheter, guidewire or stent delivery device. To our knowledge, we have no direct competitors in this field. We believe that our technology represents an important advance in the ongoing trend toward digital instrumentation in the cath lab and provides substantial, clinically important improvements and cost efficiencies over existing manual interventional methods. As a result, we believe that the Stereotaxis System has the potential to become the standard of care for a broad range of complex cardiology procedures.

We began commercial shipments in 2003, following U.S. and European regulatory approval of the core components of the Stereotaxis System, and had revenues of approximately $3.1 million in the first quarter of 2004, compared to approximately $386,000 in the first quarter of 2003. As of March 31, 2004, we had sold and delivered 13 Stereotaxis Systems in the U.S. and Europe and physicians have used these systems to perform more than 600 cardiology procedures. We also had purchase orders and other commitments for an additional $16.6 million of our Stereotaxis Systems. These purchase orders and other commitments are subject to various contingencies and, in some cases, express cancellation rights.

Our Stereotaxis System consists of the following proprietary components:

- our NIOBE cardiology magnet system, which utilizes permanent magnets to navigate catheters, guidewires and stent delivery devices through complex paths in the blood vessels and chambers of the heart to carry out treatment;
- our NAVIGANT advanced user interface, or physician control center, which physicians use to visualize and track procedures and to provide instrument control commands that govern the motion of the working tip of the catheter, guidewire or stent delivery device;
- our CARDIODRIVE automated catheter advancer, which is used to remotely advance and retract the catheter in the patient's heart; and
- our suite of interventional catheters, guidewires and stent delivery devices, which we refer to as disposable interventional devices.

The Stereotaxis System is designed to be installed in both new and replacement cath labs. We estimate that there are more than 750 new and replacement cardiology cath labs being installed worldwide each year. Current and potential purchasers of our Stereotaxis System include leading research and academic hospitals as well as medium and high volume commercial and regional medical centers around the world.

The market for cardiovascular medical devices worldwide exceeds $12 billion per year and is estimated to be growing at 12% annually. Industry estimates indicate that physicians currently perform approximately 1.8 million interventional cardiology procedures and approximately 800,000 electrophysiology procedures worldwide each year, with total sales of disposable interventional devices used in such procedures representing an annual market opportunity approaching $1 billion. This procedure base continues to grow, due to patient demand for less invasive procedures, cost containment pressure and an increasing incidence of coronary artery disease and arrhythmias. While the Stereotaxis System potentially has broad applicability for many of these procedures, we believe that it can provide significant advantages relative to manual interventional methods for approximately 15% of interventional cardiology procedures, or approximately 270,000 procedures annually, including procedures for stent delivery and the treatment of complex lesions. In electrophysiology, we believe that the Stereotaxis System can provide significant advantages for approximately 30% of procedures, or about 240,000 procedures annually, including procedures for ablation and the placement of pacing leads. As a result, we believe that the Stereotaxis System can provide substantial clinical benefits compared to manual interventional methods in more than 500,000 annual procedures.

The Stereotaxis System is designed to address the needs of patients, hospitals, physicians, and third-party payors on a cost-effective basis by:

- meeting patient demands for less invasive procedures, while improving patient safety and outcomes;
- enabling new procedures in interventional cardiology and electrophysiology that currently cannot be performed, or are extremely difficult to perform, with manual methods;
- enhancing the productivity of existing complex interventional procedures, by both shortening procedure times and making them more predictable, thereby improving cath lab scheduling efficiency and lowering total costs;
- decreasing the number of disposable interventional devices used per procedure, thereby potentially lowering provider costs;
- providing ease of use and lowering physician skill barriers for complex cardiology procedures; and
- decreasing patient and physician exposure to x-ray fluoroscopy fields and reducing the use of contrast dye injections, both of which are potentially harmful.

We have alliances with each of Siemens, Philips and Biosense Webster, Inc., a subsidiary of Johnson & Johnson which we refer to as J&J. Through these alliances, we are integrating our Stereotaxis System with market leading digital imaging and 3D catheter location sensing technology, and developing compatible disposable interventiona devices, in order to continue to introduce new solutions in the cath lab. Each of these alliances provides for coordination of our sales and marketing with that of our partners to facilitate co-placement of integrated systems. In addition, Siemens and Johnson & Johnson are investors in our company.

The core elements of our Stereotaxis System are protected by an extensive patent portfolio, as well as substantial know-how and trade secrets.

Our Strategy

Our goal is to establish the Stereotaxis System as the standard of care for complex interventional procedures by bringing magnetic instrument control into standard interventional clinical practice. The key elements of our current strategy for achieving this goal are to:

- leverage the efficiency and productivity improvements enabled by our system to present a compelling economic justification to hospitals for the purchase of our system;

- integrate our system with our key strategic partners' products and leverage our partnerships to assist in further development, commercialization, sales and service of our products;
- provide an essential digital link in the cath lab between imaging systems and instrument control;
- expand clinical applications for, and utilization of, our technology; and
- capitalize on our technology leadership to enhance our competitive position.

Risks

Our business is subject to a number of risks, which you should be aware of before making an investment decision. These risks are discussed more fully in "Risk Factors". We have only recently begun to commercialize our Stereotaxis System, and it is possible that hospitals or physicians will not adopt our system or use our products. As of March 31, 2004, we had incurred $95.3 million in net losses since inception. We expect to continue to incur additional, and possibly increasing, losses through at least the end of 2005.

Company Information

We were incorporated in Delaware in June 1990 as Stereotaxis, Inc. Our principal executive offices are located at 4041 Forest Park Avenue, St. Louis, Missouri 63108, and our telephone number is (314) 615-6940. Our website address is www.stereotaxis.com. Information contained on our website is not incorporated by reference into and does not form any part of this prospectus. As used in this prospectus, references to "we", "our", "us" and "Stereotaxis" refer to Stereotaxis, Inc. unless the context requires otherwise.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

NIOBE®, CARDIODRIVE® and CRONUS® are some of our registered trademarks. NAVIGANT™ HELIOS™ and TANGENT™ are some of our other trademarks. This prospectus also refers to trademarks and trade names of other organizations.

THE OFFERING

Common stock offered	shares
Common stock to be outstanding after the offering	shares
Use of proceeds	For working capital; continued sales, marketing and clinical support initiatives; continued research and development; and general corporate purposes. In addition, we may use a portion of the net proceeds from this offering to repay outstanding lines of credit. See "Use of Proceeds".
Proposed Nasdaq National Market Symbol	"STXS"

The number of shares of our common stock referred to above that will be outstanding immediately after completion of this offering is based on 5,547,175 shares of our common stock outstanding as of March 31, 2004 and also reflects the automatic conversion of our preferred stock into 66,436,116 shares of common stock and the automatic conversion of a convertible preferred note into shares of common stock, assuming an offering price of $ per share. This number does not include, as of March 31, 2004:

- 7,418,310 shares of common stock issuable upon exercise of outstanding options, at a weighted average exercise price of $1.33 per share;
- 4,295,395 shares of common stock issuable upon the exercise of outstanding warrants, at a weighted average exercise price of $2.36 per share; and
- up to 1,693,257 additional shares of our common stock reserved for issuance under our 2002 Stock Incentive Plan and our 2002 Non-Employee Directors' Stock Plan.

Subject to the completion of this offering, we have reserved an additional 1,000,000 shares of common stock for issuance under our 2004 Employee Stock Purchase Plan. In addition, we have agreed to issue an additional shares if the underwriters exercise their over-allotment option in full, which we describe in "Underwriting". If the underwriters exercise this option in full, shares of common stock will be outstanding after this offering.

Unless we indicate otherwise, all information in this prospectus:

- does not reflect a reverse stock split which we intend to effect prior to the offering;
- gives effect to the conversion of all outstanding shares of our preferred stock into 66,436,116 shares of our common stock upon the completion of this offering;
- does not reflect any conversion of outstanding common stock warrants into shares of our common stock pursuant to a deemed cashless exercise, which is described under "Description of Capital Stock — Warrants";
- gives effect to the conversion of the outstanding principal and accrued interest under a $2 million cumulative convertible pay-in-kind 8% note issued to Siemens in August 2003 into shares of our common stock upon the completion of this offering, assuming an offering price of $ per share; and
- assumes that the underwriters do not exercise their over-allotment option to purchase additional shares in the offering.

SUMMARY FINANCIAL DATA

The historical summary financial data set forth below for the years ended December 31, 2001, 2002 and 2003 are derived from our audited financial statements. The historical summary financial data for the three months ended March 31, 2003 and 2004 are unaudited but include, in the opinion of management, all adjustments, consisting only of normal, recurring adjustments, that management considers necessary for a fair presentation of the results for those periods. Through December 31, 2002, we were deemed to be in the development stage. See Note 1 of Notes to Financial Statements. The pro forma net loss per share and shares used in computing pro forma net loss per share are calculated as if all of our preferred stock and our $2 million convertible note were converted on the date of their respective issuances into shares of our common stock. You should read the information contained in this table in conjunction with our financial statements and related notes, "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			(in thousands, except share and per share data)	(unaudited)	
Statement of operations data:					
Systems revenue	$ —	$ —	$ 3,808	$ 365	$ 2,672
Disposables, service and accessories revenue	—	19	481	21	402
Other revenue	—	—	726	—	—
	—	19	5,015	386	3,074
Costs of revenue	—	40	4,051	501	2,482
Gross profit	—	(21)	964	(115)	592
Operating expenses:					
Research and development	13,831	14,325	13,541	2,510	4,593
Sales and marketing	927	2,231	5,987	1,101	2,377
General and administrative	2,576	4,461	4,894	1,043	1,272
Stock-based compensation	622	484	492	125	184
Total operating expenses	17,956	21,501	24,914	4,779	8,426
Operating loss	(17,956)	(21,522)	(23,950)	(4,894)	(7,834)
Interest income	951	434	375	102	95
Interest expense	—	371	462	114	111
Net loss	(17,005)	(21,459)	(24,037)	(4,906)	(7,850)
Net loss per common share, basic and diluted	$ (6.39)	$ (5.33)	$ (5.10)	$ (1.10)	$ (1.48)
Shares used in computing net loss per common share, basic and diluted	2,660,717	4,022,283	4,711,696	4,456,228	5,292,246
Pro forma net loss per common share, basic and diluted					
Shares used in computing pro forma net loss per common share					

	As of March 31, 2004	
	Actual	Pro forma as adjusted
	(unaudited) (in thousands)	
Balance sheet data:		
Cash and cash equivalents	$27,614	$
Short-term investments	5,062	
Working capital	31,020	
Total assets	47,162	
Long-term debt, less current maturities	2,155	
Total stockholders' equity	33,546	

The table above presents summary balance sheet data on an actual basis and on a pro forma as adjusted basis. The pro forma as adjusted numbers reflect:

- the conversion of all of our preferred stock into an aggregate of 66,436,116 shares of our common stock immediately prior to the closing of this offering;
- the conversion of the outstanding principal and accrued interest under a $2 million cumulative convertible pay-in-kind 8% note issued to Siemens in August 2003 into an aggregate of shares of our common stock immediately prior to the closing of this offering, based on an assumed initial public offering price of $ per share; and
- the sale of shares of our common stock at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The table does not reflect any conversion of outstanding common stock warrants into shares of our common stock as a result of a deemed cashless exercise of those warrants. See "Description of Capital Stock — Warrants" for a description of this conversion feature.

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the following risks, as well as the other information contained in this prospectus, before investing. If any of the following risks actually occurs, our business, business prospects, financial condition, cash flow and results of operations could be materially and adversely affected. In that case, the trading price of our common stock would likely decline, and you may lose part or all of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently perceive as immaterial, may also harm our business. If any of these additional risks or uncertainties occurs, the trading price of our common stock could decline, and you might lose all or part of your investment.

Risks Related To Our Business

Hospital decision-makers may not purchase our Stereotaxis System or may think that it is too expensive.

The market for our products and related technology is not well established. To achieve continued sales, hospitals must purchase our products, and in particular, our NIOBE cardiology magnet system. The NIOBE cardiology magnet system, which is the core of our Stereotaxis System, is a novel device, and hospitals and physicians are traditionally slow to adopt new products and treatment practices. Moreover, the Stereotaxis System is an expensive piece of capital equipment, representing a significant portion of the cost of a new or replacement cath lab. If hospitals do not widely adopt our Stereotaxis System, or if they decide that it is too expensive, we may never become profitable. Any failure to sell as many Stereotaxis Systems as our business plan requires could also have a seriously detrimental impact on our results of operations, financial condition and cash flow.

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

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

Our collaborations with Siemens, Philips and J&J may fail, or we may not be able to enter into additional partnerships or collaborations in the future.

We are collaborating with Siemens, Philips and J&J to integrate our instrument control technology with their respective imaging products or disposable interventional devices and to co-develop additional disposable interventional devices for use with our Stereotaxis System. For the immediate future, a significant portion of our revenues from system sales will be derived from these integrated products. In addition, each of Siemens and Philips has agreed to provide post-installation maintenance and support services to our customers for our integrated systems.

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

- any of our collaboration partners delays or fails in the integration of its technology with our Stereotaxis System as planned;
- any of our collaboration partners does not co-market and co-promote our integrated products diligently or does not provide maintenance and support services as we expect; or
- we become involved in disputes with one or more of our collaboration partners regarding our collaborations.

Siemens, Philips and J&J, as well as some of our other collaborators, are large, global organizations with diverse product lines and interests that may diverge from our interests in commercializing our products. Accordingly, our collaborators may not devote adequate resources to our products, or may experience financial difficulties, change their business strategy or undergo a business combination that may affect their willingness or ability to fulfill their obligations to us. In particular, we have had only limited experience with respect to the integration of our system with Philips' imaging products.

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

You may have difficulty evaluating our business and operating results because we are still in the early stages of commercializing our products.

We have been engaged in research and product development since our inception in 1990. In 2003, we began limited commercial shipments of our products. To date, our investments in our products have produced relatively little revenue and our operating expenses are high relative to that revenue. As a result, our financial statements included in this prospectus do not provide a complete view of the current or intended scope of our activities. Our lack of a significant operating history also impairs an investor's ability to make a comparative evaluation of us, our products and our prospects.

We have limited experience selling, marketing and distributing products, which could impair our ability to increase revenues.

We currently market our products in the U.S. and Europe through a direct sales force of 17 sales specialists, supported by five account managers that provide training, clinical support, and other services to our customers. If we are unable to increase our sales force significantly in the foreseeable future, we may be unable to generate the revenues we have projected in our business plan. Factors that may inhibit our sales and marketing efforts include:

- our inability to recruit and retain adequate numbers of qualified sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of hospitals and physicians to purchase and use our products;
- unforeseen costs associated with maintaining and expanding an independent sales and marketing organization; and
- increased government scrutiny with respect to marketing activities in the health care industry.

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

We may lose or fail to attract physician "thought leaders".

Our research and development efforts and our marketing strategy depend heavily on obtaining support and collaboration from highly regarded physicians at leading commercial and research hospitals. If we are unable to gain such support and collaboration, our ability to market the Stereotaxis System and, as a result, our financial condition, results of operations and cash flow could be materially and adversely affected.

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

In order for physicians to learn to use the Stereotaxis System, they must attend one or more training sessions. Market acceptance could be delayed by lack of physician willingness to attend training sessions or by the time required to complete this training. An inability to train a sufficient number of physicians to generate adequate demand for our products could have a material adverse impact on our financial condition and cash flow.

Customers may choose to purchase competing products and not ours.

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

We also face competition from companies that are developing drugs or other medical devices or procedures to treat the conditions for which our products are intended. The medical device and pharmaceutical industries make significant investments in research and development, and innovation is rapid and continuous. If new products or technologies emerge that provide the same or superior benefits as our products at equal or lesser cost, it could render our products obsolete or unmarketable. We cannot be certain that physicians will use our products to replace or supplement established treatments or that our products will be competitive with current or future products and technologies.

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

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

We currently have outstanding purchase orders and other commitments for our systems. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or canceled, either by their express terms, as a result of negotiations or by project changes or delays. The installation process for a Stereotaxis System is long and involves multiple stages, the completion of many of which are outside of our control. If we experience any failures or delays in completing the installation of these systems, our reputation would suffer and we may not be able to sell additional systems. Substantial delays in the installation process also increase the risk that a customer would attempt to cancel a purchase order. This would have a negative effect on our revenues and results of operations.

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

We anticipate that our system will continue to have a lengthy sales cycle because it consists of a relatively expensive piece of capital equipment, the purchase of which requires the approval of senior management at hospitals, inclusion in the hospitals' cath lab budget process for capital expenditures, and, in some instances, a certificate of need from the state or other regulatory approval. In addition, assembly and installation of the system has historically taken six to eight months after a customer agreed to purchase a system. Assembly and installation could take even longer if our system is part of a larger construction project at the customer site. These factors may contribute to substantial fluctuations in our quarterly operating results, particularly in the near term and during any other periods in which our sales volume is relatively low. As a result, in future quarters our operating results could fall below the expectations of securities analysts or investors, in which event our stock price would likely decrease.

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

Our system generates magnetic fields that directly govern the motion of the internal, or working, tip of disposable interventional devices. If other equipment in the cath lab or elsewhere in a hospital is incompatible with the magnetic fields generated by our system, or if our system interferes with such equipment, we may be required to install additional shielding, which may be expensive and which may not solve the problem. This may limit the number of hospitals that would be willing to purchase and install our system, which would adversely affect our financial condition, results of operations and cash flow.

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

Our business exposes us to significant risks of product liability claims. The medical device industry has historically been litigious, and we could face product liability claims if the use of our products were to cause injury or death. The coverage limits of our product liability insurance policies may not be adequate to cover future claims, and we may be unable to maintain product liability insurance in the future at satisfactory rates or adequate amounts. A product liability claim, regardless of its merit or eventual outcome, could divert management's attention, result in significant legal defense costs, significant harm to our reputation and a decline in revenues.

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

We generally warrant each of our products against defects in materials and workmanship for a period of 12 months from the acceptance of our product by a customer. We have only a limited history of commercial placements from which to judge our rate of warranty claims. If product returns or warranty claims increase, we could incur unanticipated additional expenditures for parts and service. In addition, our reputation and goodwill in the cath lab market could be damaged. While we have established reserves for liability associated with product warranties, unforeseen warranty exposure in excess of those reserves could materially and adversely affect our financial condition, results of operations and cash flow.

We may not generate cash from operations necessary to commercialize our existing products and invest in new products.

If we require additional funds to meet our working capital and capital expenditure needs in the future, we cannot be certain that we will be able to obtain additional financing on favorable terms or

at all. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- enhance our existing products or develop new ones;
- expand our operations;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated capital requirements.

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

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

We have incurred substantial net losses since inception, and we expect to incur substantial additional and increasing net losses for at least the next several years as we seek additional regulatory approvals, launch new products and generally scale up our sales, marketing and manufacturing operations to commercialize our products. We had net losses of approximately $17.0 million in 2001, $21.5 million in 2002, $24.0 million in 2003 and $7.8 million in the three months ended March 31, 2004, and at March 31, 2004 we had an accumulated deficit of $95.3 million. The extent of our future losses and the timing of profitability are highly uncertain, and we may never achieve profitable operations. If we require more time than we expect to generate significant revenues and achieve profitability, we may not be able to continue our operations. Our failure to achieve profitability could negatively impact the market price of our common stock. Even if we do become profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis. Furthermore, even if we achieve significant revenues, we may choose to pursue a strategy of increasing market penetration and presence at the expense of profitability.

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

We depend on contract manufacturers to produce most of the components of our systems and other products. We also depend on various third party suppliers for the magnets we use in our NIOBE cardiology magnet systems and for our guidewires and electrophysiology catheters. In addition, some of the components necessary for the assembly of our products are currently provided to us by a single supplier, including the magnets for our system, and we generally do not maintain large volumes of inventory. Our reliance on these third parties involves a number of risks, including, among other things, the risk that:

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

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

In addition, if these manufacturers or suppliers stop providing us with the components or services necessary for the operation of our business, we may not be able to identify alternate sources in a timely fashion. Any transition to alternate manufacturers or suppliers would likely result in operational problems and increased expenses and could delay the shipment of, or limit our ability to provide, our products. We cannot assure you that we would be able to enter into agreements with

new manufacturers or suppliers on commercially reasonable terms or at all. Additionally, obtaining components from a new supplier may require a new or supplemental filing with applicable regulatory authorities and clearance or approval of the filing before we could resume product sales. Any disruptions in product flow may harm our ability to generate revenues, lead to customer dissatisfaction, damage our reputation and result in additional costs or cancellation of orders by our customers.

We also rely on our collaboration partner, J&J, to manufacture a number of disposable interventional devices for use with our Stereotaxis System. If J&J cannot manufacture sufficient quantities of disposable interventional devices to meet customer demand, or if their manufacturing processes are disrupted, our revenues and profitability would be adversely affected.

Risks associated with international manufacturing and trade could negatively impact the availability and cost of our products because some of our key system components, including the magnets, are supplied by foreign manufacturers.

We purchase some of our components, including our magnets, from foreign sources, primarily in Japan. Any event causing a disruption of imports, including the imposition of import restrictions, could adversely affect our business. The flow of components from our vendors could also be adversely affected by financial or political instability in any of the countries in which the goods we purchase are manufactured, if the instability affects the production or export of product components from those countries. Trade restrictions in the form of tariffs or quotas, or both, could also affect the importation of those product components and could increase the cost and reduce the supply of products available to us. In addition, decreases in the value of the U.S. dollar against foreign currencies could increase the cost of products we purchase from overseas vendors.

We have limited experience in manufacturing and assembling our products and may encounter problems at our manufacturing facilities or otherwise experience manufacturing delays that could result in lost revenue.

We do not have experience in manufacturing, assembling or testing our products on a commercial scale. In addition, for our NIOBE cardiology magnet systems, we subcontract the manufacturing of major components and complete the final assembly and testing of those components in-house. As a result, we may be unable to meet the expected future demand for our Stereotaxis System. We may also experience quality problems, substantial costs and unexpected delays in our efforts to upgrade and expand our manufacturing, assembly and testing capabilities. If we incur delays due to quality problems or other unexpected events, we will be unable to produce a sufficient supply of systems necessary to meet our future growth expectations In addition, we are manufacturing a limited number of our disposable interventional devices ourselves in a pilot manufacturing program and intend to continue to subcontract the manufacture of others to third parties. In order to do so, we will need to retain qualified employees for our assembly and testing operations. In addition, we are dependent on the facilities we lease in St. Louis, Missouri and Maple Grove, Minnesota in order to manufacture and assemble certain products. We could encounter problems at either of these facilities, which could delay or prevent us from assembling or testing our products or maintaining our pilot manufacturing capabilities or otherwise conducting operations. We are also considering extending our current lease or moving our St. Louis operations to new facilities in the St. Louis area in 2005. Searching for and moving to a new facility could disrupt our systems assembly or testing activities and divert the attention of our management and other key personnel from our business operations.

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

Our commercial success will depend in part on obtaining patent and other intellectual property right protection for the technologies contained in our products and on successfully defending these rights against third party challenges. The patent positions of medical device companies, including

ours, can be highly uncertain and involve complex and evolving legal and factual questions. We cannot assure you that we will obtain the patent protection we seek, that any protection we do obtain will be found valid and enforceable if challenged or that it will confer any significant commercial advantage. U.S. patents and patent applications may also be subject to interference proceedings and U.S. patents may be subject to reexamination proceedings in the U.S. Patent and Trademark Office, and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office, which proceedings could result in either loss of the patent or denial of the patent application or loss, or reduction in the scope of one or more of the claims of, the patent or patent application. In addition, such interference, reexamination and opposition proceedings may be costly. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future, or those we may license from third parties, may not result in patents being issued. If issued, they may not provide us with proprietary protection or competitive advantages against competitors with similar technology.

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

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

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

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

Successfully commercializing our products will depend in part on not infringing patents held by third parties. It is possible that one or more of our products, including those that we have developed in conjunction with third parties, infringes existing patents. We may also be liable for patent infringement by third parties whose products we use or combine with our own and for which we have no right to indemnification. In addition, because patent applications are maintained under conditions of confidentiality and can take many years to issue, there may be applications now pending of which we are unaware and which may later result in issued patents that our products infringe. Whether a product infringes a patent involves complex legal and factual issues and may not become clear until finally determined by a court in litigation. Our competitors may assert that our products infringe patents held by them. Moreover, as the number of competitors in our market grows, the possibility of a patent infringement claim against us increases. If we were not successful in obtaining a license or

redesigning our products, we could be subject to litigation. If we lose in this kind of litigation, a court could require us to pay substantial damages or prohibit us from using technologies essential to our products covered by third-party patents. An inability to use technologies essential to our products would have a material adverse effect on our financial condition, results of operations and cash flow and could undermine our ability to continue operating as a going concern.

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

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

We may not be able to obtain all the licenses from third parties necessary for the development of new products.

As we develop additional disposable interventional devices for use with our system, we may find it advisable or necessary to seek licenses from third parties who hold patents covering technology used in specific interventional procedures. If we cannot obtain those licenses, we could be forced to try to design around those patents at additional cost or abandon the product altogether, which could adversely affect revenues and results of operations. If we have to abandon a product, our ability to develop and grow our business in new directions and markets would be adversely affected.

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

The Stereotaxis System is designed to have the potential for expanded applications beyond interventional cardiology and electrophysiology, including interventional neurosurgery, interventional neuroradiology, peripheral vascular, pulmonology, urology, gynecology and gastrointestinal medicine. However, we have limited financial and managerial resources and therefore may be required to focus on products in selected industries and to forego efforts with regard to other products and industries. Our decisions may not produce viable commercial products and may divert our resources from more profitable market opportunities.

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

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

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

Our products are medical devices that are subject to extensive regulation in the U.S. and in foreign countries where we do business. Unless an exemption applies, each medical device that we wish to market in the U.S. must first receive either 510(k) clearance or pre-market approval, or PMA, from the U.S. Food and Drug Administration pursuant to the Federal Food, Drug, and Cosmetic Act. The FDA's 510(k) clearance process usually takes from four to 12 months, but it can take longer. The process of obtaining PMA approval is much more costly, lengthy and uncertain, generally taking from one to three years or even longer. Although we have 510(k) clearance for our current Stereotaxis System, our business model relies significantly on revenues from additional disposable interventional devices for which we do not have FDA clearance or approval. We cannot market our unapproved disposable interventional devices in the U.S. until we receive the necessary clearance or approvals from the FDA and can only place these devices with research institutions for permitted investigational use. Failure to receive these clearances or approvals in a timely manner could have a material adverse impact on our financial condition, results of operations and cash flow.

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

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

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

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

Even after product approval, we must comply with continuing regulation by the FDA and other authorities, including the FDA's Quality System Regulation, or QSR, requirements, labeling and

promotional requirements and medical device adverse event and other reporting requirements. For example, as a result of our own ongoing quality testing, in January 2004 we voluntarily recalled our CRONUS guidewires. Any failure to comply with continuing regulation by the FDA or other authorities could result in enforcement action that may include suspension or withdrawal of regulatory approvals, recalling products, ceasing product marketing, seizure and detention of products, paying significant fines and penalties, criminal prosecution and similar actions that could limit product sales, delay product shipment and harm our profitability.

Additionally, any modification to an FDA 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance. Device modifications to a PMA approved device or its labeling may require either a new PMA or PMA supplement approval, which could be a costly and lengthy process. In the future, we may modify our products after they have received clearance or approval, and we may determine that new clearance or approval is unnecessary. We cannot assure you that the FDA would agree with any of our decisions not to seek new clearance or approval. If the FDA requires us to seek clearance or approval for any modification, we also may be required to cease marketing or recall the modified product until we obtain FDA clearance or approval which could also limit product sales, delay product shipment and harm our profitability. In addition, Congress could amend the Federal Food, Drug and Cosmetic Act, and the FDA could modify its regulations promulgated under the Act in a way so as to make ongoing regulatory compliance more burdensome and difficult.

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

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

Our manufacturing processes must comply with the FDA's QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging and shipping of our products. The FDA enforces the QSR through inspections. We cannot assure you that we would pass such an inspection. Failure to pass such an inspection could force a shut down of our manufacturing operations, a recall of our products or the imposition of other sanctions, which would significantly harm our revenues and profitability. Further, we cannot assure you that our key component suppliers are or will continue to be in compliance with applicable regulatory requirements and will not encounter any manufacturing difficulties. Any failure to comply with the FDA's QSR by us or our suppliers could significantly harm our available inventory and product sales.

Software defects may be discovered in our products.

Our products incorporate sophisticated computer software. Complex software frequently contains errors, especially when first introduced. Because our products are designed to be used to perform complex interventional procedures, we expect that physicians and hospitals will have an increased sensitivity to the potential for software defects. We cannot assure you that our software

will not experience errors or performance problems in the future. If we experience software errors or performance problems, we would likely also experience:

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

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

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

- the federal healthcare program Anti-Kickback Law, which prohibits, among other things, persons from soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal health care programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, and which may apply to entities like us which provide coding and billing advice to customers;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which prohibits executing a scheme to defraud any health care benefit program or making false statements relating to health care matters and which also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state laws governing the privacy of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- federal self-referral laws, such as STARK, which prohibits a physician from making a referral to a provider of certain health services with which the physician or the physician's family member has a financial interest.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause

us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, to achieve compliance with applicable federal and state privacy, security, and electronic transaction laws, we may be required to modify our operations with respect to the handling of patient information. Implementing these modifications may prove costly. At this time, we are not able to determine the full consequences to us, including the total cost of compliance, of these various federal and state laws.

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

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

Hospitals or physicians may be unable to obtain reimbursement from third-party payors for procedures using the Stereotaxis System, or reimbursement for procedures may be insufficient to recoup the costs of purchasing our products.

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

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

We are highly dependent on the principal members of our management and scientific staff, in particular Bevil J. Hogg, our President and Chief Executive Officer, Michael P. Kaminski, our Chief Operating Officer and William M. Kelley, one of our directors. In order to pursue our plans and accommodate planned growth, we may choose to hire additional personnel. Attracting and retaining qualified personnel will be critical to our success, and competition for qualified personnel is intense. We may not be able to attract and retain personnel on acceptable terms given the competition for qualified personnel among technology and healthcare companies and universities. The loss of any of these persons or our inability to attract and retain other qualified personnel could harm our business

and our ability to compete. In addition, the loss of any key member of our scientific staff may significantly delay or prevent product development and other business objectives.

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

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

We face currency and other risks associated with international sales.

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

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

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

Risks Related To Our Common Stock

Our principal stockholders will continue to own a large percentage of our voting stock after this offering, which will allow them to control substantially all matters requiring stockholder approval.

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

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

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

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

Our certificate of incorporation and bylaws and Delaware law contain provisions that might enable our management to resist a takeover. As described in "Description of Capital Stock — Anti-Takeover Provisions of Delaware Law and Charter Provisions", these provisions may:

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

In addition, under our alliance with J&J, either party may terminate the alliance under certain circumstances involving a "change of control" of Stereotaxis. Any termination must be effected within 90 days of the change of control, but would be effective one year after the change of control. If we terminate under this provision, we must pay a termination fee to J&J equal to 5% of the total equity value of Stereotaxis in the change of control transaction, up to a maximum of $10 million. We also agreed to notify J&J if we reasonably consider that we are engaged in substantive discussions in respect of the sale of the company or substantially all of our assets. These provisions may similarly discourage a takeover and negatively affect our share price as described above.

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that they may occur, may depress the market price of our common stock.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that substantial sales may be made, could cause the market price of our common stock to decline. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. The lock-up agreements delivered by our executive officers, directors and substantially all of our stockholders and optionholders provide that Goldman, Sachs & Co., on behalf of the underwriters, in its sole discretion, may release those parties, at any time or from time to time and without notice, from their obligation not to dispose of shares of common stock for a period of 180 days after the date of this prospectus. Goldman, Sachs & Co. has no pre-established conditions to waiving the terms of the lock-up agreements, and any decision by it to waive those conditions would depend on a number of factors, which may include market conditions, the performance of the common stock in the market and our financial condition at that time. For additional information, see "Shares Eligible For Future Sale".

New investors in our common stock will experience immediate and substantial book value dilution after this offering.

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of the outstanding common stock immediately after the offering. Based on an assumed initial public offering price of $ per share and our net tangible book value as of March 31, 2004, if you purchase our common stock in this offering you will pay

more for your shares than the amounts paid by existing shareholders for their shares and you will suffer immediate dilution of approximately $ per share in pro forma net tangible book value. In the past, we have issued options and warrants to acquire common stock at prices significantly below the initial public offering price. To the extent that these outstanding options or warrants are ultimately exercised, you will sustain further dilution. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation. See "Dilution" for a detailed discussion of the dilution new investors will incur in this offering.

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

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and Nasdaq National Market rules are creating uncertainty for public companies. We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional compliance costs we may incur or the timing of such costs. These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by courts and regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Maintaining appropriate standards of corporate governance and public disclosure may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, if we fail to comply with new or changed laws, regulations and standards, regulatory authorities may initiate legal proceedings against us and our business and reputation may be harmed.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay product development.

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

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

- demand for our products;
- the performance of third-party contract manufacturers and component suppliers;
- our ability to develop sales and marketing capabilities;
- the success of our collaborations with Siemens, Philips and J&J and others;
- our ability to develop, introduce and market new or enhanced versions of our products on a timely basis;

- our ability to obtain regulatory clearances or approvals for our new products; and
- our ability to obtain and protect proprietary rights.

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

Our common stock has not been publicly traded, and we expect that the price of our common stock will fluctuate substantially, possibly resulting in class action securities litigation.

Before this offering, there has been no public market for shares of our common stock. An active public trading market may not develop after completion of this offering or, if developed, may not be sustained. The price of the shares of common stock sold in this offering will not necessarily reflect the market price of the common stock after this offering. The market price for the common stock after this offering will be affected by a number of factors, including:

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

The stock prices of many companies in the medical device industry have experienced wide fluctuations that have often been unrelated to the operating performance of these companies. Following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Class action securities litigation, if instituted against us, could result in substantial costs and a diversion of our management resources, which could significantly harm our business.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business", contains forward-looking statements. These statements relate to, among other things:

- our business strategy;
- our value proposition;
- the ability of physicians to perform certain medical procedures with our products safely, effectively and efficiently;
- the adoption of our products by hospitals and physicians;
- the market opportunity for our products, including expected demand for our products;
- the timing and prospects for regulatory approval of our additional disposable interventional devices;
- our plans for hiring additional personnel;
- our estimates regarding our capital requirements; and

- any of our other plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

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

Factors that may cause our actual results to differ materially from our forward-looking statements include, among others, changes in general economic and business conditions and the risks and other factors set forth in “Risk Factors” and elsewhere in this Prospectus.

You should read this prospectus completely and with the understanding that our actual results may be materially different from what we expect. We undertake no duty to update these forward-looking statements after the date of this prospectus, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of common stock we are offering will be approximately $ million. If the underwriters fully exercise the over-allotment option, the net proceeds will be approximately $ million. "Net proceeds" are what we expect to receive after we pay the underwriting discount and other estimated expenses for this offering. For the purpose of estimating net proceeds, we are assuming that the public offering price will be $ per share.

We expect to use the net proceeds of the offering for:

- working capital;
- continued sales, marketing and clinical support initiatives relating to the commercialization of our products; and
- continued research and development, including the enhancement of our existing system through ongoing product and software development, the design of new proprietary disposable interventional devices for use with our system and the development of next generation versions of our system.

In addition, we may use a portion of the net proceeds from this offering to repay outstanding lines of credit. We have two secured equipment financing facilities with Silicon Valley Bank. As of March 31, 2004, one facility had an outstanding balance of approximately $543,000, with a maturity date of December 2004, and the second facility had an outstanding balance of approximately $494,000 with a maturity date of September 2005. Borrowings under these facilities bear interest at an annual rate of 10%. We also have a secured revolving line of credit to provide working capital. This revolving line accrues interest at the lender's prime rate plus 1.25%, subject to a minimum interest rate of 5.25%, and matures in April 2006. As of March 31, 2004 we had approximately $1.25 million outstanding under this working capital line.

We intend to use the remainder of the net proceeds, if any, for general corporate purposes, which may include the purchase of equipment and the expansion or relocation of facilities. We have not yet determined the amount or timing of the expenditures for each of the categories listed above and these expenditures may vary significantly depending on a variety of factors, including the timing of additional regulatory approvals and new product introductions. As a result, we will retain broad discretion in the allocation and use of the net proceeds of this offering.

From time to time, we have discussed potential strategic acquisitions and investments with third parties. Currently, we have no agreements or commitments to enter into any such transactions. Pending our uses of the proceeds, we intend to invest the net proceeds of this offering primarily in short-term, investment grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid any dividends on our capital stock. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Additionally, under our credit facilities, we are prohibited from declaring dividends without the prior consent of our lender. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2004:

- on an actual basis; and
- on a pro forma as adjusted basis reflecting:
  - the conversion of all of our preferred stock into an aggregate of 66,436,116 shares of common stock immediately prior to the closing of this offering;
  - the conversion of the outstanding principal and accrued interest under a $2 million cumulative convertible pay-in-kind 8% note issued to Siemens in August 2003 into an aggregate of shares of our common stock immediately prior to the closing of this offering, based on an assumed initial public offering price of $ per share; and
  - the sale of shares of our common stock at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table in conjunction with the sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our financial statements and related notes.

	As of March 31, 2004	
	Actual	Pro forma as adjusted
	(unaudited) (in thousands, except shares)	
Cash and cash equivalents	$ 27,614	$
Short-term investments	5,062	
Long-term debt, including current maturities	4,287	
Stockholders' equity		
Convertible preferred stock, $0.001 par value; 70,000,000 shares authorized, 66,436,116 shares issued and outstanding, actual; 10,000,000 shares authorized, no shares outstanding, pro forma as adjusted	66	
Common stock, $0.001 par value; 95,000,000 shares authorized, 5,547,175 shares outstanding (66,355 in treasury), actual; 100,000,000 authorized, shares issued and outstanding, pro forma as adjusted	6	
Notes receivable, common stock	(446)	
Deferred compensation	(671)	
Additional paid-in capital	129,916	
Accumulated deficit	(95,266)	
Accumulated comprehensive loss	(59)	
Total stockholders' equity	33,546	
Total capitalization	$ 37,833	

The table above does not include:

- 7,418,310 shares of our common stock issuable upon exercise of options outstanding as of March 31, 2004 under our 1994 Stock Option Plan, our 2002 Stock Incentive Plan, and our Non-Employee Directors' Stock Plan at a weighted average exercise price of $1.33 per share;
- 4,295,395 shares of our common stock issuable upon the exercise of warrants outstanding as of March 31, 2004 at a weighted average exercise price of $2.36 per share;
- up to 1,693,257 additional shares of our common stock reserved for issuance as of March 31, 2004 under our 2002 Stock Incentive Plan and our 2002 Non-Employee Directors' Stock Plan; and
- 66,355 shares of common stock held in treasury purchased at an average price of $0.27 per share.

The table does not reflect any conversion of outstanding common stock warrants into shares of our common stock as a result of any deemed cashless exercise of those warrants. See "Description of Capital Stock — Warrants."

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Our historical net tangible book value as of March 31, 2004 was approximately $31,634,552, or $5.70 per share, based on 5,547,175 shares of common stock outstanding as of March 31, 2004. Historical net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the actual number of shares of common stock outstanding. Our pro forma net tangible book value as of March 31, 2004 was approximately $, or $ per share of our common stock, based on shares of common stock outstanding after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock upon the closing of this offering. Pro forma net tangible book value per share as of March 31, 2004 represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the pro forma number of shares of common stock outstanding before giving effect to this offering.

After giving effect to our sale of shares of common stock offered by this prospectus at an assumed public offering price of $ per share and after deducting underwriting discounts and commission and estimated offering expenses payable by us, our pro forma net tangible book value will be $, or approximately $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new investors. Dilution in historical net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. The following table illustrates this per share dilution.

Assumed public offering price per share		$
Historical net tangible book value per share as of March 31, 2004	$5.70	
Decrease per share due to the conversion of all shares of preferred stock and the conversion of our $2 million convertible note		
Pro forma net tangible book value per share as of March 31, 2004		
Increase per share attributable to new investors		
Pro forma net tangible book value per share after the offering		
Dilution per share to new investors		$

The following table sets forth, as of March 31, 2004, the number of shares of common stock purchased from us, the total consideration paid and average price per share paid by existing stockholders and by the new investors, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, using an assumed public offering price of $ per share.

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	

The tables above are based on 5,547,175 shares of common stock issued and outstanding as of March 31, 2004 and also reflect the automatic conversion of all of our preferred stock into an aggregate of 66,436,116 shares of common stock and exclude:

- 7,418,310 shares of common stock issuable upon exercise of outstanding options, at a weighted average exercise price of $1.33 per share;
- 4,295,395 shares of common stock issuable upon the exercise of outstanding warrants, at a weighted average exercise price of $2.36 per share;
- up to 1,693,257 additional shares of our common stock reserved for issuance under our 2002 Stock Incentive Plan and our 2002 Non-Employee Directors' Stock Plan; and
- 66,355 shares of common stock held in treasury at a weighted average purchase price of $0.27 per share.

Assuming exercise of all of our outstanding stock options and warrants, the pro forma net tangible book value per share would be reduced and further dilute new investors an additional $ per share, to $ per share. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" following this section and our financial statements and related notes included in the back of this prospectus. The selected financial data as of and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 are derived from our audited financial statements. Our audited financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 are included in the back of this prospectus. The unaudited selected financial statements, including the selected financial data for the three months ended March 31, 2003 and 2004, include, in the opinion of management, all adjustments, consisting only of normal, recurring adjustments, that management considers necessary for a fair statement of the results for those periods. The historical results are not necessarily indicative of the operating results to be expected in any future period.

See the notes to the financial statements for an explanation of the method used to determine the numbers of shares used in computing basic and diluted and pro forma basic and diluted net loss per share.

	Year ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(In thousands, except share and per share data)					(unaudited)	
Statement of operations data:							
Systems revenue	$ —	$ —	$ —	$ —	$ 3,808	$ 365	$ 2,672
Disposables, service and accessories revenue	—	—	—	19	481	21	402
Other revenue	—	—	—	—	726	—	—
	—	—	—	19	5,015	386	3,074
Costs of revenue	—	—	—	40	4,051	501	2,482
Gross profit	—	—	—	(21)	964	(115)	592
Operating expenses:							
Research and development	4,526	8,857	13,831	14,325	13,541	2,510	4,593
General and administrative	1,184	1,621	2,576	4,461	4,894	1,043	1,272
Sales and marketing	10	386	927	2,231	5,987	1,101	2,377
Stock-based compensation	2	19	622	484	492	125	184
Total operating expenses	5,722	10,883	17,956	21,501	24,914	4,779	8,426
Operating loss	(5,722)	(10,883)	(17,956)	(21,522)	(23,950)	(4,894)	(7,834)
Interest income	411	1,334	951	434	375	102	95
Interest expense	—	—	—	371	462	114	111
Net loss	(5,311)	(9,549)	(17,005)	(21,459)	(24,037)	(4,906)	(7,850)
Net loss per common share, basic and diluted	$ (4.15)	$ (5.73)	$ (6.39)	$ (5.33)	$ (5.10)	$ (1.10)	$ (1.48)
Shares used in computing net loss per common share, basic and diluted	1,280,398	1,665,421	2,660,717	4,022,283	4,711,696	4,456,228	5,292,246
Pro forma net loss per common share, basic and diluted							
Shares used in computing pro forma net loss per common share, basic and diluted							

	As of December 31,					As of March 31,	
	1999	2000	2001	2002	2003	2003	2004
				(in thousands)		(unaudited)	
Balance sheet data:							
Cash and cash equivalents	$7,063	$ 5,019	$28,664	$28,834	$21,356	$29,525	$27,614
Short-term investments	992	19,693	1,788	—	5,124	—	5,062
Working capital	7,650	22,859	26,660	25,483	22,765	26,829	31,020
Total assets	8,964	25,170	31,750	32,921	37,323	34,749	47,162
Long-term debt, less current maturities	—	—	—	2,281	2,244	2,389	2,155
Total stockholders' equity	8,276	23,256	27,476	24,007	25,266	25,252	33,546

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the audited consolidated financial statements and the notes to those statements included elsewhere in this prospectus. This discussion and analysis presents our financial condition and results of operation on a consolidated basis. This discussion contains forward-looking statements that involve risks and uncertainties. You should specifically consider the various risk factors identified in this prospectus that could cause actual results to differ materially from those anticipated in these forward-looking statements.

Overview

We design, develop, manufacture and market an advanced cardiology system used primarily in connection with the interventional treatment of coronary artery disease and arrhythmias. The Stereotaxis System is a remote-controlled magnetic instrument control and navigation platform that allows physicians to more effectively navigate catheters, guidewires and stent delivery devices through the blood vessels and chambers of the heart to treatment sites and then to effect treatment. The Stereotaxis System is comprised of our NIOBE cardiology magnet system, our NAVIGANT advanced user interface, our CARDIODRIVE automated catheter advancer and our suite of disposable interventional devices. We received regulatory clearance in the U.S. and Europe in 2003 for the core components of our Stereotaxis System.

From our inception in June 1990 through 2002, our principal activities were obtaining capital, business development, performing research and development activities, funding prototype development, funding clinical trials and funding collaborations to integrate our products with other interventional technologies. Accordingly, we were classified as a development stage company for accounting purposes through December 31, 2002. During 2003, we emerged from the development stage and began to generate revenue from the placement of investigational systems and the commercial launch of our system in the U.S. and Europe.

We have a limited history of commercial operations. To date, we have funded our operations primarily through private equity financings, supplemented by bank financing. Since our inception, we have generated significant losses. As of March 31, 2004, we had incurred cumulative net losses of $95.3 million. We expect to incur additional, and possibly increasing, losses through at least the end of 2005 as we continue the development and commercialization of our products, expand our research and development programs and advance new products into clinical development from our existing research programs. We expect to use substantial financial resources from this offering to expand our sales and marketing, customer support, manufacturing capabilities and research and development activities.

We have alliances with each of Siemens AG Medical Solutions, Philips Medical Systems and Biosense Webster, Inc., a subsidiary of Johnson & Johnson, through which we are integrating our Stereotaxis System with market leading digital imaging and 3D catheter location sensing technology, as well as disposable interventional devices, in order to continue to develop new solutions in the cath lab. Each of these alliances provides for coordination of our sales and marketing activities with those of our partners. In addition, Siemens and Philips have agreed to provide worldwide service for our integrated systems.

Revenues

We typically recognize revenue for systems upon installation, which has historically taken six to eight months from the date that the customer issues a purchase order, principally due to the time required to renovate, or in some cases construct, the hospital cath lab space. As of March 31, 2004, we had sold and delivered a total of 13 systems, and we had purchase orders and other commitments for an additional $16.6 million of our systems. There can be no assurance that we will

recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or canceled, either by their express terms, as a result of negotiations or by project changes or delays.

We anticipate that substantially all of our near-term revenues will come from sales of our NIOBE system, together with our NAVIGANT advanced user interface, to hospitals and medical centers in the U.S. and Europe, and to a lesser extent, in Japan and other parts of the world. We anticipate that our revenue will fluctuate for the foreseeable future due to a number of factors, including the length of our sales, delivery and installation cycles. Due to the relatively high price of an individual system, small variations in the timing of system delivery and installation may cause revenue to vary significantly from quarter to quarter. We also anticipate that we will generate additional revenues from the sale of our disposable interventional devices, software licenses, software options and maintenance and service contracts. We expect that revenue from these products and services will increase as a percentage of our total revenue as our installed base of systems increases.

Our ability to generate future revenues depends, among other things, upon our ability to penetrate our target markets. We intend to seek regulatory clearances or approvals for additional disposable interventional devices. If we are unable to receive regulatory clearance for additional devices in a timely fashion or at all, our sales will be lower than we expect.

Cost of Revenues

Cost of revenues consists primarily of expenses related to the manufacture of systems, accessories and disposable interventional devices, including the cost of material, labor and supervision, warranty expense, installation costs, royalties payable for licensed technology and allocated overhead. We anticipate continuing to use subcontractors to manufacture the major components of our systems and accessories and plan to use subcontractors in the near future to manufacture, sterilize and package most of our disposable interventional devices utilized in interventional cardiology and in cardiac resynchronization therapy for treatment of congestive heart failure, which are not covered by our alliance with J&J. J&J will manufacture electrophysiology mapping and ablation catheters for use with our system pursuant to our alliance with them. We expect that as disposable interventional devices become a larger percentage of total revenues, our overall gross margins will increase. We also anticipate continuing to utilize both in-house resources and third parties to install our systems.

Research and Development

Research and development expenses include costs associated with the design, development, testing and enhancement of our products. These costs consist primarily of salaries and related personnel expenses, manufacturing costs for prototype and investigational products, fees paid to outside consultants and service providers, expenditures for the purchase of laboratory supplies and equipment, expenses associated with clinical trials and overhead allocated to product development. All research and development costs are expensed as incurred. Our research and development efforts are periodically subject to significant non-recurring costs and fees that can cause significant variability in our quarterly research and development expenses. We expect that our research and development expenses will increase substantially in the immediate near term as we improve our existing systems and introduce new systems and accessories capabilities and enhance clinical applications.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related expenses for certain members of senior management and other personnel engaged in accounting, regulatory and

clinical affairs, quality assurance and other administrative functions, legal fees, insurance and other general corporate expenses, as well as certain expenses associated with collecting and analyzing the results of clinical trials and submitting these results to the FDA. We expect general and administrative expenses to increase in the future to support our expanding organization and public company reporting and compliance activities.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and related expenses for personnel engaged in product sales and promotional efforts. We expect that our sales and marketing expenses will increase in the future to support our operating plan.

We anticipate generating sales directly, through our own sales force, and indirectly, through co-marketing arrangements with our strategic imaging partners and through certain selected distribution agreements. Under our alliance agreements with Siemens and Philips, we are coordinating our respective sales efforts to co-place systems integrated with their imaging systems at leading hospital sites in the U.S. and Europe. In addition, under our alliance with Philips, we will receive co-placement fees for initial shipments of our integrated systems. Under our alliance with J&J, J&J will distribute our co-developed electrophysiology ablation and mapping catheters. We anticipate selectively using distributors to facilitate system sales outside the U.S. and have signed an exclusive distribution agreement covering Italy and part of Switzerland. In addition, under our collaboration with Siemens, we have agreed to grant Siemens the right to sell and distribute our system in Japan.

Critical Accounting Policies

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 accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We review our estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. While our significant accounting policies are described in more detail in the notes to our financial statements included in this prospectus, we believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements.

Revenue Recognition

In accordance with Staff Accounting Bulletin No. 101, we recognize revenue when all four of the following conditions have been met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the price is fixed or determinable; and
- collectibility is reasonably assured.

For arrangements with multiple deliverables, we allocate the total revenue to each deliverable based on its relative fair value in accordance with the provisions of Emerging Issues Task Force Issue No. 00-21, *"Revenue Arrangements with Multiple Deliverables"* and recognize revenue for each separate element as the above criteria are met.

For system sales that include obligations for installation, these criteria are generally met upon completion of installation. For system sales that are sold without obligations for installation, these criteria are generally met upon transfer of title and risk of loss of the system to the customer. Amounts billed or collected prior to revenue recognition are reflected as deferred revenue. We

recognize revenue from disposable interventional devices upon delivery. Revenue related to service contracts is recognized ratably over the period of the related contract or service period, which is typically one year. Revenue related to services performed on a time and materials basis is recognized when it is earned and billable.

Stock-based Compensation

We account for employee and director stock options using the intrinsic-value method in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations and have adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*. Stock options issued to non-employees, principally individuals who provide scientific advisory services, are recorded at their fair value as determined in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services,* and amortized over the service period.

Stock compensation expense, which is a noncash charge, results from stock option grants made to employees at exercise prices below the deemed fair value of the underlying common stock, and from stock option grants made to non-employees at the fair value of the option granted as determined using the Black-Scholes valuation method. Stock compensation expense is amortized over the vesting period of the underlying option, generally two to four years. Unearned deferred compensation for non-employees is periodically remeasured through the vesting date.

From inception through March 31, 2004, we recorded amortization of deferred stock compensation of $2.6 million. At March 31, 2004, we had a total of $670,968 remaining to be amortized over the vesting period of the stock options. We expect the total unamortized deferred stock compensation recorded for all option grants through March 31, 2004 will be amortized as follows: $305,722 during the remainder of 2004, $283,219 during 2005, $65,625 during 2006 and $16,402 during 2007. As of March 31, 2004, $548,977 of deferred compensation is subject to periodic remeasurement.

The amount of deferred compensation expense to be recorded in future periods may decrease if unvested options for which we have recorded deferred compensation are subsequently cancelled or expire, or may increase if the fair market value of our stock increases or we make additional grants of non-qualified stock options to members of our scientific advisory board or other non-employees.

Deferred Income Taxes

We account for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. We have established a valuation allowance against the entire amount of our deferred tax assets because we are not able to conclude, due to our history of operating losses, that it is more likely than not that we will be able to realize any portion of the deferred tax assets.

Valuation of Inventory

We value our inventory at the lower of the actual cost of our inventory, as determined using the first-in, first-out (FIFO) method, or its current estimated market value. We periodically review our physical inventory for obsolete items and provide a reserve upon identification of potential obsolete items.

Intangible Assets

Intangible assets are comprised of purchased technology with a finite life. The acquisition cost of purchased technology is capitalized and amortized over its useful life in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. We review the assigned useful life on an on-going basis for consistency with the period over which cash flows are expected to be generated from the asset and consider the potential for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The process of estimating useful lives and evaluating potential impairment is subjective and requires management to exercise judgment in making assumptions related to future cash flows and discount rates.

Results of Operations

Comparison of the Three Months ended March 31, 2003 and 2004

Revenues. Revenues increased from $386,000 for the three months ended March 31, 2003 to $3.1 million for the three months ended March 31, 2004, an increase of over 700%. Revenues from sales of systems increased from $365,000 for the three months ended March 31, 2003 to $2.7 million for the three months ended March 31, 2004, an increase of approximately 640%. Revenues from the sale of systems increased because we sold five systems in the first quarter of 2004 compared to one system in the first quarter of 2003. Revenues from sales of disposable interventional devices, service and accessories increased from $21,000 for the three months ended March 31, 2003 to $402,000 for the three months ended March 31, 2004. This increase was attributable to increased sales of our disposable interventional devices as our installed base of systems has grown and to the increased utilization of disposable interventional devices on a per system basis.

The following table shows net revenue by product line in the U.S. and Europe for the three months ended March 31, 2003 and 2004.

	March 31,	
	2003	2004
	(unaudited) (in thousands)	
U.S.		
Systems	$365	$1,118
Disposables, service and accessories	21	325
Other	—	—
U.S. Total	386	1,443
Europe		
Systems	$ —	$1,554
Disposables, service and accessories	—	77
Other	—	—
Europe Total	—	1,631
Total		
Systems	$365	$2,672
Disposables, service and accessories	21	402
Other	—	—
Total	$386	$3,074

Cost of Revenues. Cost of revenues increased from $501,000 for the three months ended March 31, 2003 to $2.5 million for the three months ended March 31, 2004, an increase of nearly 400%. This increase in cost of revenues was attributable primarily to the increased volume of sales of our systems and associated cost of goods sold for those systems. As a percentage of our

revenues, cost of revenues were 130% in the three months ended March 31, 2003 compared to 81% in the three months ended March 31, 2004. The improvement in the cost of revenue as a percentage of revenues was primarily a result of an increase in average selling price per system.

Research and Development Expenses. Research and development expenses increased from $2.5 million for the three months ended March 31, 2003 to $4.6 million for the three months ended March 31, 2004, an increase of approximately 84% from the three months ended March 31, 2003. The increase was due principally to an increase in the number of research and development projects with our strategic partners and salary and benefits for additional personnel.

General and Administrative Expenses. General and administrative expenses increased from $1.0 million for the three months ended March 31, 2003 to $1.3 million for the three months ended March 31, 2004, an increase of approximately 30% from the three months ended March 31, 2003. The increase was due to an increase in our business activity related to the commercialization of our products.

Sales and Marketing Expenses. Sales and marketing expenses increased from $1.1 million for the three months ended March 31, 2003 to $2.4 million for the three months ended March 31, 2004, an increase of approximately 118% from the three months ended March 31, 2003. The increase from 2003 to 2004 related primarily to increased salary, benefits and travel expenses associated with hiring additional sales personnel and expanded marketing programs.

Stock-based Compensation Expense. In connection with the grant of stock options, we recorded deferred stock compensation of approximately $184,000 in the three months ended March 31, 2004, an increase of 47% compared to the $125,000 recorded in the three months ended March 31, 2003. The increase in 2004 compared to 2003 was primarily attributable to the increase in the deemed fair value of our common stock and to the issuance of stock options to certain non-employees. As of March 31, 2004, approximately $549,000 of deferred compensation is subject to periodic remeasurement.

Interest Income. Interest income decreased 7% from $102,000 for the three months ended March 31, 2003 to $95,000 for the three months ended March 31, 2004. The decrease was due primarily to lower interest rates.

Interest Expense. Interest expense decreased 3% from approximately $114,000 for the three months ended March 31, 2003 to approximately $111,000 for the three months ended March 31, 2004. The decrease was due primarily to lower average balances on outstanding indebtedness.

Comparison of the Years ended December 31, 2002 and 2003

Revenues. We generated $5.0 million in revenue in 2003 compared to $18,900 in 2002. This increase in revenues was attributable to the commencement of commercial sales of our systems following regulatory approval in 2003. We also recognized revenue in 2003 from the sale of one system for which the cost of production was charged to research and development for a previous year.

The following table shows net revenue by product line in the U.S. and Europe for the 2002 and 2003 fiscal years.

	December 31,	
	2002	2003
	(in thousands)	
U.S.		
Systems	$ —	$2,552
Disposables, service and accessories	19	299
Other	—	726
U.S. Total	19	3,577
Europe		
Systems	$ —	$1,256
Disposables, service and accessories	—	182
Other	—	—
Europe Total	—	1,438
Total		
Systems	$ —	$3,808
Disposables, service and accessories	19	481
Other	—	726
Total	$ 19	$5,015

Cost of Revenues. Cost of revenues increased from $39,800 in 2002 to $4.1 million in 2003. This increase in cost of revenues was attributable primarily to the commencement of sales of our NIOBE system and associated cost of goods sold for those systems. As a percentage of our revenues, cost of revenues was 82% in 2003. In 2002, our cost of revenues greatly exceeded our revenues because we did not have commercial revenues from the sale of systems in 2002.

Research and Development Expenses. Research and development expenses decreased from $14.3 million in 2002 to $13.5 million in 2003, a decrease of approximately 6% from 2002. Our research and development expenses were higher in 2002 primarily because we were developing prototypes required for regulatory approval of our products.

General and Administrative Expenses. General and administrative expenses increased from $4.5 million in 2002 to $4.9 million in 2003, an increase of approximately 9%. The increase from 2002 to 2003 was directly attributable to personnel additions made to support the commercial launch of our products in 2003.

Sales and Marketing Expenses. Sales and marketing expenses increased from $2.2 million in 2002 to $6.0 million in 2003, an increase of approximately 173% from 2002. The increase from 2002 to 2003 related primarily to increased salary, benefits and travel expenses associated with the hiring of additional sales personnel and the expansion of our marketing programs.

Stock-based Compensation Expense. In connection with the grant of stock options, we recorded deferred stock compensation expense of $492,000 in 2003, an increase of approximately 2% compared to the $484,000 recorded in 2002. The increase in 2003 compared to 2002 was primarily attributable to the issuance of new stock options and continued vesting of previously issued stock options to certain non-employees and to an increase in the deemed fair value of our common stock.

Interest Income. Interest income decreased from $434,000 for 2002 to $375,000 for 2003, a decrease of approximately 14%. The decrease from 2002 to 2003 was primarily the result of lower interest rates realized on balances invested.

Interest Expense. Interest expense increased from $371,000 for 2002 to $462,000 for 2003, an increase of approximately 25%. The increase from 2002 to 2003 was primarily the result of higher interest expense from increased borrowings under various Silicon Valley Bank lines of credit.

Comparison of the Years ended December 31, 2001 and 2002

Revenues. In 2002, we generated revenues of $18,900 from the sale of certain disposable interventional devices. We did not generate any revenues during 2001.

Cost of Revenues. Cost of revenues was $39,800 in 2002, which was attributable to the cost associated with the sale of disposable interventional devices and an expected loss on a contract. We had no cost of revenues in 2001 because we had no revenues in that year.

Research and Development Expenses. Research and development expenses increased from $13.8 million in 2001 to $14.3 million in 2002, an increase of approximately 4%. The increase from 2001 to 2002 related primarily to costs associated with developing our system, including prototypes, an increase in human clinical trial activities and personnel additions.

General and Administrative Expenses. General and administrative expenses increased from $2.6 million in 2001 to $4.5 million in 2002, an increase of approximately 73%. The increase from 2001 to 2002 was primarily attributable to building our senior management team and other personnel additions made in anticipation of the commercial launch of our products.

Sales and Marketing Expenses. Sales and marketing expenses increased from $0.9 million in 2001 to $2.2 million in 2002, an increase of approximately 144%. The increase from 2001 to 2002 was related primarily to increased personnel and related expenses and travel.

Stock-based Compensation Expense. In connection with the grant of stock options, we recorded deferred stock compensation of $484,000 in 2002, compared to $622,000 in 2001, a decrease of approximately 22%. This decrease related primarily to the full vesting in 2002 of underlying options granted in prior periods, and to the granting of fewer options to non-employees in subsequent periods.

Interest Income. Interest income decreased from approximately $951,000 in 2001 to approximately $434,000 for 2002, a decrease of approximately 54%. The decrease from 2001 to 2002 was the result of lower cash balances and lower interest rates on our cash and cash equivalents in 2002 compared to 2001.

Interest Expense. We had Interest expense of $371,000 in 2002 from borrowings under various lines of credit from Silicon Valley Bank. We did not have any interest expense in 2001.

Income Taxes

Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. Accordingly, net deferred tax assets have been fully offset by valuation allowances as of December 31, 2001, 2002 and 2003 and March 31, 2004 to reflect these uncertainties. As of December 31, 2003, we had federal and state net operating loss carryforwards of $80.0 million and federal research and development credit carryforwards of $2.1 million. The net operating loss and research and development credit carryforwards will expire on various dates beginning in 2005 and 2006, respectively, if not utilized. We may not be able to utilize certain of these loss carryforwards and credits prior to their expiration. Further, utilization of the net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code. This annual limitation may result in the expiration of net operating loss and tax credit carryforwards before utilization.

Liquidity and Capital Resources

Overview

Since inception, we have financed our operations almost entirely from the private sale of equity securities, totaling approximately $127 million net of offering expenses. To a much lesser extent, we have also financed our operations through working capital and equipment financing loans. We raised funds from these sources because, as a developing company, we were not able to fund our activities solely from the cash provided by our operations. At March 31, 2004, we had working capital of approximately $31.0 million, compared to $22.8 million at December 31, 2003 and $25.5 million at December 31, 2002.

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash and cash equivalents, as well as short-term investments. In addition to our cash and cash equivalent balances, we maintained $5.1 million of short-term investments in corporate debt securities at March 31, 2004 and at December 31, 2003.

The following table summarizes our cash flow by operating, investing and financing activities for each of the last three years and for the three month periods ended March 31, 2003 and 2004:

	For the year ended December 31,			Three months ended March 31,	
	2001	2002	2003	2003	2004
			(in thousands)	(unaudited)	
Net cash used in operating activities	$(14,161)	$(22,029)	$(24,469)	$ (5,359)	$ (8,991)
Net cash (used in) provided by investing activities	17,239	1,480	(7,182)	(123)	(390)
Net cash provided by financing activities	20,567	20,719	24,173	6,173	15,639
Increase (decrease) in cash and cash equivalents	23,645	170	(7,478)	691	6,258
Cash and cash equivalents at the beginning of period	5,019	28,664	28,834	28,834	21,356
Cash and cash equivalents at the end of period	$ 28,664	$ 28,834	$ 21,356	$29,525	$27,614

Net cash used in operating activities. We used approximately $9.0 million of cash in operating activities during the three months ended March 31, 2004, compared to $5.4 million during the three months ended March 31, 2003, primarily as a result of operating losses during these periods. We used approximately $24.5 million, $22.0 million and $14.2 million of cash in operating activities during 2003, 2002 and 2001, respectively, primarily as a result of operating losses during these years.

Net cash (used in) provided by investment activities. We used approximately $0.4 million of cash for investing activities during the three months ended March 31, 2004, primarily for the purchase of equipment, compared to $0.1 million during the three months ended March 31, 2003. We used approximately $7.2 million of cash for investing activities during 2003 to purchase short-term corporate debt securities and equipment. Our purchases of equipment increased to $2.1 million in 2003 from $0.3 million in 2002 and $0.7 million in 2001. This increase resulted from purchases of machinery, laboratory equipment and computer equipment needed to meet our operating requirements. We used cash for investing activities of approximately $5.1 million during 2003 for the

purchase of corporate debt securities and realized cash from investing activities of $1.8 million during 2002 and approximately $17.9 million during 2001, from the sale of short-term investments.

Net cash provided by financing activities. We received approximately $15.6 million from financing activities during the three months ended March 31, 2004, primarily as a result of the sale of our Series E-2 preferred stock and related common stock warrants in January and February 2004. We received approximately $24.2 million from financing activities during 2003, primarily as a result of the sale of our Series D-2 preferred stock and related common stock warrants and from the sale of our Series E and E-1 preferred stock in January, June and December 2003. We received approximately $20.7 million from financing activities during 2002, primarily as a result of the sale of our Series D-1 and D-2 preferred stock and related common stock warrants in January and December 2002. We received approximately $20.6 million of cash for financing activities during 2001 as a result of our sale of Series D preferred stock in November and December 2001.

Debt Service

In January 2002, we entered into a loan and security agreement with Silicon Valley Bank to provide $2.0 million of equipment financing. Borrowings under this facility accrue interest at an annual rate of 10%. We are required to make equal payments of principal and interest under this facility through its maturity in December 2004. We issued warrants to the lender in connection with this facility. Upon the closing of this offering, these warrants will be exercisable at any time through January 2007 for up to 50,692 shares of our common stock at an exercise price of $2.17 per share. As of March 31, 2004, we had approximately $543,000 outstanding under this facility. We may repay all or a portion of this loan with proceeds from this offering.

In October 2002, we entered into a loan and security agreement with Silicon Valley Bank to provide an additional $1.0 million of equipment financing. Borrowings under this facility accrue interest at an annual rate of 10%. We are required to make equal payments of principal and interest under this facility through September 2005. As of March 31, 2004, we had approximately $494,000 outstanding under this facility. We issued warrants to the lender in connection with this facility. Upon the closing of this offering, these warrants will be exercisable at any time through October 2007 for up to 18,000 shares of our common stock at an exercise price of $2.17 per share. We may repay all or a portion of this loan with proceeds from this offering.

In March 2002 we entered into a loan and security agreement with Silicon Valley Bank for a revolving line of credit to provide working capital. We use this line of credit to fund inventory and receivables. As of March 31, 2004 we had $1.25 million outstanding under this working capital line of credit and had additional borrowing capacity of $1.75 million. As of March 31, 2004, the interest rate on borrowings outstanding under this facility was 6.75% per annum. In April 2004, we increased this revolving credit line to a maximum of $8.0 million, subject to collateralization by qualifying receivables and inventory balances, with a maturity of April 2006. As amended, borrowings accrue interest at the lender's prime rate plus 1.25%, subject to a minimum interest rate of 5.25%. We issued warrants to the lender in connection with this facility in March 2002. Upon the closing of this offering these warrants will be exercisable at any time through March 2007 for up to 36,868 shares of our common stock at an exercise price of $2.17 per share. We may repay all or a portion of this loan with proceeds from this offering.

In April 2004, in connection with extending our revolving credit facility, we obtained an additional $2.0 million of equipment financing. When drawn, the equipment financing will be repayable over 36 months following closing and borrowings will accrue interest at the rate of 7.0%.

The above credit agreements with Silicon Valley Bank are secured by substantially all of our assets. The credit agreements include customary affirmative, negative and financial covenants. For example, we are restricted from incurring additional debt, disposing of or pledging our assets, entering into merger or acquisition agreements, making certain investments, allowing fundamental changes to our business, ownership, management or business locations, and from making certain

payments in respect of stock or other ownership interests, such as dividends and stock repurchases. Under our April 2004 loan arrangements, we are required to maintain a ratio of "quick" assets (cash, cash equivalents, accounts receivable and short-term investments) to current liabilities minus deferred revenue of at least 1.5 to 1, and to achieve minimum levels of revenue as defined. Following this offering, we will be required to maintain a minimum tangible net worth of at least $50.0 million as of the end of each calendar month. We are also required under the credit agreements to maintain our primary operating account and the majority of our cash and investment balances in accounts with the lender.

In August 2003, we issued a $2.0 million cumulative convertible pay-in-kind 8%, 3-year note to Siemens pursuant to an agreement under which we purchased certain technology. The balance of the note, including accrued and unpaid interest, automatically converts into common stock immediately prior to the closing of a public offering pursuant to a registration statement filed under the Securities Act of 1933, or the Securities Act, with aggregate gross proceeds in excess of $20.0 million, at a conversion price equal to the gross per share proceeds from such offering, prior to deduction of underwriting commissions and discounts.

Research Agreements

We have entered into a variety of agreements under which we are required to make payments to various third parties in connection with research and development activities they are undertaking for us relating to the development of new products and improvements to our existing products. In some cases, the development payments are subject to the achievement of development milestones by the third parties.

Contractual Obligations

The following summarizes our long-term contractual obligations as of March 31, 2004:

	Payments Due by Period (in thousands)				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Long-term debt(1)	$2,210	$2,717	$ —	$ —	$4,927
Operating leases	581	244	35	—	860
Research agreements	349	581	113	—	1,043
Total	$3,140	$3,542	$148	$ —	$6,830

(1) We have not included interest payable on our revolving credit agreement in these amounts because it is calculated at a variable rate.

Cash Flow and Requirements

We expect to have negative cash flow from operations through at least the end of 2005. Throughout 2005, we expect to continue to invest heavily in the development and commercialization of our products, the expansion of our research and development programs and the advancement of new products into clinical development. We anticipate a substantial increase in the overall level of our research and development expenses in the immediate near term. In addition, our selling, general and administrative expenses will continue to increase in order to support our product commercialization efforts and implement procedures required by our status as a public company. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with existing cash resources that were primarily generated from the proceeds of private sales of our equity securities, from the proceeds of working capital and equipment financing loans and from the proceeds of this offering. In the future, we may finance future cash needs through the sale of other

equity securities, strategic collaboration agreements and debt financings. We cannot accurately predict the timing and amount of our utilization of capital, which will depend on a number of factors, including:

- our success in developing markets for our products;
- continued progress of our research and development activities relating to new products and product improvements;
- our need to maintain an adequate amount of working capital and to finance capital expenditures;
- our ability to establish and maintain our strategic alliances;
- the timing, costs and outcome of regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights;
- the need to acquire licenses to new technology;
- delays that may be caused by evolving regulatory requirements; and
- the status of competitive products.

While we believe our existing cash, cash equivalents and short-term investments, together with the net proceeds of this offering, will be sufficient to fund our operating expenses and capital equipment requirements through at least the next 24 months, we cannot assure you that we will not require additional financing before that time. We also cannot assure you that such additional financing will be available on a timely basis on terms acceptable to us or at all, or that such financing will not be dilutive to our stockholders. If adequate funds are not available to us, we could be required to delay development or commercialization of new products, to license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize ourselves or to reduce the marketing, customer support or other resources devoted to our products, any of which could have a material adverse effect on our business, financial condition and results of operations.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

In December 2002, FASB's Emerging Issues Task Force (EITF) issued EITF Issue 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* (EITF 00-21). EITF 00-21 provides guidance on determining whether a revenue arrangement contains multiple deliverable items and if so, requires that such revenue be allocated amongst the different items based on fair market value. EITF 00-21 also requires that revenue on any item in a revenue arrangement with multiple deliverables not delivered completely must be deferred until delivery of the item is completed. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003.

The FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, in January 2003 and amended the Interpretation in December 2003. FIN 46 requires an investor with a majority of the variable interests (primary beneficiary) in a variable interest entity (VIE) to consolidate the entity and also requires majority and significant variable interest investors to provide certain disclosures. A VIE is an entity in which the voting equity investors do not have a controlling financial interest or the equity investment at risk is insufficient to finance the entity's activities without receiving additional subordinated financial support from the other parties. Development stage entities that have sufficient equity invested to finance the activities they are currently engaged in and entities that are businesses, as defined in the Interpretation, are not considered VIEs. The provisions of FIN 46 were effective immediately for all arrangements entered into with new VIEs created after January 31, 2003. The adoption of FIN 46 did not have a material effect on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity, including redeemable convertible preferred stock. This statement is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the interim period commencing July 1, 2003, except for mandatory redeemable financial instruments of nonpublic companies. As of and for the year ended December 31, 2003, the adoption of SFAS No. 150 did not have a material effect on our financial position or results of operations.

In March 2004, the FASB issued an Exposure draft, *Share-Based Payment,* as a proposed amendment to SFAS No. 123, *Accounting for Stock-Based Compensation*. The Exposure Draft would require all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the income statement based on the fair value of such payments. The intrinsic value method of measuring employee stock options under APB No. 25 would no longer be permitted. The FASB expects to issue a final standard late in 2004, which would become effective for our 2005 fiscal year. We have not yet quantified the impact of adopting the proposed standard, or considered what if any changes should be made to our stock-based compensation programs as a result.

Quantitative and Qualitative Disclosures About Market Risk

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

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

Our interest income is sensitive to changes in the general level of U.S. interest rates, particularly since the majority of our investments are in short-term instruments. We invest our excess cash primarily in U.S. government securities and marketable debt securities of financial institutions and corporations with strong credit ratings. These instruments generally have maturities of one year

or less when acquired. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions. Accordingly, we believe that while the instruments we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

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

BUSINESS

Overview

We design, manufacture and market an advanced cardiology instrument control system for use in the cath lab that we believe revolutionizes the treatment of coronary artery disease and arrhythmias by enabling important new therapeutic solutions and enhancing the efficiency and efficacy of existing interventional procedures. Our Stereotaxis System allows physicians to more effectively navigate proprietary catheters, guidewires and stent delivery devices, both our own and those we are co-developing with strategic partners, through the blood vessels and chambers of the heart to treatment sites and then to effect treatment. This is achieved using computer-controlled, externally applied magnetic fields that precisely and directly govern the motion of the internal, or working, tip of the catheter, guidewire or stent delivery device. We believe that our Stereotaxis System represents a revolutionary technology in the cath lab, bringing precise remote digital instrument control and programmability to the cath lab, and has the potential to become the standard of care for a broad range of complex cardiology procedures.

We believe that our Stereotaxis System is the only technology to be commercialized that allows remote, computerized control of catheters, guidewires and stent delivery devices directly at their working tip. To our knowledge, we have no direct competitors in this field. We also believe that our technology represents an important advance in the ongoing trend toward digital instrumentation in the cath lab and provides substantial, clinically important improvements and cost efficiencies over manual interventional methods, which require years of physician training and often result in long and unpredictable procedure times and sub-optimal therapeutic outcomes.

We began commercial shipments in 2003, following U.S. and European regulatory approval of the core components of the Stereotaxis System, and had revenues of approximately $5.0 million in 2003 and $3.1 million in the first quarter of 2004. As of March 31, 2004, we had sold and delivered 13 Stereotaxis Systems in the U.S. and Europe and physicians have used these systems to perform more than 600 cardiology procedures. We also had purchase orders and other commitments for an additional $16.6 million of our Stereotaxis Systems. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or canceled, either by their express terms, as a result of negotiations or by project changes or delays.

The Stereotaxis System is designed primarily for the interventional treatment of coronary artery disease, or interventional cardiology, and for the interventional treatment of abnormal heart rhythms known as arrhythmias, or electrophysiology. Our Stereotaxis System consists of the following proprietary components:

- our NIOBE cardiology magnet system, which utilizes permanent magnets to navigate catheters, guidewires and stent delivery devices through complex paths in the blood vessels and chambers of the heart to carry out treatment;
- our NAVIGANT advanced user interface, or physician control center, which physicians use to visualize and track procedures and to provide instrument control commands that govern the motion of the working tip of the catheter, guidewire or stent delivery device;
- our CARDIODRIVE automated catheter advancer, which is used to remotely advance and retract the catheter in the patient’s heart; and
- our suite of interventional catheters, guidewires and stent delivery devices, which we refer to as disposable interventional devices.

The Stereotaxis System is designed to be installed in both new and replacement cath labs worldwide. Current and potential purchasers of our Stereotaxis System include leading research and academic hospitals as well as medium and high volume commercial and regional medical centers

around the world. We estimate that there are more than 750 new and replacement cardiology cath labs being installed worldwide each year. We also estimate that the initial imaging equipment and installation costs for a new or replacement cardiology cath lab today can range as high as $2 million, for a total cardiology cath lab installation market potentially in excess of $1.5 billion per year.

The market for cardiovascular medical devices worldwide exceeds $12 billion per year and is estimated to be growing at 12% annually. Physicians are currently performing approximately 1.8 million interventional cardiology procedures and approximately 800,000 electrophysiology procedures worldwide each year, with the total sales of disposable interventional devices used in such procedures representing an annual market opportunity approaching $1 billion. This procedure base continues to grow, due to patient demand for less invasive procedures, cost containment pressure and an increasing incidence of coronary artery disease and arrhythmias. While the Stereotaxis System potentially has broad applicability for many of these procedures, we believe that it can provide significant advantages relative to manual interventional methods for approximately 15% of interventional cardiology procedures, or approximately 270,000 procedures annually, including procedures for stent delivery and the treatment of complex lesions. In electrophysiology, we believe that the Stereotaxis System can provide significant advantages for approximately 30% of procedures, or about 240,000 procedures annually, including procedures for ablation and the placement of pacing leads. As a result, we believe that the Stereotaxis System can provide substantial clinical benefits compared to manual interventional methods in more than 500,000 worldwide annual procedures.

The Stereotaxis System is designed to address the needs of patients, hospitals, physicians, and third-party payors on a cost-effective basis by:

- meeting patient demands for less invasive procedures, while improving patient safety and outcomes;
- enabling new procedures in interventional cardiology and electrophysiology that currently cannot be performed, or are extremely difficult to perform, with manual methods;
- enhancing the productivity of existing complex interventional procedures, by both shortening procedure times and making them more predictable, thereby improving cath lab scheduling efficiency and lowering total costs;
- decreasing the number of disposable interventional devices used per procedure, thereby potentially lowering provider costs;
- providing ease of use and lowering physician skill barriers for complex cardiology procedures; and
- decreasing exposure to x-ray fluoroscopy fields for patients and physicians and reducing the use of contrast dye injections, both of which are potentially harmful.

We have alliances with each of Siemens AG Medical Solutions, Philips Medical Systems and Biosense Webster, Inc., a subsidiary of Johnson & Johnson. Through these alliances, we are integrating our Stereotaxis System with Siemens' and Philips' market leading digital imaging and J&J's 3D catheter location sensing technology, and developing compatible disposable interventional devices, in order to continue to introduce new solutions to the cath lab. Together, Siemens and Philips have a combined installed base of more than 2,200 cardiology cath labs in the U.S., while J&J has the leading market position in 3D catheter location sensing technology, an important technology in complex electrophysiology ablation procedures. The Siemens and Philips alliances provide for coordination of our sales and marketing with that of our partners to facilitate co-placement of integrated systems. In addition, Siemens and Philips have agreed to provide worldwide service for our integrated systems. In connection with these alliances, Siemens invested $10 million and J&J invested $9.5 million in our preferred stock, and Philips agreed to make payments of up to $7.5 million relating to the integration of its x-ray fluoroscopy system with the Stereotaxis System.

The core elements of our Stereotaxis System are protected by an extensive patent portfolio, as well as substantial know-how and trade secrets.

Background

Traditionally, cardiac procedures have been performed via open chest heart bypass surgery. This procedure is very invasive, requiring cutting open the rib cage and spreading it apart in order to gain access to the heart. This enables the physician to directly view the patient's heart during the procedure and to operate manually. Additionally, the patient is typically placed on a heart lung bypass device. While generally very effective, the procedure is highly traumatic for the patient, and usually requires a long hospital stay, followed by a significant period of convalescence. Conventional cardiac surgery is also expensive, with a procedure cost that can range as high as $100,000.

Minimally invasive surgical procedures for cardiology were devised to mitigate many of the drawbacks of bypass surgery while maintaining essential elements of visualization and instrument control. These procedures utilize an endoscope for visualization, which is inserted through an incision in the patient's body. While these minimally invasive surgical techniques have been used for a number of cardiac procedures, in most instances they have not been as effective as conventional cardiac surgery. As a result, bypass surgery, despite its drawbacks, has remained the predominant method for cardiac surgical procedures.

Interventional cardiology represents the next, and most recent, step in the evolution of less invasive cardiac procedures. These procedures are performed in the cath lab, where real-time x-ray imaging, often enhanced by the injection of contrast dye, provides visualization enabling physicians to insert and navigate guidewires, catheters and stent delivery devices into the vasculature or open chambers of the heart to deliver therapy. Instrument control in typical interventional cardiology procedures for the treatment of coronary artery disease requires the physician to manually manipulate the external end of a long, slender guidewire in order to indirectly control and position the working tip of the instrument. This requires significant skill and, depending upon the type and location of the lesion being treated, can be very difficult and time consuming. The guidewire is typically used for navigation to the treatment site, after which a catheter or stent delivery device is threaded over the guidewire to perform the necessary treatment. Guidewires are also typically used to place pacemaker leads used in cardiac resynchronization therapy for the treatment of congestive heart failure. In electrophysiology mapping and ablation procedures, physicians use specialized catheters that are manually navigated using a system of mechanical control cables to map the patient's heart, and then to ablate the heart tissue to eliminate arrhythmias. This also requires significant skill, and, depending on the type and location of the arrhythmia, can be very difficult and time consuming to perform.

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

We believe the Stereotaxis System represents a revolutionary step in the trend toward highly effective, but less invasive, cardiac procedures. As the first technology to permit direct, computerized

control of the working tip of a disposable interventional device, the Stereotaxis System enables physicians to perform cardiac procedures interventionally that historically would have been very difficult or impossible to perform in this way and significantly improves the efficiency of existing complex procedures in the cath lab.

The Growing Importance of the Cath Lab

We believe that the cath lab's position as a hospital profit center, coupled with the growth of interventional procedures, has made it possible for decision-makers to justify large expenditures on capital equipment for use within the cath lab. As a result, hospitals with cath labs have tended to be early adopters of new technologies.

There has also been a major trend toward using digital rather than analog instrument systems in the cath lab, resulting in the rapid replacement of analog electrophysiology recording systems with digital recording systems and the current rapid replacement of analog x-ray fluoroscopy systems with digital x-ray fluoroscopy systems. Additionally, new sources of diagnostic information such as 3D catheter location sensing technology and catheter-based ultrasound are being introduced to the cath lab. As a result, interventional procedures require physicians to analyze large quantities of information from many disparate imaging and information sources. We believe that the Stereotaxis System provides an important link in completing the digital transformation of the cath lab, because it is the only system that integrates the visualization and information systems in the cath lab with digital control of the working tip of catheters, guidewires and stent delivery devices. Furthermore, because the Stereotaxis System brings precise remote digital instrument control and programmability to the cath lab, we believe it can displace conventional manual control of disposable interventional devices for complex cardiology procedures in the same way that digital control, or "fly by wire" technology, replaced mechanical control of the modern jet airplane.

Interventional techniques are routinely used in interventional cardiology to treat partially occluded coronary arteries with balloon angioplasty and to place coronary stents, and in electrophysiology to treat certain types of arrhythmias. In the U.S. there are more than 1.1 million interventional cardiology procedures performed for the treatment of coronary artery disease each year, which represents approximately 60% of the total number of such procedures performed on a worldwide basis. Each year in the U.S., there are also more than 500,000 electrophysiology procedures for treatment of arrhythmia, including more than 340,000 electrophysiology mapping procedures and more than 160,000 ablation procedures, which represents approximately 65% of the total number of electrophysiology procedures performed on a worldwide basis. Interventional treatments are also emerging for atrial fibrillation and congestive heart failure, and industry estimates indicate that the U.S. procedure base for these diseases has the potential to grow rapidly if more effective interventional treatments are available.

There are approximately 3,700 cardiology cath labs in the U.S. installed at approximately 1,900 hospitals. Based on procedure volume, we estimate that there are over 2,000 cardiology cath labs located throughout the rest of the world. We estimate that there are more than 750 new and replacement cardiology cath labs installed each year worldwide.

Current Challenges in the Cath Lab

Although great strides have been made in applying manual interventional techniques, significant challenges remain that reduce cath lab productivity and limit both the number of complex procedures and the types of diseases that can be treated. These challenges primarily involve the limitations of manual instrument control and the lack of integration of the information systems used by physicians in the cath lab. As a result, many complex procedures in interventional cardiology are referred to highly invasive bypass surgery and many complex cases in electrophysiology are treated with palliative drug therapy.

Limitations of Instrument Control

Navigation in the blood vessels and the chambers of the heart can be difficult because the path that a disposable interventional device must follow to arrive at the treatment site and deliver therapy can be complex and tortuous. Physicians using manual methods often utilize a range of different catheters and guidewires in succession in an attempt to find the right device or devices for the procedure being performed.

Manually controlled catheters, guidewires and stent delivery devices, even in the hands of the most skilled specialist, have inherent instrument control limitations. In traditional interventional procedures, the device is manually manipulated by the physician who twists and pushes the external end of the instrument in an iterative process to thread the instrument through the blood vessels to the treatment site. Manual control of the working tip becomes increasingly difficult as more turns are required to navigate the instrument to the treatment site, as the blood vessels to be navigated become smaller and less accessible or more blocked, and as greater precision is required to carry out therapy at the treatment site.

Lack of Integration of Information Systems

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

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

Each of these systems displays data differently, requiring physicians to continuously reorient themselves to the different formats and displays as they shift their focus from one data source to the next while at the same time manually controlling the interventional instrument.

The Stereotaxis Value Proposition

The Stereotaxis System addresses the current challenges in the cath lab by providing precise computerized control of the working tip of the interventional instrument and by integrating this control with the visualization and information systems used during interventional cardiology and electrophysiology procedures, on a cost justified basis. We believe that the Stereotaxis System is the only technology to be commercialized that allows remote, computerized control of disposable interventional devices directly at their working tip.

We believe that the Stereotaxis System will:

- **Expand the market by enabling new treatments for major diseases and permitting the treatment of more complex existing cases.** Treatment of a number of major diseases, including chronic totally occluded coronary arteries and atrial fibrillation, is highly problematic using conventional catheter-based techniques. Additionally, many patients with multi-vessel disease and certain complex arrhythmias are often referred to other therapies because of the difficulty in controlling the working tip of disposable interventional devices. As a result, these patients are typically referred to more invasive surgeries or largely ineffective drug therapy. Because the Stereotaxis System provides precise, computerized control of the working tip of

disposable interventional devices, we believe that it enables chronic totally occluded coronary arteries and atrial fibrillation to be treated interventionally, and permits physicians to predictably treat complex cases involving partially occluded coronary arteries and arrhythmias.

- **Improve outcomes by optimizing therapy.** Difficulty in controlling the working tip of disposable interventional devices leads to sub-optimal results in many procedures. Precise instrument control is necessary for treating a number of cardiac conditions, including arrhythmias, where precise placement of an ablation catheter against a beating inner heart wall is necessary, and congestive heart failure, where precise navigation within the coronary venous system for optimal placement of pacemaker leads is required. Precise and correct navigation and placement of expensive drug-eluting stents also have a significant impact on procedure costs and outcomes. We believe the Stereotaxis System can enhance procedure results by improving navigation of disposable interventional devices to treatment sites, and by effecting more precise treatments once these sites are reached.

- **Enhance hospital efficiency by reducing and standardizing procedure times, disposables utilization and staffing needs.** Interventional procedure times currently range from several minutes to many hours as physicians often engage in repetitive, “trial and error” maneuvers due to difficulties with manually controlling the working tip of disposable interventional devices. By reducing both navigation time and the time needed to carry out therapy at the target site, we believe that the Stereotaxis System can reduce complex interventional procedure times by 30% or more compared to manual procedures. We believe the Stereotaxis System can also reduce the variability in procedure times compared to manual methods. Greater standardization of procedure times allows for more efficient cath lab scheduling. We also believe that additional cost savings from the Stereotaxis System result from decreased use of multiple catheters and guidewires in procedures compared with manual methods and also from decreased staff requirements during procedures, which further enhances the rate of return to hospitals.

- **Improve the efficacy of complex cardiology procedures by enhancing physician skill levels.** Training required for physicians to carry out manual interventional procedures typically takes years, over and above the training required to become a specialist in cardiology, leading to a shortage of interventional physicians for more complex procedures. The Stereotaxis System can allow procedures that previously required the highest levels of manual dexterity and skill to be performed effectively by a broader range of interventionalists, with more standardized outcomes. In addition, interventional physicians can be trained to use the Stereotaxis System in a relatively short period of time. The Stereotaxis System can also be programmed to carry out sequences of complex navigation automatically.

- **Improve patient and physician safety by reducing procedure times and minimizing x-ray exposure and the use of contrast dye injections.** During conventional catheter-based procedures, both the physician, who stands by the patient table to manually control the catheter, and the patient are exposed to the potentially harmful x-ray fluoroscopy field. This exposure can be minimized by reducing procedure times. Reducing procedure times is also beneficial to the patient because there is a direct correlation between complication rates and procedure length. Shorter procedure times and improved navigation result in reduced use of contrast dye injections which are potentially harmful to the patient. The Stereotaxis System can further improve physician safety by enabling them to conduct procedures remotely from an adjacent control room, which reduces their exposure to harmful radiation and helps alleviate orthopedic problems that often result from wearing heavy lead vests to shield them from x-ray exposure during procedures.

Business Strategy

Our goal is to establish the Stereotaxis System as the standard of care for complex interventional procedures in cardiology by bringing magnetic instrument control into standard interventional clinical practice. The key elements of our strategy for achieving this goal are to:

- **Leverage the efficiency and productivity improvements enabled by our system to present a compelling economic justification to hospitals.** We believe our system enhances the rate of return to hospitals by optimizing cath lab economics, reducing procedure times, disposable interventional device usage and staffing requirements during procedures. This allows us to present a compelling economic justification to hospitals for the purchase of our systems.

- **Integrate our system with our key strategic partners' products and leverage our partnerships to assist in further development, commercialization, sales and service of our products.** We are integrating our system with Siemens' and Philips' widely used imaging equipment and J&J's advanced 3D catheter location sensing technology to provide seamless integration of instrument control and visualization and a toolkit of disposable interventional devices that we believe will enable new therapeutic solutions in the cath lab. We intend to continue leveraging the sales, distribution, service and maintenance expertise of our strategic partners to facilitate co-placement of integrated systems and disposable interventional devices and to support and maintain our equipment at installed sites. See "Business — Collaborations" for a further description of our strategic partnerships. We intend to selectively expand the number of co-marketing agreements that we have with major companies in the cath lab market in order to augment the effectiveness of our direct sales force and distribution network, and to add distributors to extend coverage to key areas outside the U.S. We also intend to selectively enter into additional licensing, development and manufacturing partnerships with major disposables companies in order to expand the number of magnetically controlled disposable interventional devices that can be used with the Stereotaxis System. We will continue to outsource major components and sub-assemblies of our equipment to maximize manufacturing flexibility and lower fixed costs, while maintaining quality control by completing final system assembly and inspection in-house.

- **Provide an essential digital link in the cath lab between imaging systems and instrument control.** We intend to maintain an open architecture approach to connectivity in the cath lab in order to encourage the major imaging companies to consider Stereotaxis an essential ingredient for digital integration and automation in the cath lab. We believe that integrating our system with key imaging and visualization technologies using an open architecture approach is a key element in establishing our system as the standard of care for complex interventional procedures.

- **Expand clinical applications for, and utilization of, our technology.** We intend to pursue clinical research with leading interventional cardiologists and electrophysiologists in order to further develop and expand the range of clinical applications for magnetic instrument control in the field of cardiology. We also intend to provide comprehensive training and educational programs for physicians regarding the use and benefits of our system in order to increase the overall utilization of our technology. We believe that we can build on our experience in the cardiology field to expand the scope of our technology to other major clinical areas where there are potential unmet needs for better device navigation and control.

- **Capitalize on our technology leadership to enhance our competitive position.** We intend to enhance and maintain our technology leadership with focused research and development. We also intend to build on our "first mover" advantage to establish Stereotaxis as the preferred approach for cath lab automation, by providing continuous improvement of our technology and user-friendly software. We will continue to protect our intellectual property through additions to our already significant patent portfolio in order to cover the key aspects of our technology,

including new magnet designs, catheter and guidewire designs, remote control systems, systems integration and automation and software development.

Overview of the Stereotaxis System

Our proprietary Stereotaxis System provides the physician with precise remote digital instrument control through user friendly "point and click" and/or joystick-operated technology, which can be operated either from beside the patient table, as in traditional interventional procedures, or from a room adjacent to the patient and outside the x-ray fluoroscopy field. The NIOBE cardiology magnet system navigates disposable interventional devices to the treatment site through complex paths in the blood vessels and chambers of the heart to carry out treatment using computer controlled, externally applied magnetic fields to directly govern the motion of the working tip of these devices, each of which has a magnetically sensitive tip that predictably responds to magnetic fields generated by our system. Because the working tip of the disposable interventional device is directly controlled by these external magnetic fields, the physician has the same degree of control regardless of the number or type of turns, or the distance traveled, by the working tip to arrive at its position in the blood vessels or chambers of the heart, which results in highly precise digital control of the working tip of the disposable interventional device while still giving the physician the option to manually advance the catheter.

Through our alliances with Siemens, Philips and J&J, this precise digital instrument control has been integrated with the visualization and information systems used during interventional cardiology and electrophysiology procedures in order to provide the physician with a fully-integrated and automated information and instrument control system. We have integrated our Stereotaxis System with Siemens' digital x-ray fluoroscopy system, and we are in the process of integrating with Philips' digital x-ray fluoroscopy system. In addition, we are integrating the Stereotaxis System with J&J's 3D catheter location sensing technology, to provide accurate real-time information as to the 3D location of the working tip of the instrument, and with J&J's ablation tip technology. We believe that the combination of these features will provide more effective instrument control and therapy delivery.

The components of the Stereotaxis System are identified and described below:

Systems

NIOBE Cardiology Magnet System. Our NIOBE cardiology magnet system utilizes two permanent magnets mounted on articulating or pivoting arms that are enclosed within a stationary housing, with one magnet on either side of the patient table, inside the cath lab. These magnets generate magnetic navigation fields that are less than 10% of the strength of fields typically generated by MRI equipment and therefore require significantly less shielding, and cause significantly less interference, than MRI equipment.

NAVIGANT Advanced User Interface. The NAVIGANT advanced user interface is an integrated information and control center that consolidates the key information sources used by interventional cardiologists and electrophysiologists and allows these physicians to provide instrument control directions to precisely govern the motion of the working tip of disposable interventional devices.

The NAVIGANT advanced user interface consists of:

- configurable display screens located both next to the patient table inside the cath lab and in the adjacent control room, outside the x-ray fluoroscopy field, that provide advanced visualization and information integration to the physician;

- sophisticated embedded device software and system control algorithms that are integrated with our disposable interventional devices to facilitate ease of use and improved navigation of these devices;

- computer joystick or mouse control which the physician uses to direct the motion of the working tip of the disposable interventional device, either from inside the cath lab or from the adjacent control room; and

- a software package designed for interventional cardiology or electrophysiology, or both, as well as optional application software tailored for specific clinical procedures.

CARDIODRIVE Automated Catheter Advancer. Where the physician is conducting the procedure from the adjacent control room, the CARDIODRIVE automated catheter advancer is used to advance and retract the catheter in the patient's heart while the NIOBE magnets precisely steer the working tip of the device.

We have received the FDA clearance and the CE Mark necessary for us to market the NIOBE cardiology magnet system, the NAVIGANT advanced user interface and the CARDIODRIVE automated catheter advancer in the U.S. and Europe.

Disposables and Other Accessories

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

- our suite of CRONUS coronary guidewires suitable for use in interventional cardiology procedures for the introduction and placement of over-the-wire therapeutic devices, such as biventricular pacing leads used in cardiac resynchronization therapy for treating congestive heart failure;

- our TANGENT electrophysiology mapping catheter used to locate aberrant electrical signals in the heart; and

- our HELIOS electrophysiology ablation catheter used for certain arrhythmia treatments.

We have received the FDA clearance and the CE Mark necessary for us to market our suite of CRONUS coronary guidewires and our electrophysiology mapping catheter in the U.S. and Europe. In addition, we have received the CE Mark for our HELIOS electrophysiology ablation catheter and, in the U.S., expect to complete clinical trials in mid-2004 and file for PMA approval in late 2004.

Through our alliance with J&J, we are co-developing a range of ablation catheters that can be navigated with our system, with and without J&J's 3D catheter location sensing technology. We are also developing disposable interventional devices for other applications. In addition, we have developed plastic software keys, or smart chips, that allow our system to recognize specific disposable interventional devices in order to prevent unauthorized use of our system.

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

Clinical Applications

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

Interventional Cardiology

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

Blockages within a coronary artery, often called lesions, are categorized by degree of obstruction as partial occlusions, non-chronic total occlusions and chronic total occlusions. Lesions are also categorized by the degree of difficulty with which they can be opened as simple or complex. If the blockage is in an easy to reach location, it can typically be treated by pushing a guidewire through the portion of the vessel that is blocked with plaque, expanding a small balloon to compress the plaque against the artery walls in order to open the artery, and then finally deploying a stent, which is a small metal scaffold, to help keep the artery open. If a blockage is located within tortuous vasculature, however, the physician must navigate the guidewire through a series of sharp turns, making the blockage very difficult to reach. Even if such lesions are reached, delivering a balloon or stent to the treatment site through tortuous anatomy can be difficult. In addition, complex lesions, such as chronic total occlusions, longer lesions, and lesions located within smaller diameter vessels, are often very difficult or time consuming to open with manual interventional techniques.

Physicians are currently performing approximately 1.8 million interventional cardiology procedures worldwide each year, and we estimate that approximately 15%, or 270,000, of these procedures are complex and therefore require longer procedure times and may have sub-optimal outcomes. We believe that our system can substantially benefit this subset of complex interventional cardiology procedures, including procedures involving:

- *Complex partial occlusions, complex non-chronic total occlusions and chronic total occlusions.* Treatment of these complex lesions is generally more problematic due to the difficulty in steering and pushing a guidewire through them. Because our system provides precise computerized control of the working tip of a guidewire, it can enable physicians to more easily locate small openings in, and to advance a guidewire across, these lesions. Also, our magnetically steerable microcatheter can help steer a variety of conventional wire products, some of which are designed to cross complex lesions, but which otherwise lack the controlled steering needed to avoid perforating the vessel wall. The ability to cross complex lesions such as chronic total occlusions has grown increasingly important due to the effectiveness of drug eluting stents in treating these lesions. Since approximately one-fifth of patients referred to bypass surgery have chronic total occlusions, we believe a significant number of patients could be treated interventionally instead of surgically if more of these lesions could be opened for stenting.

- *Tortuous Anatomy.* We estimate that between 10 and 15% of all interventional procedures require physicians to navigate a disposable interventional device through a series of sharp turns in the patient's vasculature. Navigating through tortuous anatomy using manual interventional techniques can be very time consuming and physicians often cannot reach the lesion or manipulate the balloon or stent across the lesion once it is reached. Because our system allows the working tip of disposable interventional devices to be precisely oriented regardless of the number of turns that have occurred, our technology allows physicians to more effectively navigate these devices through complex vasculature and deliver balloons and stents to treatment sites for therapy.

- *Stent placement.* The likelihood of restenosis, or re-blockage of cleared arteries, is greatly increased in multi-vessel diseased patients whose blockages are typically more diffusely distributed throughout longer lengths of the vessel. As a result, these patients are often referred to invasive bypass surgery. We expect that drug-eluting stents, which dramatically reduce the likelihood of restenosis, will enable patients with more complex lesions to be treated

interventionally rather than with bypass surgery. In order to treat this new group of patients, however, physicians will need to place stents in more challenging or remote locations. By using externally applied magnetic fields to precisely direct a stent through a patient's vasculature, we believe that our system allows these devices to be more easily navigated to these difficult to reach treatment sites.

- *Small Vessels.* In the U.S., diabetic patients usually comprise about 20 to 30% of a hospital's interventional procedure volume. These patients generally have smaller vessels, which often contain longer lesions with more diffusely distributed blockages, as well as tortuous anatomy, making guidewire navigation and stent delivery extremely difficult. We believe that these patients can benefit significantly from the improved disposable interventional device navigation enabled by our system.

Electrophysiology

The rhythmic beating of the heart results from the transmission of electrical impulses through the heart. When these electrical impulses are mis-timed or uncoordinated, the heart fails to function properly, resulting in complications that can range from fatigue to stroke or death. Over four million people in the U.S. currently suffer from the resulting abnormal heart rhythms, which are known as arrhythmias.

Drug therapies for arrhythmias often fail to adequately control the arrhythmia and may have significant side effects. Consequently, physicians have increasingly sought more permanent, non-pharmacological, solutions for arrhythmias. The most common interventional treatment for arrhythmias, and in particular tachyarrhythmias, where the patient's heart rate is too high, is an ablation procedure in which the diseased tissue giving rise to the arrhythmia is isolated or destroyed. Prior to performing an electrophysiology ablation, a physician typically performs a diagnostic procedure in which the electrical signal patterns of the heart wall are "mapped" to identify the heart tissue generating the aberrant electrical signals. Following the mapping procedure, the physician may then use an ablation catheter to disable the aberrant signal or signal path, restoring the heart to its normal rhythm. In cases where an ablation is anticipated, physicians will choose an ablation catheter and perform both the mapping and ablation with the same catheter.

Physicians are currently performing approximately 800,000 electrophysiology procedures worldwide each year, including approximately 500,000 electrophysiological mapping procedures, approximately 240,000 ablation procedures and approximately 60,000 other procedures such as treatment of atrial fibrillation and congestive heart failure. We believe the Stereotaxis System is particularly well-suited for those electrophysiology procedures which are time consuming or which can only be performed by highly experienced physicians, which we estimate to be approximately 30% of all electrophysiology procedures performed worldwide each year. We estimate that the number of these complex procedures is growing at a rate of approximately 12% per year. These procedures include:

- *Lengthy Ablations.* For the more routine but lengthy mapping and ablation procedures, our system offers the unique benefit of automating the procedure and directing catheter movement from the control room, saving the physician time and helping to avoid unnecessary exposure to high doses of radiation.

- *Atrial Fibrillation.* A common cause of sustained abnormal heart rhythm, atrial fibrillation, is a particular type of arrhythmia characterized by rapid, disorganized contractions of the heart's upper chambers, the atria, which lead to ineffective heart pumping and blood flow and can be a major risk factor for stroke. The majority of potential patients cannot benefit from manual catheter-based procedures for atrial fibrillation because they are extremely complex and are performed by only the most highly skilled electrophysiologists. They also typically have much longer procedure times than conventional ablation cases and success rates that are only in the 50% to 80% range. We believe that our system can allow these

procedures to be performed by a broader range of electrophysiologists and, by automating some of the more complex ablation routines, can standardize and reduce procedure times and significantly improve outcomes.

- *Bi-Ventricular Pacing.* Congestive heart failure is a potentially fatal condition in which the heart muscle is damaged to the point that it is unable to provide adequate blood flow rate through the body. A new therapy, dual chamber cardiac resynchronization therapy, or bi-ventricular pacing, has shown promise in the treatment of a certain type of congestive heart failure in which the left and right sides of the left ventricle do not contract at the same time. The procedure used to carry out this therapy involves the placement of a pacemaker lead into the coronary venous system of the heart. Interventional treatment of this patient population is growing rapidly but the placement of the venous pacing lead with manual interventional technologies is highly challenging and time consuming, and less than optimal lead placement can contribute to poor outcomes. The unpredictability of procedure times also makes efficient cath lab scheduling very difficult in these cases. We estimate that approximately 50,000 biventricular pacing leads are currently placed per year worldwide. Industry estimates indicate, however, that if there were a more effective method of placing these pacing leads, more than 700,000 congestive heart failure patients per year in the U.S. would be eligible for the procedure.

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

Interventional Neuroradiology, Neurosurgery and Other Interventional Applications

Physicians used a predecessor to our NIOBE system to conduct a number of procedures for the treatment of brain aneurysms, a condition in which a portion of a blood vessel wall balloons and which can result in debilitating or fatal hemorrhagic strokes. Traditional treatment for brain aneurysms involves highly invasive open brain surgery. Interventional procedures have evolved for filling the aneurysm with platinum micro-coils delivered to the site in order to reduce blood flow within the aneurysm. We believe that the Stereotaxis System has the potential to be adapted for use in the interventional treatment of brain aneurysms, by enabling physicians to reach a broader range of aneurysm targets, and by making procedure times for these cases more predictable.

The Stereotaxis System also has a range of potential applications in minimally invasive neurosurgery, including biopsies and the treatment of tumors, treatment of vascular malformations and, when deliverables are commercialized by third parties, delivery of pharmacological compounds and deep brain stimulators. We have successfully conducted what we believe to be the first human surgical procedures ever conducted using computerized control in our neurosurgery program by navigating complex pathways through brain tissue to multiple target sites. The Stereotaxis System also has applicability in the respiratory, gastro-intestinal and genito-urinary systems, for diagnosis and treatment of diseases affecting the lungs, prostate, kidneys, colon and small intestine. We do not anticipate any significant revenue from these programs in the near term.

Collaborations

We have entered into collaborations with three technology leaders in the global cath lab market, Siemens, Philips and J&J, that we believe will aid us in commercializing our Stereotaxis

System. We believe our two imaging partners, Siemens and Philips, have a combined installed base of more than 2,200 cardiology cath labs in the U.S.

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

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

Imaging Partners

Siemens Alliance. In June 2001, we entered into an alliance with Siemens, a global leader in cath lab equipment sales, including x-ray fluoroscopy systems. Under this alliance, we successfully integrated our NIOBE cardiology magnet system with Siemens' digital fluoroscopy system to provide advanced cath lab visualization and instrument control through user-friendly computerized interfaces. We also coordinate our sales efforts with Siemens to co-place integrated systems at leading hospital sites in the U.S. and Europe. Under this alliance and under a separate services agreement, Siemens provides site planning, project management, equipment maintenance and support services for our products directly to our customers. To date, all of our systems placed for clinical use have been integrated with Siemens' digital fluoroscopy systems.

In May 2003, we entered into an expanded alliance with Siemens, under which we are collaborating to produce what we believe will be market leading technology to provide physicians with real-time 3D visualization of a patient's anatomy during a procedure by integrating pre-operative MRI and CT data with x-ray fluoroscopic data. We also agreed to integrate our instrument control technology with Siemens' imaging technology in order to develop new solutions in cardiology and, potentially, in interventional radiology. Where Siemens' proprietary technology is incorporated into products being co-developed under this expanded alliance, there are restrictions on our ability to use that technology to sell NIOBE systems integrated with other third party x-ray imaging systems. These restrictions expire 12 months after the placement of the first integrated system under this expanded alliance or on December 31, 2005, whichever is earlier. We also agreed to enter into a separate development agreement for the Japanese market under which Siemens would coordinate regulatory approval and distribute, install and service our NIOBE systems, whether integrated with the x-ray system of Siemens, or other third parties, in Japan. We have also entered into a software distribution agreement with Siemens under which we have the right to sublicense Siemens' 3D pre-operative image navigation software as part of our NAVIGANT advanced user interface.

Concurrently with entering into the expanded alliance, Siemens invested $10 million in our Series E preferred stock in 2003. Siemens also holds a $2 million note convertible into Stereotaxis common stock under specified circumstances, which was issued by us in connection with the purchase of certain of Siemens' intellectual property in August 2003. See "Certain Relationships and Related Party Transactions".

Philips Alliance. In October 2003, we entered into an alliance with Philips, another recognized global leader in cath lab sales, pursuant to which we agreed to integrate our NIOBE systems with Philips' digital x-ray fluoroscopy system to achieve seamless integration of our instrument control technology and Philips' digital x-ray imaging on a user friendly basis. We also agreed with Philips to identify areas of concentration for bringing new solutions to integration of information sources and instrument control in the cath lab in cardiology and neurology. Under this alliance, we will coordinate our sales efforts with Philips in order to co-place our integrated systems. Philips also agreed to pay

our engineering and other costs of the integration and related research and development work, and agreed to purchase a maximum of three promotional integrated NIOBE cardiology magnet systems from Stereotaxis for installation at agreed upon "centers of excellence" by no later than December 31, 2004 or, at our election, January 31, 2005. Additionally, Philips has agreed to pay various co-placement fees to Stereotaxis for each of the first 70 systems integrated with Philips that are shipped commercially. The total amount that we are entitled to receive from Philips under this agreement for research and development costs, co-placement fees and the purchase of our promotional integrated NIOBE cardiology magnet systems is capped at $7.5 million.

Disposables Partner

J&J Alliance. We entered into an alliance with J&J in May 2002 pursuant to which we agreed to integrate J&J's advanced Biosense 3D catheter location sensing technology, which we believe has the leading market position in this important field of visualization for electrophysiology procedures, with our instrument control system, and to jointly develop associated location sensing electrophysiology mapping and ablation catheters that are navigable with the Stereotaxis System. We believe that these integrated products will provide physicians with the elements required for effective complex electrophysiology procedures: highly accurate information as to the exact location of the catheter in the body and highly precise control over the working tip of the catheter. We also agreed to coordinate our sales force efforts with J&J in order to place J&J Biosense CARTO Systems and our NIOBE cardiology magnet systems that, together with the co-developed catheters, will comprise the full integration of our instrument control and 3D location sensing technologies in the cath lab. We expanded this alliance in November 2003 to include the parallel integration of our instrument control technology with J&J's full line of non-location sensing mapping and ablation catheters that are relevant to our targeted applications in electrophysiology.

The co-developed catheters will be manufactured and distributed by J&J, and each of the parties agreed to contribute to the resources required for their development. We are entitled to royalty payments from J&J, payable quarterly based on a profit formula for sales of the co-developed catheters, and our revenue share increases under certain circumstances. Under this alliance, we agreed to certain restrictions on our ability to co-develop and distribute catheters competitive with those we are developing with J&J and granted J&J certain notice and discussion rights for product development activities we undertake relating to localization and magnetically enabling interventional disposable devices in cardiology fields outside of electrophysiology and mapping. In connection with our expanded alliance, J&J also invested $9.5 million in our Series E-1 preferred stock in 2003.

Either party may terminate this alliance in certain specified "change of control" situations, although the termination would not be effective until one year after the change of control and then would be subject to a wind-down period during which J&J would continue to supply co-developed catheters to us or to our customers for three years (or, for non-location sensing mapping and ablation catheters, until our first sale of a competitive product after a change of control, if earlier than three years). If we terminate the agreement under this provision, we must pay a termination fee to J&J equal to 5% of the total equity value of Stereotaxis in the change of control transaction, up to a maximum of $10 million. We also agreed to notify J&J if we reasonably consider that we are engaged in substantive discussions in respect of the sale of the company or substantially all of our assets. See "Certain Relationships and Related Party Transactions".

Research and Development

Our research and development team consists of over 50 people focused on system and disposable interventional device development. We have assembled an experienced group of engineers and physicists with recognized expertise in magnetics, software, control algorithms, systems integration and disposable interventional device modeling and design.

Our research and development efforts are focused in three major areas:

- continuing to enhance our existing system through ongoing product and software development;
- designing new proprietary disposable interventional devices for use with our system; and
- developing next generation versions of our system.

Our research and development team collaborates with our strategic partners, Siemens, Philips, and J&J, to integrate our Stereotaxis System's open architecture platform with key imaging, location sensing and information systems in the cath lab. We have also collaborated with a number of highly regarded interventional physicians in key clinical areas and have entered into agreements with a number of universities and research institutions, which serve to increase our access to world class physicians and scientists and to expand our name recognition in the medical community.

We have historically spent a significant portion of our capital resources on research and development, incurring $14.3 million in 2002 and $13.5 million in 2003 in research and development expenses.

Our leadership position in magnetic navigation research and development is highlighted by the commercial, academic and research institutions that are using our Stereotaxis System. Our Stereotaxis System is in use at many of the leading medical and scientific institutions, including: Washington University School of Medicine in St. Louis, Missouri; University of Oklahoma Health Sciences Center in Oklahoma City, Oklahoma; Central Baptist Heart Hospital in Lexington, Kentucky; St. Georg General Hospital in Hamburg, Germany; University of Aachen School of Medicine in Aachen, Germany; Mother Frances Hospital in Tyler, Texas; Erasmus Medical Center in Rotterdam, the Netherlands; Massachusetts General Hospital in Boston, Massachusetts; Providence Health Center in Waco, Texas; Methodist Hospital in Houston, Texas; and University of Iowa Hospital in Iowa City, Iowa.

Customer Service and Support

Stereotaxis has contracted with Siemens to provide worldwide maintenance and support services to our customers for our integrated products. This allows us to leverage Siemens' extensive maintenance and support infrastructure for direct, on-site technical support activities, including its call center, customer support engineers and service parts logistics and delivery. It also provides a single point of contact for the customer and allows us to focus on providing installation, training, and back-up technical support. We have followed the same strategy with Philips and intend to do the same with other potential collaboration partners in the future.

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

Manufacturing

NIOBE Systems

Our manufacturing strategy for our NIOBE system is to sub-contract the manufacture of major components and to complete the final assembly and testing of those components in-house in order to control quality. This permits us to focus on our core competencies in magnet design, magnetic physics, magnetic instrument control and navigational algorithms. Approximately 8,000 square feet of our St. Louis, Missouri facility is dedicated to systems assembly, testing and inspection.

Disposable Interventional Devices

Our manufacturing strategy for disposable interventional devices is to outsource their manufacture through subcontracting and through our alliance with J&J and to expand partnerships for other interventional devices. We currently maintain pilot level manufacturing capability along with strong relationships with component level suppliers. We also manufacture prototype disposables to facilitate product development. We have approximately 5,000 square feet allocated to disposables manufacturing, assembly, testing and inspection with approximately 1,300 square feet of clean rooms in Maple Grove, Minnesota.

Software

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

General

Our manufacturing facilities operate under processes that meet the FDA's requirements under the Quality System Regulation. In 2003, the FDA audited our Maple Grove, Minnesota facility for regulatory compliance, and no deficiencies were noted. A European regulatory agency audited each facility in 2001, found them to be in compliance with the requirements of ISO 9001, and issued a formal certification from the ISO Registrar in January of 2002. If we fail to remain in compliance with the FDA or ISO 9001 standards, we may be required to cease all or part of our operations for some period of time until we can demonstrate that appropriate steps have been taken to comply with such standards. We cannot be certain that our facilities will comply with the FDA or ISO 9001 standards in future audits by regulatory authorities.

Our products require a number of complex operations, including multiple fabrication and assembly processes. We purchase both custom and off-the-shelf components from a number of certified suppliers and subject them to stringent quality processes. We apply periodic quality reviews of our suppliers and have established a supplier selection approval process. Some of the components necessary for the assembly of our products are supplied by a single supplier. Establishing additional or replacement suppliers for certain of those components cannot be done quickly. The disruption of the supply of components could cause a significant increase in the costs of these components, which could affect our profitability. We purchase components through both short and long-term supply arrangements and generally do not maintain large volumes of inventory. We currently have a long-term supply agreement for the supply of the permanent magnet assemblies used in our Stereotaxis System. We believe we have the ability to double our manufacturing capacity within six months to accommodate a significant increase in sales volume of our Stereotaxis System.

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

Sales and Marketing

We market our products in the U.S. and Europe through a direct sales force of 17 senior sales specialists, supported by five account managers that provide training, clinical support, and other services to our customers. In addition, our strategic alliances form an important part of our sales and marketing strategy. We leverage the sales forces of Siemens and Philips to co-market integrated systems on a worldwide basis. This approach allows us to coordinate our marketing efforts with our

strategic partners while still dealing directly with the customer. J&J will exclusively distribute our electrophysiology mapping and ablation catheters, co-developed pursuant to our alliance with them. We intend to increase our sales personnel and the number of account managers significantly over the next 24 months and to enter into distribution arrangements to market our products in the rest of the world.

Our sales and marketing process has two important steps: (1) selling systems directly and through co-marketing agreements with our imaging partners, Siemens and Philips; and (2) leveraging our installed base of systems to drive recurring sales of disposable interventional devices, software and service.

Step One: System sales. Our system sales strategy involves both direct selling, through our own sales force, and co-marketing with our strategic imaging partners, by leveraging these relationships to identify new or replacement cath labs being installed and then co-marketing integrated systems to the customer. Siemens and Philips have a major share of the cath lab installation market and therefore compete for a substantial number of potential cath lab installations on a worldwide basis, which gives us access to a large number of potential customers. These customers fall into three broad categories:

- leading research institutions with physician thought leaders who are interested in performing complex new procedures enabled by our system;
- high-volume commercial institutions interested in the efficiency benefits of our system; and
- medium volume regional centers that are competing intensely for patients, attempting to minimize referrals of complex cases to other centers and focusing on gaining market share in their regional markets.

Once we have identified potential customers, we approach capital equipment sales in five stages that bring significant predictability to our sales process. This allows us to measure the progress of each account in discrete steps through our sales funnel, and tailor our sales activity at each stage. The five-stage process includes the following, and has taken an average of 18 months for our 13 systems delivered to date:

- *Build initial customer interest:* presentation of our value proposition;
- *Gain commitment:* formal proposal with cost justification rationale;
- *Secure capital budget allocation:* customer begins formal budget approval process for system acquisition;
- *Receive institutional approval:* customer completes budget approval process and executes purchase order; and
- *System installation:* installation begins as part of overall cath lab construction or refurbishment.

As of March 31, 2004, we had purchase orders and other commitments for $16.6 million of our Stereotaxis Systems. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside of our control. In addition, these orders and commitments may be revised, modified or canceled, either by their express terms, as a result of negotiations or by project changes or delays. All of our systems placed to date have been integrated with Siemens' digital x-ray fluoroscopy systems. We anticipate installing systems integrated with Philips' digital x-ray fluoroscopy system in 2005.

Step Two: Recurring sales of disposable interventional devices, software and service. Each of our systems utilizes proprietary disposable interventional devices, both our own and those we are co-developing with strategic partners, as well as software tailored to specific clinical applications. We

provide training and clinical support to users of our systems in order to increase their familiarity with system features and benefits, and thereby increase usage. More frequent usage results in increased consumption of disposable interventional devices and software. While a basic one-year warranty is included with each system, we believe service contracts providing for enhanced levels of support and service beyond the basic warranty will become an important additional source of revenue.

Our relationships with physician thought leaders in the fields of interventional cardiology and electrophysiology are an important component of our selling efforts. These relationships are typically built around research collaborations, and they enable us to better understand and articulate the most useful features and benefits of our system, and to develop new solutions to long-standing challenges in interventional medicine. We will continue to seek support and collaboration from highly regarded physicians in order to perform important research and accelerate market awareness and adoption of our systems.

Reimbursement

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

Intellectual Property

Our strategy is to patent the technology, inventions and improvements that we consider important to the development of our business. As a result, we believe that we have an extensive patent portfolio that protects the fundamental scope of our technology, including our magnet technology, navigational methods, procedures, systems, disposables interventional devices and our 3D integration technology. As of March 31, 2004, we had 37 issued U.S. patents, six exclusively licensed U.S. patents, one exclusively licensed non-U.S. patent and three non-exclusively licensed U.S. patents. In addition, we had 52 pending U.S. patent applications, 13 pending non-U.S. patent applications, and nine Patent Cooperation Treaty applications. We also have a number of invention disclosures under consideration and several applications that are being prepared for filing. Accordingly, we anticipate that the number of pending U.S. patent applications will increase.

Our patent portfolio covering magnet systems, including our NIOBE cardiology magnet system, is comprised of nine issued patents and 10 pending applications. We have 20 issued patents and 24 pending applications covering methods of magnetically controlling magnetic medical devices, including the fundamental method of magnetically orienting and mechanically advancing devices in the body. In addition, we have five issued patents and 17 pending applications covering disposable interventional devices, including electrophysiology catheters, guidewires, atherectomy devices, neuro and other devices and our CARDIODRIVE automated catheter advancer. Finally, we have seven pending patent applications for our disposable interventional devices, interfaces and navigation techniques that cover non-magnetic medical navigation.

The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. One or more of the above patent applications may be denied. In addition, our issued patents may be challenged, based on infringement of existing patents or patents issued in the future pursuant to currently pending confidential patent applications, circumvented or otherwise not provide protection for the products we develop. Furthermore, we may not be able to obtain patent licenses from third parties required for the development of new products for use with our system. We also note that U.S. patents and patent applications may be subject to interference proceedings and U.S. patents may be subject to reexamination proceedings in the U.S. Patent and Trademark Office (and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office), which proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination and opposition proceedings may be costly. In the event that we seek to enforce any of our owned or exclusively licensed patents against an infringing party, it is likely that the party defending the claim will seek to invalidate the patents we assert, which, if successful could result in the entire loss of our patent or the relevant portion of our patent and not just with respect to that particular infringer. Any litigation to enforce or defend our patents rights, even if we were to prevail, could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations.

It would be technically difficult and costly to reverse engineer our Stereotaxis System, which contains numerous complex algorithms that control our disposable devices inside the magnetic fields generated by the Stereotaxis System. We further believe that our patent portfolio is broad enough in scope to enable us to obtain legal relief if any entity not licensed by us attempted to market disposable devices that can be navigated by the NIOBE system. We have developed plastic software keys, or smart chips, that allow our system to recognize specific disposable interventional devices in order to prevent unauthorized use of our system. We anticipate that these smart chips will be an important part of our disposable interventional device strategy going forward.

We have also developed substantial know-how in magnet design, magnetic physics and magnetic instrument control that was developed in connection with the development of the Stereotaxis System, which we maintain as trade secrets. This centers around our proprietary magnet design, which is a critical aspect of our ability to design, manufacture and install a cost-effective cardiology magnet system that is small enough to be installed in a standard cath lab.

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

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of our technologies and products as well as successfully defending these patents against third-party challenges. Some of our technology was co-developed with third parties

and these third parties may claim rights in our intellectual property. We may also be liable for patent infringement by third parties whose products we use or combine with ours and for which we have no right to indemnification. In addition, many countries, including certain European countries, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties in some circumstances (for example, the patent owner has failed to "work" the invention in that country, or the third party has patented improvements). Many countries also limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. We will only be able to protect our technologies from unauthorized use by third parties to the extent that valid and enforceable patents or trade secrets cover them. We expect to face expensive and time-consuming infringement actions, validity challenges and other intellectual property claims and proceedings, which are frequent in the medical device industry, and which divert management's attention from our business. There are other risks associated with our patent portfolio and other intellectual property. Please refer to "Risk Factors" for a more complete description of these risks.

University of Virginia. We have exclusively licensed six patents related to the field of magnetically guiding an element through the body and viewing it for medical use from the University of Virginia Patent Foundation. The UVA patents address earlier versions of our system which we do not believe are essential to the protection of our current business activities, although one of these patents could be construed to cover some of our current activities. To date, we have paid a five percent royalty on sales of products covered by this patent and our business model assumes continued payment of this royalty to UVA. However, we have become aware of prior art that caused us to question the validity of this patent, and as a result, we have initiated a re-examination of the patent in the U.S. Patent and Trademark Office. If this reexamination finds the patent partially or completely invalid, our royalty obligations under the license agreement could be reduced or eliminated. We believe that our other patents would be sufficient to protect our technology in that event.

Competition

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

We consider our primary competition to be existing manual catheter-based interventional techniques and surgical procedures. To our knowledge, we are the only company that has commercialized remote, digital and direct control of the working tip of catheters and guidewires for interventional use. Our success depends in part on convincing hospitals and physicians to convert existing interventional procedures to computer-assisted procedures.

We may also face competition from companies that may be developing new approaches and products for use in interventional procedures. Many of these companies have an established presence in the field of interventional cardiology, including the major imaging, capital equipment and disposables companies that are currently selling products in the cath lab. We also face competition from companies who currently market or are developing drugs or gene therapies to treat the conditions for which our products are intended.

We believe that the primary competitive factors in the market we address are capability, safety, efficacy, ease of use, price, quality, reliability and effective sales, support, training and service. The length of time required for products to be developed and to receive regulatory and reimbursement approval is also an important competitive factor. We believe Stereotaxis has an important "first mover" advantage in establishing clinical standards in these areas. See "Risk Factors" for a discussion of other competitive risks facing our business.

Government Regulation

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

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

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

U.S. Food and Drug Administration, or FDA, Regulation

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

Our medical devices are categorized under the statutory framework described in the FFDCA. This framework is a risk-based system which classifies medical devices into three classes from lowest risk (Class I) to highest risk (Class III). In general, Class I and II devices are either exempt from the need for FDA clearance or cleared for marketing through a premarket notification, or 510(k), process. Our devices that are considered to be general tools, such as our NIOBE cardiology magnet system and our suite of guidewires, or that provide diagnostic information, such as our TANGENT electrophysiology mapping catheters, are subject to 510(k) requirements. These devices are cleared for use as general tools which have utility in a variety of interventional procedures. Our therapeutic devices, such as our HELIOS ablation catheters, are subject to the premarket application, or PMA, process.

If clinical data is needed to support a marketing application for our devices, generally, an investigational device exemption, or IDE, is assembled and submitted to the FDA. The FDA reviews and must approve the IDE before the study can begin. In addition, the study must be approved by an Institutional Review Board covering each clinical site. When all approvals are obtained, we initiate a clinical study to evaluate the device. Following completion of the study, we collect, analyze, and present the data in an appropriate submission to the FDA, either a 510(k) or PMA.

Under the 510(k) process, the FDA determines whether or not the device is “substantially equivalent” to a predicate device. In making this determination, the FDA compares both the new device and the predicate device. If the two devices are comparable in intended use, safety, and effectiveness, the device may be cleared for marketing.

Under the PMA process, the FDA examines detailed data relating to the safety and effectiveness of the device. This information includes design, development, manufacture, labeling, advertising, pre-clinical testing, and clinical study data. Prior to approving the PMA, the FDA generally will conduct an inspection of the facilities producing the device and one or more clinical

sites where the study was conducted. The facility inspection evaluates the company's readiness to commercially produce and distribute the device. The inspection includes an evaluation of compliance under the Quality System Regulation (QSR). Under certain circumstances, the FDA may convene an advisory panel meeting to seek review of the data presented in the PMA. If the FDA's evaluation is favorable, the PMA is approved, and we can market the device in the U.S. The FDA may approve the PMA with conditions, such as post-market surveillance requirements.

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

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

Currently our NIOBE cardiology magnet system, NAVIGANT advanced user interface, CARDIODRIVE automated catheter advancer, family of CRONUS coronary guidewires, and TANGENT electrophysiology mapping catheter have been cleared by the FDA to be used in interventional procedures. In addition, we have received the CE Mark for our HELIOS electrophysiology ablation catheter and, in the U.S., expect to complete clinical trials in mid-2004 and file for PMA approval in late 2004.

We are subject to risks associated with U.S. government regulation. See "Risk Factors" for a discussion of the specific regulatory risks associated with our business.

Foreign regulation

In order for us to market our products in other countries, we must obtain regulatory approvals and comply with extensive safety and quality regulations in other countries. These regulations, including the requirements for approvals or clearance and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval in any foreign country in which we plan to market our products may harm our ability to generate revenue and harm our business.

For example, the European Union requires that manufacturers of medical products obtain the right to affix the CE Mark to their products before selling them in member countries of the European Union. The CE Mark is an international symbol of adherence to quality assurance standards and compliance with applicable European medical device directives. In order to obtain the right to affix the CE Mark to products, a manufacturer must obtain certification that its processes meet certain European quality standards. Compliance with the Medical Device Directive, as certified by a recognized European Notified Body, permits the manufacturer to affix the CE Mark on its products.

We have received the right to affix the CE Mark to each of our products that has received 510(k) clearance in the U.S. and also for our HELIOS ablation catheter. If we modify existing products or develop new products in the future, including new devices, we will need to apply for permission to affix the CE Mark to such products. We will be subject to regulatory audits, currently conducted biannually, in order to maintain any CE Mark permissions we have already obtained. We cannot be certain that we will be able to obtain permission to affix the CE Mark for new or modified products or that we will continue to meet the quality and safety standards required to maintain the permissions we have already received. If we are unable to maintain permission to affix the CE Mark to our products, we will no longer be able to sell our products in member countries of the European Union.

Anti-Kickback Statute

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

The Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Recognizing that the Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements, Congress authorized the OIG to issue a series of regulations, known as the "safe harbors" which it did, beginning in July of 1991. These safe harbors set forth provisions that, if all their applicable requirements are met, will assure healthcare providers and other parties that they will not be prosecuted under the Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor may result in increased scrutiny by government enforcement authorities such as the OIG.

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

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

HIPAA

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines or imprisonment.

In addition to creating the two new federal healthcare crimes, HIPAA also establishes uniform standards governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of individually identifiable health information maintained or transmitted by healthcare providers, health plans and healthcare clearinghouses. Two standards have been promulgated under HIPAA: the Standards for Privacy of Individually Identifiable Health Information,

which restrict the use and disclosure of certain individually identifiable health information, and the Standards for Electronic Transactions, which establish standards for common healthcare transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures. In addition, the Security Standards will require covered entities to implement certain security measures to safeguard certain electronic health information by April 21, 2005. Although we believe we are not a covered entity and therefore do not need to comply with these standards, our customers generally are covered entities and frequently ask us to comply with certain aspects of these standards. While the government intended this legislation to reduce administrative expenses and burdens for the healthcare industry, our compliance with certain provisions of these standards may entail significant and costly changes for us. If we fail to comply with these standards, it is possible that we could be subject to criminal penalties.

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

Federal False Claims Act

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

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

Certificate of Need Laws

In some states, a certificate of need or similar regulatory approval is required prior to the acquisition of high-cost capital items or services, such as our Stereotaxis System, and some of our purchase orders are conditioned upon our customer's receipt of any necessary certificate of need approval. At present, a number of states in which we sell Stereotaxis Systems have certificate of need laws that restrict the supply of various types of advanced medical equipment. For example, we

understand that California's certificate of need law also incorporates seismic safety requirements which must be met before a hospital can acquire our Stereotaxis System. Certificate of need laws were enacted to contain rising health care costs, prevent the unnecessary duplication of health resources, and increase patient access for health services. In practice, certificate of need laws have prevented hospitals and other providers who have been unable to obtain a certificate of need from acquiring new equipment or offering new services. An increase in the number of states regulating our business through certificate of need or similar programs could adversely affect us.

Insurance

We maintain general liability insurance, product liability insurance, directors and officers liability coverage, workers' compensation insurance and other insurance coverage that we believe is customary in type and amounts for businesses of the type we operate.

Employees

As of March 31, 2004, we had 126 employees, 51 of whom were engaged directly in research and development, 22 in manufacturing and service, 10 in regulatory, clinical affairs and quality activities, 28 in sales and marketing activities and 15 in general administrative and accounting activities. None of our employees is covered by a collective bargaining agreement, and we consider our relationship with our employees to be good.

Facilities

We lease approximately 31,000 square feet of manufacturing and office space in St. Louis, Missouri. The St. Louis facility is leased through December 31, 2004, and we have the option to renew this lease for four additional three-month terms. We are considering extending our current lease or moving our St. Louis operations to new facilities in the St. Louis area in 2005. If we have to search for and move to a new facility, it could divert the attention of our management and other key personnel from our business operations. We also lease approximately 10,000 square feet in Maple Grove, Minnesota. The Minnesota facility is leased through December 31, 2006. We believe that the Minnesota facility will be adequate to meet our needs through 2006.

Litigation

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

SCIENTIFIC ADVISORY BOARD

The members of our Scientific Advisory Board provide important advice on the definition, prioritization and development of our clinical agenda, including the following components:

- clinical and commercialization strategies;
- clinical research, product development, testing and clinical use;
- design and oversight of clinical studies;
- educational programs for new users; and
- validation of the value proposition.

Name	Position and Affiliation
Chairman	
Ralph G. Dacey, Jr., M.D.	Chairman of Neurosurgery, Washington University School of Medicine, St. Louis
Electrophysiology	
Bruce D. Lindsay, M.D.	Director, Clinical Electrophysiology Laboratory, Washington University School of Medicine, St. Louis
Warren Jackman, M.D.	Director of Clinical Electrophysiology, University of Oklahoma, Health Sciences Center, Oklahoma City
Prof. Dr. Karl-Heinz Kuck	Director of Cardiology, Allegemienes Krankenhaus St. Georg, Hamburg, Germany
Eric Prystowsky, M.D.	Director, Clinical Electrophysiology Lab, Care Group LLC, Indianapolis
Gery Tomassoni, M.D.	Director, Electrophysiology Lab, Central Baptist Hospital, Lexington
Peter Gallagher, M.D.	Director, Cardiac Research, Central Baptist Hospital, Lexington
Interventional Cardiology	
Martin Leon, M.D.	Director, Interventional Cardiology, Cardiovascular Research Foundation, New York, New York
Jeffrey W. Moses, M.D.	Chief, Interventional Cardiology, Lenox Hill Hospital, New York, New York
Barry George, M.D.	FACC, FSCAI, Heart Specialists of Ohio, Columbus
Prof. Raoul Bonan	Professor of Medicine, Montreal Institute of Cardiology, Quebec
George W. Vetrovec, M.D.	Professor/ Division Head, Internal Medicine/ Cardiology, Medical College of Virginia, Richmond
Patrick W. Serruys, M.D., Ph.D.	Erasmus University of Rotterdam, the Netherlands
Neurosurgery	
Matthew Howard, M.D.	Chairman of Neurosurgery, University of Iowa Hospitals and Clinics, Iowa City
Richard D. Bucholz, M.D.	Associate Director, Division of Neurosurgery, St. Louis University Hospital
M. Sean Grady, M.D.	Chairman, Department of Neurosurgery, The Hospital of the University of Pennsylvania, Philadelphia
Leonard H. Cerullo, M.D.	Chairman, Department of Neurosurgery, Chicago Institute of Neurosurgery & Neuroresearch
Interventional Neuroradiology	
Michel Mawad, M.D.	Chairman, Department of Radiology, The Methodist Hospital, Baylor University School of Medicine, Houston
Christopher J. Moran, M.D.	Chairman, Department of Radiology, Washington University School of Medicine, St. Louis
Leonard H. Cerullo, M.D.	See above.
Pulmonology	
Geoffrey McLennan, M.D., Ph.D.	Professor, Departments of Internal Medicine and Pulmonary Medicine, University of Iowa Healthcare, Iowa City

MANAGEMENT

Executive Officers, Directors and Key Employees

Set forth below is the name, age, position and a brief account of the business experience of each of our executive officers, directors and key employees. All of our directors were elected pursuant to the terms of a stockholders' agreement. The stockholders' agreement will terminate upon the closing of the offering. See "Certain Relationships and Related Party Transactions — Stockholders' Agreement".

Name	Age	Position(s)
Bevil J. Hogg	55	President and Chief Executive Officer, Director
Michael P. Kaminski	44	Chief Operating Officer
Timothy J. Mortenson	47	Vice President and Chief Financial Officer
Douglas M. Bruce	46	Senior Vice President, Research & Development
Melissa Walker	47	Vice President, Regulatory, Quality and Clinical Affairs
Fred A. Middleton	54	Chairman of the Board of Directors
Christopher Alafi, Ph.D.	40	Director
John C. Aplin, Ph.D.	58	Director
Ralph G. Dacey, Jr., M.D.	55	Director
Gregory R. Johnson, Ph.D.	60	Director
William M. Kelley	68	Director
Randall D. Ledford, Ph.D.	54	Director
Abhijeet J. Lele	38	Director
William C. Mills III	48	Director
David J. Parker	43	Director

Bevil J. Hogg has served as our President, Chief Executive Officer and a director since June 1997. From 1994 through 1996, Mr. Hogg served as President and Chief Executive Officer of Everest & Jennings International Ltd., a manufacturer of wheelchairs and other hospital, home care and nursing home products. Prior to Everest & Jennings, he was a founder or co-founder of three companies, including Trek Bicycle Corporation. Mr. Hogg received a Diplome Superior d'Etudes Francaises from the Sorbonne (University of Paris, France).

Michael P. Kaminski has served as our Chief Operating Officer since he joined Stereotaxis in April 2002. Prior to joining Stereotaxis, Mr. Kaminski spent nearly 20 years with Hill-Rom Company (Hillenbrand Industries). In his last position with Hill-Rom, Mr. Kaminski served as Senior Vice President of North American Sales and Service. Prior to that, he served as General Manager of the Acute Care Hospital Division of Hill-Rom, with P&L responsibility for subsidiaries with multiple manufacturing plants and over 150 service centers with revenue exceeding $750 million. Mr. Kaminski also led several new product development efforts, most notably as the director of the Advance product platform for Hill-Rom. Mr. Kaminski earned an M.B.A. from Xavier University and a B.S. in Marketing from Indiana University.

Timothy J. Mortenson has served as our Vice President and Chief Financial Officer since he joined Stereotaxis in March 2004. Prior to joining Stereotaxis, Mr. Mortenson served as Vice President and Chief Financial Officer for Computerized Medical Systems, Inc., a developer and manufacturer of software and systems utilized in radiation treatment planning, since December 2000. Prior to Computerized Medical, Mr. Mortenson served as Chief Financial and Information Officer for Experitec, a provider of process control systems and solutions of Emerson Electric Co.'s Process Management segment, from 1998 through 2000. Prior to Experitec, Mr. Mortenson spent more than 14 years with Bairnco, a publicly traded international manufacturing and services company, in

various executive and financial management roles after having been recruited from the audit department of Arthur Young & Company. Mr. Mortenson earned a B.A. in Psychology from Holy Cross, an M.B.A. in Professional Accounting from Rutgers University and was formerly a Certified Public Accountant.

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

Melissa Walker has served as our Vice President, Regulatory, Quality, and Clinical Affairs since she joined Stereotaxis in March 2001. Prior to joining Stereotaxis, Ms. Walker led the global regulatory team at Bausch & Lomb Surgical, Inc., a subsidiary of Bausch & Lomb, Inc. and a leading manufacturer of surgical instruments for the eye, from 1997 to 2000. Prior to Bausch & Lomb Surgical, Inc., Ms. Walker was Director of Regulatory Affairs at Ethicon Endo-Surgery, Inc., a Johnson & Johnson Company and a recognized leader in the manufacture of surgical instruments used for minimally invasive surgery, from 1992 to 1997. Ms. Walker served on the board of directors for the Regulatory Affairs Professionals Society from 1997 to 2002 and was formerly the Board Chairman. Ms. Walker received a M.S. degree in Zoology and a B.S. in Biology from East Texas State University.

Fred A. Middleton has served as the Chairman of our board of directors since June 1990. Mr. Middleton has been a General Partner in Sanderling Ventures since 1987. Prior to that time, he was an independent investor in the biomedical field. From 1984 to 1986, Mr. Middleton was Managing General Partner of Morgan Stanley Ventures. He joined Genentech, Inc. in 1978 and was a part of the management team in the company's early formative period, assisting in developing its strategy and holding a variety of roles including Vice Presidencies of Finance, Administration, and Corporate Development, and Chief Financial Officer. Mr. Middleton also served as President of Genentech Development Corporation. Prior to that time, he served as a consultant with McKinsey & Company and as a Vice President of Chase Manhattan Bank. Mr. Middleton holds an M.B.A. from Harvard University and a B.S. degree in Chemistry from the Massachusetts Institute of Technology.

Christopher Alafi, Ph.D., has served as a director since August 2000. Dr. Alafi has been a General Partner of Alafi Capital Company, LLC, a venture capital firm, since 1995. He was previously a Physiology and Anatomy teacher at Santa Monica College, a visiting scholar at Stanford University (Chemistry Department) and a researcher at DNAX. Dr. Alafi received a B.A. in Biology from Pomona College and a D.Phil. in Biochemistry from the University of Oxford.

John C. Aplin, Ph.D., has served as a director since November 2000. Dr. Aplin joined CID Equity Partners, a venture capital firm, in 1990 after serving as President and Chief Executive Officer of The Fuller Brush Company. Prior to his employment at Fuller Brush, he was President and Founder of Mark Twain Bancshares Corporate Finance Group, a boutique investment banking firm. He has served as a faculty member of the Graduate School of Business at Indiana University and Chairperson of the Master of Business Administration Program. He currently serves on the boards of numerous CID portfolio companies, including several medical device companies, and is on the Dean's Advisory Board at the Krannert School of Business at Purdue University. Dr. Aplin received a Ph.D. and M.A. in Business from the University of Iowa and a B.S. in Business from Drake University.

Ralph G. Dacey, Jr., M.D., has served as a director since March 2003. Dr. Dacey has been the Chairman of Neurosurgery at Washington University in St. Louis since 1989. Prior to joining

Washington University, he was an Assistant Professor of Neurological Surgery at the University of Washington and a Professor and Chief of the Division of Neurosurgery at the University of North Carolina at Chapel Hill. Dr. Dacey received his B.A. from Harvard University and his M.D. from the University of Virginia School of Medicine. He has served as the Secretary of the American Board of Neurological Surgeons and is a voting member of the American Board of Medical Specialties. Dr. Dacey is also the Chairman of our Scientific Advisory Board and served as Principal Investigator of our first Human Clinical Trial (frontal lobe biopsy).

Gregory R. Johnson, Ph.D., has served as a director since October 1994. Currently, Dr. Johnson is a Managing Director of Prolog Ventures, LLC, a life sciences focused venture capital management firm based in St. Louis. Dr. Johnson organized Prolog in 2000 following 13 years as a General Partner with Gateway Associates. Prior to joining Gateway, Dr. Johnson served as Vice President of Monsanto Venture Capital Company. Dr. Johnson is currently a director of Everest Biomedical Instruments Company and Singulex, Inc. Dr. Johnson received a Ph.D. and M.A. in Physics from the University of Rochester and a B.S. in Physics from the Massachusetts Institute of Technology.

William M. Kelley has served as a director since January 2003. Mr. Kelley is the current Chairman of Hill-Rom Company, a position he has held since 1995. While at Hill-Rom, Mr. Kelley also served as President and CEO from 1992 to 1995, Sr. Vice President, Sales and Operations from 1989 to 1992 and Sr. Vice President, Sales and Marketing from 1980 to 1989. He currently serves on the Board of National Committee for Quality Health Care and is a member of HRDI (Healthcare, Research & Development Institute) and Health Insights. He has been honored numerous times for his contributions to the healthcare industry including as an Honorary Fellow of the American College of Health Care Executives. He was educated at Hanover College and George Washington University.

Randall D. Ledford, Ph.D., has served as a director since November 1997. Since 1997, Dr. Ledford has been Senior Vice President and Chief Technology Officer for Emerson Electric Company. Prior to joining Emerson, he was President and General Manager of several different divisions at Texas Instruments, Inc., including Software, Digital Imaging, Enterprise Solutions, and Process Automation. Dr. Ledford currently serves as a director of Interphase, Inc., an international supplier of next-generation networking technologies, and Gerber Scientific, Inc., an international provider of end-to-end customer solutions to the sign making and specialty graphics, apparel and flexible materials, and ophthalmic lens processing industries. He began his career with Bell Telephone Laboratories in New Jersey where he worked on UNIX development, fiber optic communication, and microwave transmissions. Dr. Ledford received a Ph.D. and M.S. in Physics from Duke University and a B.S. in Physics from Wake Forest University.

Abhijeet J. Lele has served as a director since April 2004. Mr. Lele is a General Partner of EGS Healthcare Capital Partners, a venture capital firm based in Rowayton, Connecticut, focusing on investments in medical device, biopharmaceutical and specialty pharmaceutical companies. He joined EGS in 1998, after spending four years in the health care practice of McKinsey & Company. Before McKinsey, Mr. Lele held operating positions with Lederle Laboratories, Progenics Pharmaceuticals and Clontech Laboratories. He is currently a director of EP MedSystems, CryoCath Technologies, OptiScan Biomedical and Ekos Corporation. Mr. Lele received his M.A. in molecular biology from Cambridge University and his M.B.A. with distinction from Cornell University.

William C. Mills III has served as a director since June 2000. Mr. Mills is a Partner in the Boston office of Advent International, a venture capital firm. At Advent, he is co-responsible for healthcare venture capital investments and focuses on investments in the medical technology and biopharmaceutical sectors. He has over 23 years of venture capital experience. Before joining Advent, Mr. Mills spent over eleven years with the Venture Capital Fund of New England where he was a General Partner. Prior to that, he spent seven years at PaineWebber Ventures/ Ampersand Ventures as Managing General Partner. Currently, he is a director of Ardais Corporation and Enanta

Pharmaceuticals, Inc. Mr. Mills received his A.B. in Chemistry, cum laude, from Princeton University, his S.M. in Chemistry from the Massachusetts Institute of Technology and his M.S. in Management from MIT's Sloan School of Management.

David J. Parker has served as a director since June 2000. Mr. Parker is currently a general partner at Ampersand Ventures, a venture capital firm, and manages Ampersand's west coast office, located in San Diego. He joined Ampersand in 1994, following five years of consulting at Bain & Company, an international strategy consulting firm, and Mercer Consulting, and four years in corporate lending at Bank of Boston. Mr. Parker serves as a director of LightPointe Communications, LTI Lighting and Viadux and has served as Chief Financial Officer at ACLARA BioSciences and Novel Experimental Technology. He received his B.A. in Government and Economics from Dartmouth College and his M.B.A. in Finance from the Wharton School of the University of Pennsylvania.

Executive Officers

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no family relationships among our directors and officers.

Board of Directors

Currently, we have authorized an eleven member board of directors. All our directors hold office until the next annual meeting of stockholders or until their successors are duly qualified. Our amended and restated certificate of incorporation to be effective upon completion of this offering provides that, as of the first annual meeting of stockholders, our board of directors will be divided into three classes, each with staggered three-year terms. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

Messrs. Parker, Johnson and Ledford have been designated as Class I directors, and their terms expire at the 2005 annual meeting of stockholders; Messrs. Aplin, Alafi, Dacey and Lele have been designated as Class II directors, and their terms expire at the 2006 annual meeting of stockholders; and Messrs. Middleton, Kelley, Mills and Hogg have been designated as Class III directors, and their terms expire at the 2007 annual meeting of stockholders.

Board Committees

Our board of directors has an audit committee, a compensation committee, a finance committee and a nominating and corporate governance committee.

The audit committee currently consists of Messrs. Aplin, Ledford and Mills. Mr. Aplin serves as the chair of the audit committee. Mr. Aplin will be our audit committee financial expert under SEC rules and regulations. We believe that the composition of our audit committee meets the requirements for independence under current rules and regulations of the SEC and the Nasdaq National Market. We intend to comply with future requirements to the extent they become applicable to us.

The audit committee assists our board of directors in its oversight of:

- the integrity of our financial statements;
- our accounting and financial reporting process, including our internal controls;
- our compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of our internal audit function and independent auditors.

The audit committee has direct responsibility for the appointment, compensation, retention and oversight of our independent auditors. In addition, the audit committee must approve in advance:

- any related-party transaction that creates a conflict of interest situation;
- all audit services; and
- all non-audit services, except for de minimis non-audit services, provided the audit committee has approved such de minimis services prior to the completion of the audit.

The compensation committee currently consists of Messrs. Middleton, Johnson and Parker. Mr. Middleton serves as the chair of the compensation committee. We believe that the composition of our compensation committee meets the requirements for independence under, and the functioning of our compensation committee complies with, current rules and regulations of the SEC and the Nasdaq National Market. We intend to comply with future requirements to the extent they become applicable to us.

The compensation committee assists management and our board of directors in:

- defining an executive compensation policy;
- determining the total compensation package for our chief executive officer and other executive officers; and
- administering each of our equity-based compensation plans and profit sharing plans, including our 1994 Stock Option Plan, our 2002 Stock Incentive Plan, our 2002 Non-Employee Directors' Stock Plan and our 2004 Employee Stock Purchase Plan.

The nominating and corporate governance committee currently consists of Messrs. Parker, Ledford and Mills. Mr. Parker serves as the chair of the nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in:

- identifying and evaluating individuals qualified to become board members;
- reviewing director nominees received from stockholders;
- selecting director nominees for submission to the stockholders at our annual meeting; and
- selecting director candidates to fill any vacancies on the board of directors.

The nominating and corporate governance committee is also responsible for developing and recommending to the board of directors a set of corporate governance guidelines and principles applicable to us.

Compensation Committee Interlocks and Insider Participation

Before establishing the compensation committee, the board of directors as a whole performed the functions delegated to the compensation committee. None of our compensation committee members and none of our executive officers have a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

Director Compensation

In March 2002, we adopted the 2002 Non-Employee Directors' Stock Option Plan to provide for the automatic grant of options to purchase shares of common stock to our non-employee directors. Under this Plan, at each annual stockholder meeting, all non-employee directors receive an annual option to purchase 22,500 shares of common stock, or 45,000 in the case of the chairman. See "— Employee Benefits Plans".

Effective following completion of this offering, we intend to provide non-employee directors with cash compensation for their services as board members in addition to being reimbursed for their out-

of-pocket expenses incurred in connection with attending board and committee meetings. Each director will receive an $18,000 annual retainer for board membership and a $2,500 annual retainer per committee membership.

In the past, we also granted directors options to purchase our common stock pursuant to the terms of our 1994 Stock Option Plan. See "— Employee Benefit Plans".

We made total payments of $5,000 in 2002 and $25,000 in 2003 to Mr. Kelley, one of our directors, as compensation for consulting services.

Executive Compensation

The following table sets forth certain information concerning the compensation of our chief executive officer, each of our other three most highly compensated executive officers whose aggregate cash compensation exceeded $100,000 during the year ended December 31, 2003 and one other individual who would have been among the four most highly compensated executive officers except that such individual was not serving as an executive officer at December 31, 2003. We refer to these persons as the "named executive officers" elsewhere in this prospectus.

Summary Compensation Table

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary	Bonus(1)	Other Annual Compensation(4)	Securities Underlying Options(#)	All Other Compensation ($)
Bevil J. Hogg	2003	$306,000	$70,200	$1,344	250,000	$ —
President and Chief	2002	297,917	48,750	667	350,000	—
Executive Officer	2001	272,917	40,000	403	500,000	—
Michael P. Kaminski	2003	244,800	56,160	238	50,000	—
Chief Operating Officer	2002	169,231	27,625	152	500,000	3,578(2)
	2001	—	—	—	—	—
Douglas Bruce	2003	243,003	55,598	352	25,000	923(2)
Senior Vice President,	2002	236,133	63,610	346	175,000	16,458(2)
Research & Development	2001	168,014	27,500	124	300,000	23,547(2)
Melissa Walker	2003	165,250	37,913	210	100,000	—
Vice President, Regulatory,	2002	161,000	30,000	198	50,000	—
Quality and Clinical Affairs	2001	123,942	16,667	140	150,000	78
Nicola J.H. Young(3)	2003	196,000	45,000	192	150,000	45,630(5)
Consultant and Former	2002	209,167	34,125	171	25,000	—
Senior Vice President and	2001	195,597	37,500	104	400,000	3,486(2)
Chief Financial Officer						

(1) These amounts represent bonuses earned during the fiscal years ended December 31, 2003, 2002 and 2001, respectively. Annual bonuses earned during a fiscal year are generally paid in the first quarter of the subsequent fiscal year.

(2) Represents non-qualified moving expenses reimbursed by us for the executive officer's relocation in connection with commencement of employment with us.

(3) Ms. Young resigned as our Senior Vice President and Chief Financial Officer effective December 1, 2003.

(4) Represents compensation related to group term life insurance premiums paid by Stereotaxis.

(5) Represents amounts paid pursuant to a separation agreement, including payout of accrued but unused vacation time, moving expenses and fees for consulting services. For more information regarding this separation agreement, please refer to "— Agreements with Named Executive Officers" below.

Stock Option Grants in 2003

The following table sets forth certain information with respect to stock options granted to each of our named executive officers during the fiscal year ended December 31, 2003.

	Individual Grants					
Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in Fiscal 2003 (%)	Exercise Price ($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%	10%
Bevil J. Hogg	250,000	13.7%	1.65	5/28/2013	$	$
Michael P. Kaminski	50,000	2.7%	1.65	5/28/2013		
Douglas M. Bruce	25,000	1.4%	1.65	5/28/2013		
Melissa Walker	50,000	5.5%	1.65	5/28/2013		
	50,000		1.65	11/19/2013		
Nicola J.H. Young	150,000	8.2%	1.65	5/28/2013		

All options granted to these executive officers in 2003 were granted under the 2002 Stock Incentive Plan. The percent of total options is based on an aggregate of 1,824,500 shares granted to employees during 2003. Options vest at the rate of 25.0% after one year of service from the date of grant, and monthly thereafter, over 36 additional months. Options have a term of ten years but may terminate before their expiration dates if the optionee's status as an employee is terminated or upon the optionee's death or disability. The exercise price on the date of grant was equal to 100% of the fair market value at the date of grant, as determined by the board of directors at the time of grant.

With respect to the amounts disclosed in the column captioned "Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term", the 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the SEC based on the initial public offering price of $ per share and do not represent our estimate or projection of our future common stock prices.

The potential realizable values are calculated by:

- multiplying the number of shares of common stock subject to a given stock option by the initial public offering price of $ per share;
- assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table until the expiration of the offering; and
- subtracting from that result the aggregate option exercise price.

Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock and overall stock market conditions. The amounts reflected in the table may not necessarily be achieved.

Aggregate Option Exercises in Last Fiscal Year and Year-End Options Values

There were no option exercises by the named executive officers in 2003. The following table sets forth the number and value of unexercised options held by each of the named executive officers on December 31, 2003. The value of "in-the-money" stock options represents the positive spread between the exercise price of stock options and the fair market value of the options, based upon an assumed public offering price of $ per share minus the exercise price per share.

Name	2003 Year-End Option Values			
	Number of shares underlying unexercised options at year end(1)		Value of unexercised in-the-money options at year end	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Bevil J. Hogg(2)	850,000	250,000	$	$
Michael Kaminski	208,332	341,668		
Douglas M. Bruce(3)	175,000	25,000		
Melissa Walker(4)	191,667	100,000		
Nicola J.H. Young(5)	25,000	150,000		

(1) Certain shares acquired or to be acquired upon exercise are subject to a right of repurchase by us. Our right to repurchase lapses as to 25% of the shares covered by the respective options on the first anniversary of the vesting start date, and lapses ratably on a monthly basis thereafter, with the repurchase right terminating in full on the fourth anniversary of the vesting start date.

(2) Excludes 26,044 shares acquired subject to a right of repurchase. Also excludes options to purchase 175,000 shares of common stock, issuable upon Stereotaxis entering into a firm commitment underwriting agreement for the sale of its common stock to the public. As of December 31, 2003, if Mr. Hogg's employment were terminated, 429,170 shares issuable upon exercise of Mr. Hogg's options would be subject to repurchase by us at the original purchase price.

(3) Excludes 100,002 shares acquired subject to a right of repurchase. Also excludes options to purchase 37,500 shares of common stock, issuable upon Stereotaxis entering into a firm commitment underwriting agreement for the sale of its common stock to the public. As of December 31, 2003, if Mr. Bruce's employment were terminated, 94,792 shares issuable upon exercise of Mr. Bruce's options would be subject to repurchase by us at the original purchase price.

(4) As of December 31, 2003, if Ms. Walker's employment were terminated, 71,355 shares issuable upon exercise of Ms. Walker's options would be subject to repurchase by us at the original purchase price.

(5) As of December 31, 2003, 13,542 shares issuable upon exercise of Ms. Young's options would be subject to repurchase by us at the original purchase price.

Limitation of Liability and Indemnification

The amended and restated certificate of incorporation which will be in effect upon consummation of this offering provides that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the General Corporation Law of the State of Delaware. We currently have a directors' and officers' liability insurance policy that insures such persons against the costs of defense, settlement or payment of a judgment under certain circumstances. We believe that these indemnification and liability provisions are essential to attracting and retaining qualified persons as officers and directors.

In addition, the amended and restated certificate of incorporation which will be in effect upon consummation of this offering provides that the liability of our directors for monetary damages shall be eliminated to the fullest extent permissible under the General Corporation Law of the State of Delaware. This provision in our amended and restated certificate of incorporation does not eliminate a director's duty of care, and, in appropriate circumstances, equitable remedies such as an injunction or other forms of non-monetary relief remain available. Each director will continue to be subject to liability for any breach of the director's duty of loyalty to us, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for acts or omissions that the director

believes to be contrary to our best interests or our stockholders, for any transaction from which the director derived an improper personal benefit, for improper transactions between the director and us, and for improper distributions to stockholders and loans to directors and officers. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

We have entered into, and intend to continue to enter into, separate indemnification agreements with each of our directors and officers which may be broader than the specific indemnification provision contained in the Delaware General Corporation Law. Under these agreements, we are required to indemnify them against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred, in connection with any actual, or any threatened, proceeding if any of them may be made a party because he or she is or was one of our directors or officers. We are obligated to pay these amounts only if the officer or director acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to our best interests. With respect to any criminal proceeding, we are obligated to pay these amounts only if the officer or director had no reasonable cause to believe that his or her conduct was unlawful. The indemnification agreements also set forth procedures that will apply in the event of a claim for indemnification thereunder.

Agreements with Named Executive Officers

In June 1997, we entered into letter and employment agreements with Bevil J. Hogg, our President and Chief Executive Officer, relating to the terms of his employment. Mr. Hogg's annual base salary is $340,000, and he is eligible to receive a cash bonus of up to 25% of his annual base salary, subject to the achievement of performance goals. His employment is at will. If Mr. Hogg is terminated without cause, he will be paid a salary continuance equal to his base salary for the lesser of (1) the period from the date of his termination of employment until he commences employment with a new employer or (2) 12 months, or 24 months if we have completed an initial public offering and, if we have completed an initial public offering, 12 months worth of Mr. Hogg's unvested stock options will automatically vest. Upon an acquisition or merger where we are not the surviving entity and a change of control occurs, 50% of Mr. Hogg's unvested shares will vest. If Mr. Hogg is terminated after any such acquisition or merger or is not offered a comparable position in the surviving entity, he will be paid a salary continuance equal to his base salary for 24 months and 100% of his unvested options will vest at the end of the salary continuance period.

In April 2002, we entered into letter and employment agreements with Michael P. Kaminski, our Chief Operating Officer, relating to the terms of his employment starting on May 5, 2002. Mr. Kaminski's annual base salary is $274,600 and he is eligible to receive an annual cash bonus of up to 25% of his annual base salary, subject to the achievement of performance goals. His employment is at will. If Mr. Kaminski is terminated without cause, he will be paid a salary continuance equal to his monthly base salary for the lesser of (1) the period from the date of his termination of employment until he commences employment with a new employer or (2) six months. In addition, if Mr. Kaminski's employment is terminated as a result of, or following, an acquisition or merger where we are not the surviving entity and a change of control occurs, and Mr. Kaminski is not offered a comparable position and salary in the surviving entity, (1) he will be paid salary continuance equal to his monthly base salary for the lesser of (a) the period from the date of his termination of employment until he commences employment with a new employer or (b) six months, and (2) 100% of his unvested options will vest at the end of the salary continuance period.

In April 2001, we entered into letter and employment agreements with Douglas M. Bruce, our Senior Vice President, Research and Development, relating to the terms of his employment starting on April 23, 2001. Mr. Bruce's annual base salary is $259,350 and he is eligible to receive an annual cash bonus of up to 25% of his annual base salary, subject to the achievement of performance goals. His employment is at will. If he is terminated without cause at any time after the first anniversary of his employment, he will be paid salary continuance equal to his monthly base salary

for six months. In addition, if Mr. Bruce is terminated as a result of, or following, an acquisition or merger where we are not the surviving entity and a change of control occurs and he is not offered a comparable position and salary with the surviving entity, or is terminated within one year of such acquisition or merger, (1) he will be paid salary continuance equal to his monthly base salary for six months, and (2) any repurchase rights with respect to his unvested shares will expire at the end of the salary continuance period and the shares, or any options to purchase these shares, will become vested. The repurchase right will also expire, and shares or options will become vested, if Mr. Bruce's employment is terminated without cause within one year of a change of control notwithstanding his having been previously offered such comparable position and salary.

In February 2001, we entered into letter and employment agreements with Melissa Walker, our Vice President, Regulatory, Quality and Clinical Affairs, relating to the terms of her employment starting on March 5, 2001. Her annual base salary is $193,500 and she is eligible to receive an annual cash bonus of up to 25% of her salary, subject to the achievement of performance goals. Her employment is at will. If she is terminated without cause, she will be paid a salary continuance equal to her monthly base salary for three months. In addition, if Ms. Walker's employment is terminated as a result of, or following, an acquisition or merger where we are not the surviving entity and a change of control occurs, and she is not offered a comparable position and salary in the surviving entity, (1) she will be paid salary continuance equal to her monthly base salary for three months and (2) 100% of her unvested options will vest at the end of the salary continuance period.

In February 2004, we entered into letter and employment agreements with Timothy J. Mortenson, our Vice President and Chief Financial Officer, relating to the terms of his employment starting on March 22, 2004. His annual base salary is $200,000 and he is eligible to receive an annual cash bonus of up to 25% of his base salary, subject to the achievement of performance goals. His employment is at will. If he is terminated without cause, he will be paid a salary continuance equal to his monthly base salary the lesser of (1) the period from the date of his termination of employment until he commences employment with a new employer or (2) twelve months. In addition, if Mr. Mortenson's employment is terminated as a result of, or following, a change of control and he is not offered a comparable position and salary in the surviving entity, 100% of his unvested options will become immediately vested.

We entered into an agreement with Nicola J.H. Young, our former chief financial officer, relating to her resignation for health reasons, effective December 1, 2003. Under this agreement, Ms. Young agreed to provide extensive consulting services to us from December 1, 2003 through July 31, 2004, subject to extension by mutual written agreement. Ms. Young will receive $18,200 per month for such consulting services. Pursuant to the agreement, Ms. Young will repay the outstanding principal and interest of a promissory note in favor of us by exchanging, in accordance with the agreement, a number of shares of our common stock owned by her having a value equal to the outstanding principal and interest on the note. The note will be exchanged on the date of this offering at the per share offering price to the public, except that it may be repaid earlier in certain circumstances at the then current value per common share as determined by our compensation committee. As of April 30, 2004, the outstanding principal and interest on such note was approximately $142,000. We also repurchased 50,000 shares of common stock issued to Ms. Young pursuant to the early exercise program under our 1994 Stock Option Plan and subject to a repurchase right in favor of us at their original purchase price. In addition, we agreed that Ms. Young's outstanding stock options would continue to vest through July 31, 2004. Ms. Young received a performance bonus for 2003 in the amount of $45,000 which was paid in February 2004. We also paid accrued but unused vacation compensation in the amount of $17,430, and reimbursed Ms. Young for $10,000 of moving expenses.

In 2002 we agreed to grant 100,000 incentive stock options to Mr. Hogg and 25,000 incentive stock options to Mr. Bruce, contingent upon our entering into a firm commitment underwriting agreement for the sale of our common stock to the public. The options will be granted pursuant to the terms of the 2002 Stock Incentive Plan. The exercise price for the options will be the initial public

offering price per share of our common stock in the initial public offering. The options will vest over a period of four years from the date of the initial public offering of our common stock, with 25% vesting after one year and 2.0833% vesting each month thereafter.

In 2004 we granted 75,000 incentive stock options to Mr. Hogg and 12,500 incentive stock options to Mr. Bruce, pursuant to the terms of the Stereotaxis 2002 Stock Incentive Plan. The exercise price for the options will be the initial public offering price per share of our common stock. The options will vest over a period of four years from the date of the initial public offering of our common stock, with 25% vesting after one year and 2.0833% vesting each month thereafter.

Employee Benefit Plans

1994 Stock Option Plan

Our 1994 Stock Option Plan provided for the granting to employees of incentive stock options and for the granting to employees, directors and consultants of nonstatutory stock options. This plan automatically terminated in April 2004. Our compensation committee administers this plan, and accordingly established the option exercise price.

Options granted under this plan are generally not transferable by the optionee except by will or the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by the optionee. Options generally must be exercised within three months following the end of the optionee's continuing status as an employee, director or consultant, other than for cause or for death or disability, within 12 months after the optionee's termination by disability or within 18 months after the optionee's termination by death. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or ten years from the date of the grant of the option or, where an optionee owns stock representing more than 10% of the voting power, five years from the date of the grant of the option.

In the event of a merger or consolidation where we are not the surviving corporation or a reverse merger where we are the surviving corporation but our shares of common stock are converted by the merger into other property, then (1) the surviving corporation will either assume the options outstanding or substitute similar options for those outstanding under the plan, or (2) the options will continue in full force and effect. If any surviving corporation refuses to assume or continue the options or to substitute similar options for those outstanding, then such options will be terminated if not exercised before such event. If we dissolve or liquidate, the outstanding options will terminate if not exercised before such event. We may not alter the rights and obligations under any option granted under this plan without the written consent of the affected optionee.

Options granted under the plan generally permit the optionee to exercise the option prior to the full vesting of the option. Any unvested shares purchased in an early election are subject to a repurchase right equal to the original purchase price of the stock, or to any other restriction the administrator deems appropriate.

As of March 31, 2004, options to purchase 2,863,810 shares of common stock were outstanding and exercisable at a weighted average price of $0.79 per share under the 1994 Stock Option Plan, and 133,646 shares issued upon exercise of options under the plan were subject to repurchase.

2002 Stock Incentive Plan

Our 2002 Stock Incentive Plan was adopted by our board of directors in February 2002 and approved by our stockholders in March 2002. As of March 31, 2004, a total of 9,111,567 shares of common stock have been reserved for issuance under this plan, which includes shares that were available for issuance under the 1994 Stock Option Plan as of the date this plan was adopted and shares that were added to the authorized shares on January 1, 2003 and 2004, as described below. The number of shares that may be issued under this plan will be reduced by the number of

additional shares issued under our 2002 Non-Employee Directors' Stock Plan. In addition, this plan provides that on each January 1 after initial adoption of this plan through January 1, 2007 there will be added to the authorized shares allocated to the plan the lesser of (i) 3.25% of the total outstanding shares as of each such date or (ii) 3,000,000 shares which may be used for the grant of awards. On January 1, 2003, and January 1, 2004, 1,840,165 shares and 2,159,432 shares, respectively, were added to this plan under this provision.

This plan is designed to attract, motivate and retain our employees and other selected individuals through long-term incentive and other awards, thereby providing them with a proprietary interest in our growth and performance. Our employees, including any employees of our direct or indirect subsidiaries, and consultants and contractors are eligible to participate in this plan, and awards may consist of any form of stock option, performance share award or restricted stock award. However, the grant of incentive stock options is restricted to our employees or the employees of any of our direct or indirect subsidiaries.

This plan is administered by the board of directors through a committee appointed by the board of directors. Our compensation committee currently administers this plan. The committee has full power to determine persons eligible to participate in the plan, to interpret this plan, to adopt the rules, regulations and guidelines necessary or proper to carry out this plan, and to determine the type and terms of any awards to be granted. Awards may include but are not limited to the following:

- *Stock Option:* A stock option is a grant of a right to purchase a specified number of shares of our common stock at a stated price. The committee establishes the option exercise price. However, the exercise price must be at least 85% of the fair market value of the common stock on the date of grant in the case of nonqualified stock options or 100% of the fair market value on the date of grant in the case of incentive stock options. No individual may be granted options to purchase more than 1,000,000 shares during any fiscal year.

- *Performance Share Award:* A performance share award is an award denominated in units of stock, which will provide for payment of stock if performance goals are achieved over specified performance periods.

- *Restricted Stock Award:* A restricted stock award is an award of stock which will vest if performance or other goals are achieved over a specified period.

The specific terms, conditions, performance requirements, limitations and restrictions of any award will be set forth in an award agreement, entered into between us and a participant. Under the current form of nonqualified stock option agreement and the form of incentive stock option agreement, options have a ten year term. Grants to non-employees generally vest ratably over a two-year period. Grants to employees generally become available for exercise on the first anniversary of the grant date. On such date, 25% of the shares covered by the option become available for exercise, with an additional 2.0833% becoming available on the first day of each calendar month thereafter, such that the entire number of shares covered by an option are available by the fourth anniversary of the grant date. In the event of a change of control and if a participant's employment is terminated in contemplation of, or within one year after, the change of control, the option fully vests. For these purposes, a change of control means:

- the purchase or acquisition by any person, entity or group of beneficial ownership of 20% or more of the then-outstanding shares of our common stock or of the combined voting power to elect the board of directors;

- a change in a majority of the members of the board of directors in place at the date of effectiveness of this plan, unless any such change is approved by a majority of such remaining original board members; or

- the liquidation, dissolution, sale of all or substantially all of our assets, or a merger, reorganization or consolidation, under circumstances whereby the stockholders immediately

prior to such transaction do not own more than 50% of the common stock and combined voting power of the successor corporation immediately after such transaction.

Awards granted under this plan are generally not transferable by the participant except by law, will or the laws of descent and distribution, or by permission of the committee. In addition, each option is exercisable, during the lifetime of the participant, only by the participant. Options generally must be exercised prior to termination of employment, except that options may be exercised up to 30 days after any termination without cause, to the extent that the participant was entitled to exercise the options on the date of termination. In the case of termination of employment on account of disability, any options exercisable on the date of termination may be exercised within 12 months after the date of termination. In the event of death during employment or within 30 days after termination due to disability, options may be exercised by the participant's legatee, personal representative or distributee within one year after death. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or ten years from the date of the grant of the option.

Payment of awards may be made in the form of cash, stock or any combination of cash or stock as determined by the committee. In addition, payments may be deferred, and dividends or dividend equivalent rights may be extended to and made a part of any award denominated in stock or units of stock, in accordance with such terms, conditions or restrictions as the committee may establish. Participants may also be offered an election to substitute an award for another award or awards of the same or different type.

The price at which shares of stock may be purchased under a stock option must be paid in cash at the time of exercise, or, at the discretion of the committee, by the tender of stock or another award, or through a cashless exercise whereby a portion of the proceeds from the sale of the option shares is paid to us in satisfaction of the exercise price.

The plan will terminate in March 2012 unless our board of directors terminates it sooner.

As of March 31, 2004, options to purchase 4,049,500 shares of common stock were outstanding and exercisable at a weighted average price of $1.69 per share under the 2002 Stock Incentive Plan.

2002 Non-Employee Directors' Stock Plan

Our 2002 Non-Employee Directors' Stock Plan was adopted by our board of directors in February 2002 and our stockholders in March 2002. The total number of shares that may be issued under this plan is 300,000, plus the aggregate number of shares otherwise available for grant under the 2002 Stock Incentive Plan at the time of any stock option award under this plan. As described above, if we issue over 300,000 shares under this plan, it will reduce the amount available for issuance under this plan by the amount of any such excess.

This plan seeks to strengthen the alignment of interests between our non-employee directors and our stockholders by allowing participants to voluntarily elect to convert all or a portion of their fees for services as a director into common stock and by granting participants non-qualified options to purchase shares of common stock.

The plan is administered by the board of directors through a committee appointed by the board of directors, although the committee may designate our corporate secretary or other employees to assist the committee in the administration of this plan. Our compensation committee currently administers this plan.

Participants may elect to receive fees for services as a director in either cash or an equivalent amount of whole shares of our common stock, or any combination of cash and shares, subject to such conditions or restrictions as the committee may determine. In addition, each participant will, on the date of the annual meeting of the stockholders, automatically be granted a stock option to

purchase 10,000 shares of common stock having an exercise price of 100% of the fair market value of the common stock on the date of grant. The chairman of the board of directors shall be automatically granted a stock option to purchase 15,000 shares of common stock having an exercise price of 100% of the fair market value of the common stock on the date of grant.

The term of the options granted under this plan is ten years, and will be exercisable one year from the date of grant, except in the case of death, in which case they will be immediately exercisable. Options are not transferable other than by will or by the laws of decent and distribution, or with the consent of the committee.

If a participant ceases to be a director while holding unexercised options, these options will be immediately void, except in the case of the director's death, disability, retirement after the age of 69, resignation from the board as a result of the operation of the antitrust laws or conflict of interest or continued service policies, or as a result of a change of control. For purposes of this plan, a change of control means:

- the purchase or acquisition by any person, entity or group of beneficial ownership of 20% or more of the then-outstanding shares of our common stock or of the combined voting power to elect the board of directors;
- a change in a majority of the members of the board of directors in place at the date of effectiveness of the plan, unless any such change is approved by a majority of such remaining original board members; or
- the liquidation, dissolution, sale of all or substantially all of our assets, or a merger, reorganization or consolidation, under circumstances whereby the stockholders immediately prior to such transaction do not own more than 50% of the common stock and combined voting power of the successor corporation immediately after such transaction.

The board may repeal or amend the plan at any time, except that no such amendment may alter the rights of any outstanding options without the written consent of the holders of such options.

As of March 31, 2004, options to purchase 505,000 shares of common stock were outstanding and exercisable at a weighted average price of $1.57 per share under the 2002 Non-Employee Directors' Stock Plan.

2004 Employee Stock Purchase Plan

Our 2004 Employee Stock Purchase Plan was adopted by our board of directors in March 2004 and approved by our stockholders in April 2004 and will become effective upon the closing of this offering. We have reserved a total of 1,000,000 shares of common stock for issuance under this plan.

This plan is administered by the board of directors and is intended to qualify under Section 423 of the Internal Revenue Code. Our employees, including our officers and employee directors but excluding our five percent or greater stockholders, are eligible to participate if they are customarily employed for at least 20 hours per week and for more than five months in any calendar year. This plan permits eligible employees to purchase common stock through payroll deductions, which may not exceed the lesser of 15% of an employee's compensation or $25,000 per annum.

This plan will be implemented in a series of overlapping 24 month offering periods consisting of four six month purchase periods, except for the initial offering period, which will begin on the July 1 or January 1 next following the date of this prospectus. Subsequent offering periods will begin on the first trading day on or after January 1 and July 1 of each year. Any eligible employee may become a plan participant by filing a subscription agreement authorizing payroll deductions and filing it with our payroll office prior to the first trading day of any offering period. Each participant will then be granted an option on the first day of the offering period and the option will be automatically exercised on the last trading day of each six month purchase period, throughout the offering period, for the number of

whole shares of common stock determined by dividing the amount of each participant's accumulated payroll deductions as of the exercise date by the purchase price, which will be 85% of the fair market value of a share of common stock on the enrollment date or the exercise date, whichever is lower. Any residual payroll deductions not sufficient to purchase a whole share of common stock on the exercise date will be retained in the participant's account for the subsequent purchase period or offering period. Employees may end their participation in an offering period at any time, and their participation ends automatically on termination of their employment.

In the event of a proposed dissolution or liquidation, the offering period then in progress will be shortened by setting a new exercise date prior to the proposed date of dissolution or liquidation. The board of directors will notify each participant in writing at least ten business days prior to the new exercise date of the changes in the participants rights resulting from the proposed dissolution or liquidation, and the offering period will terminate immediately prior to the consummation of the dissolution or liquidation.

This plan will terminate in February 2014 unless our board of directors terminates it sooner.

401(k) Plan

We previously established a 401(k) retirement savings plan which was amended and restated effective January 1, 2002. Each of our participating employees may contribute to the 401(k) plan, through payroll deductions, not less than 1% nor more than 50% of his or her compensation. We may make matching or additional contributions to the 401(k) plan in amounts to be determined annually by our board of directors and subject to statutory limitations. Employees may elect to invest their contributions in various established mutual funds. All amounts contributed by employee participants and the employer match are fully vested at all times. For the years ended December 31, 2002 and 2003, we expensed $222,081 and $264,965, respectively, related to the 401(k) plan. Prior to 2002, we offered our employees the opportunity to participate in a Simple IRA plan. We made matching contributions to this plan for the benefit of our employees participating in this plan. For the year ended December 31, 2001, we expensed $134,853 related to the Simple IRA plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2000, there has not been, nor is there currently planned, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeds $60,000 and in which any director, executive officer or holder of more than 5% of our common stock or any member of such persons immediate families had or will have a direct or indirect material interest other than agreements which are described under the caption "Management" and the transactions described below.

Preferred Stock and Common Stock Warrant Issuances

Since January 1, 2000, certain of our directors and holders of more than 5% of our common stock purchased preferred stock and warrants in the following offerings:

In November and December 2001, we sold shares of our Series D-1 preferred stock, which is convertible into an aggregate of 10,052,020 shares of common stock at a price per common equivalent share of $2.17. We sold the shares pursuant to a preferred stock purchase agreement under which we made customary representations, warranties and covenants, and provided the purchasers with registration rights under a separate agreement. The registration rights are the only rights that survive beyond this offering. See "Description of Capital Stock". In connection with the sale of the Series D-1 preferred stock, in November and December 2001, we issued warrants to purchase an aggregate of 1,507,791 shares of our common stock, exercisable at a price of $2.17 per share.

In December 2002 and January 2003, we sold shares of our Series D-2 preferred stock, which is convertible into an aggregate of 10,705,929 shares of common stock at a price per common equivalent share of $2.17. We sold the shares pursuant to a preferred stock purchase agreement under which we made customary representations, warranties and covenants, and provided the purchasers with registration rights under a separate agreement. The registration rights are the only rights that survive beyond this offering. See "Description of Capital Stock". In connection with the sale of the Series D-2 preferred stock, we issued warrants to purchase an aggregate of 1,605,874 shares of our common stock, exercisable at a price of $2.17 per share.

In January and February 2004, we sold shares of our Series E-2 preferred stock, which is convertible into an aggregate of 5,380,830 shares of common stock at a price per common equivalent share of $2.93. We sold the shares pursuant to a preferred stock purchase agreement under which we made customary representations, warranties and covenants, and provided the purchasers with the registration rights under the agreements entered into with our previous financings. The registration rights are the only rights that survive beyond this offering. See "Description of Capital Stock". In connection with the sale of the Series E-2 preferred stock, we issued warrants to purchase an aggregate of 1,076,170 shares of our common stock, exercisable at a price of $2.93 per share.

The specific directors and holders of more than 5% of our common stock who made purchases in the above securities are shown below with the amounts purchased and the dates of such purchases.

Stockholders and Directors	Series D-1 Preferred	Series D-2 Preferred	Series E-2 Preferred	Stock Warrants(12)
Five Percent Stockholders				
Entities affiliated with Sanderling Ventures(1)	1,609,179	1,382,489	1,049,488	659,203
Alafi Capital Company LLC(2)	1,843,318	921,660	819,113	578,568
Entities affiliated with Ampersand Ventures(3)	691,244	345,365	—	155,473
Entities affiliated with EGS Healthcare Capital Partners(4)	460,830	2,995,393	1,365,188	791,467
Directors				
Fred A. Middleton(5)	1,612,904	1,382,489	1,049,488	659,203
Christopher Alafi(6)	1,843,318	921,660	819,113	578,568
John C. Aplin(7)	270,303	115,088	170,473	91,903
Gregory R. Johnson(8)	1,152,075	691,245	—	276,496
Randall D. Ledford(9)	276,498	460,829	161,770	142,952
Abhijeet Lele (10)	460,830	2,995,393	1,365,188	791,467
William C. Mills III(11)	691,245	460,830	—	162,807

(1) Includes 1,728 warrants held by Sanderling II, Limited Partnership; 120,439 shares of Series D-1 preferred stock, 103,977 shares of Series D-2 preferred stock, 64,173 shares of Series E-2 preferred stock and 88,932 warrants held by Sanderling VBeteiligungs GmbH & Co. KG; 501,831 shares of Series D-1 preferred stock, 433,236 shares of Series D-2 preferred stock, 267,384 shares of Series E-2 preferred stock and 135,743 warrants held by Sanderling V Biomedical Co-Investment Fund, L.P.; 135,355 shares of Series D-1 preferred stock, 116,853 shares of Series D-2 preferred stock, 72,119 shares of Series E-2 preferred stock and 81,374 warrants held by Sanderling V Limited Partnership; 827,743 shares of Series D-1 preferred stock, 714,598 shares of Series D-2 preferred stock, 441,035 shares of Series E-2 preferred stock and 305,995 warrants held by Sanderling Venture Partners V Co-Investment Fund L.P.; 16,015 shares of Series D-1 preferred stock, 13,825 shares of Series D-2 preferred stock, 34,129 shares of Series E-2 preferred stock and 11,301 warrants held by Sanderling Ventures Management V; 170,648 shares of Series E-2 preferred stock and 34,130 warrants held by Sanderling IV Biomedical Co-Investment Fund, L.P.; and 7,796 shares of Series D-1 preferred stock held by Sanderling Ventures Limited L.P.

(2) Includes 460,830 shares of Series D-2 preferred stock and 69,124 warrants held by Christopher Alafi, a general partner of Alafi Capital Company LLC.

(3) Includes 677,419 shares of Series D-1 preferred stock, 338,359 shares of Series D-2 preferred stock and 152,365 warrants held by Ampersand 1999 Limited Partnership and 13,825 shares of Series D-1 preferred stock, 6,906 shares of Series D-2 preferred stock and 3,108 warrants held by Ampersand 1999 Companion Fund Limited Partnership.

(4) Includes 403,226 shares of Series D-1 preferred stock, 604,839 shares of Series D-2 preferred stock and 151,208 warrants held by EGS Private Healthcare Partnership, L.P.; 57,604 shares of Series D-1 preferred stock, 86,406 shares of Series D-2 preferred stock and 21,600 warrants held by EGS Private Healthcare Counterpart, L.P.; 1,745,882 shares of Series D-2 preferred stock, 1,034,419 shares of Series E-2 preferred stock and 468,766 warrants held by EGS Private Healthcare Partnership II, L.P.; 275,343 shares of Series D-2 preferred stock, 163,139 shares of Series E-2 preferred stock and 73,929 warrants held by EGS Private Healthcare Investors II, L.P.; 262,714 shares of Series D-2 preferred stock, 155,656 shares of Series E-2 preferred stock and 70,538 warrants held by EGS Private Healthcare Canadian Partners, L.P.; and 20,209 shares of Series D-2 preferred stock, 11,974 shares of Series E-2 preferred stock and 5,426 warrants held by EGS Private Healthcare President’s Fund, L.P.

(5) Includes 1,609,179 shares of Series D-1 preferred stock, 1,382,489 shares of Series D-2 preferred stock, 1,049,488 shares of Series E-2 preferred stock and 659,203 warrants held by entities affiliated with Sanderling Ventures. Also includes 3,725 shares of Series D-1 preferred stock held by Middleton-McNeil L.P. Mr. Middleton is a general partner of Sanderling Ventures and Middleton- McNeil L.P.

(6) Includes 1,843,318 shares of Series D-1 preferred stock, 460,830 shares of Series D-2 preferred stock, 819,113 shares of Series E-2 preferred stock and 509,444 warrants held by Alafi Capital Company LLC. Dr. Alafi is a general partner of Alafi Capital.

(7) Includes 270,303 shares of Series D-1 preferred stock, 115,088 shares of Series D-2 preferred stock and 57,808 warrants held by CID Equity Capital V, L.P. and 170,473 shares of Series E-2 preferred stock and 34,095 warrants held by CID Equity Capital VIII, L.P. Dr. Aplin is a general partner of CID.

(8) Includes 460,830 shares of Series D-1 preferred stock, 230,415 shares of Series D-2 preferred stock and 103,686 warrants held by BOME Investors III, LLC; 460,830 shares of Series D-1 preferred stock, 299,540 shares of Series D-2 preferred stock and 114,055 warrants held by Prolog Capital A, L.P.; and 230,415 shares of Series D-1 preferred stock, 161,290 shares of Series D-2 preferred stock and 58,755 warrants held by Prolog Capital B, L.P. Dr. Johnson is a Principal of each or such entities.

(9) Includes 276,498 shares of Series D-1 preferred stock, 460,829 shares of Series D-2 preferred stock, 161,770 shares of Series E-2 preferred stock and 142,952 warrants held by Emersub XXXVIII, Inc. Emersub XXXVIII, Inc. is an affiliate of Emerson Electric Co. Dr. Ledford is an officer of Emerson Electric Co.

(10) Includes 460,830 shares of Series D-1 preferred stock, 2,995,393 shares of Series D-2 preferred stock, 1,365,188 shares of Series E-2 preferred stock and 791,467 warrants held by EGS. Mr. Lele is a general partner of EGS.

(11) Includes 620,600 shares of Series D-1 preferred stock, 413,732 shares of series D-2 preferred stock and 155,149 warrants held by Advent Health Care and Life Sciences II, L.P.; 48,249 shares of Series D-1 preferred stock, 32,166 shares of Series D-2 preferred stock and 12,061 warrants held by Advent Health Care and Life Sciences II Beteiligungs GmbH & Co. KG; 13,825 shares of Series D-1 preferred stock, 9,217 shares of Series D-2 preferred stock and 3,455 warrants held by Advent Partners HLS II, L.P.; and 8,571 shares of Series D-1 preferred stock, 5,715 shares of Series D-2 preferred stock and 2,142 warrants held by Advent Partners, L.P. Mr. Mills is a general partner of Advent.

(12) The total numbers of warrants issued in each of the D-1, D-2 and E-2 offerings were 1,507,791, 1,605,874 and 1,076,170, respectively.

Relationship with Siemens

In addition to our various alliance agreements with Siemens, described under “Business — Collaborations”, in June 2003, we sold shares of our Series E preferred stock for approximately $10 million, which are convertible into an aggregate of 3,412,970 shares of common stock at a price per common equivalent share of $2.93, to Siemens at the time we entered into an expanded alliance with Siemens. We sold the shares pursuant to a preferred stock purchase agreement under which we made customary representations, warranties and covenants, and provided Siemens with registration rights under the agreements entered into in connection with our previous financings. The registration rights are the only rights that survive beyond this offering. See “Description of Capital Stock”.

In August 2003, we issued a $2 million cumulative convertible pay-in-kind 8% 3-year note to Siemens pursuant to a note purchase agreement, which we entered into in connection with our expanded alliance with Siemens. The note was issued to purchase certain of Siemens’ intellectual property that had previously been licensed to us and that was incorporated into the integrated

NIOBE systems co-developed under our initial alliance. The entire principal of, and accrued and unpaid interest on, the note will be automatically converted into shares of common stock immediately prior to the closing of a firmly underwritten public offering pursuant to a registration statement filed by us under the Securities Act with aggregate gross proceeds in excess of $20 million at a conversion price equal to the gross per share proceeds from such offering, prior to deduction of underwriting commissions and discounts.

Relationship with J&J

In December 2003, we sold shares of our Series E-1 preferred stock for approximately $9.5 million, which is convertible into an aggregate of 3,242,321 shares of common stock at a price per common equivalent share of $2.93, to Johnson & Johnson Development Corporation, a subsidiary of Johnson & Johnson, in connection with entering into an expanded alliance with the Biosense Webster subsidiary of Johnson & Johnson. We sold the shares pursuant to a preferred stock purchase agreement under which we made customary representations, warranties and covenants, and provided Johnson & Johnson Development Corporation with registration rights under the agreements entered into in connection with our previous financings. The registration rights are the only rights that survive beyond this offering. See "Description of Capital Stock".

Under our alliance agreements with J&J, either party has an option to terminate the alliance in certain instances involving a "change of control" of Stereotaxis. If we elect to terminate the alliance pursuant to this provision, however, we are required to pay a termination fee equal to 5% of the total equity value of Stereotaxis in the change of control transaction, up to a maximum of $10 million.

Stockholders' Agreement

On December 17, 2003, we entered into an amended and restated stockholders' agreement in connection with our Series D-2 financing with several of our stockholders. We entered into a number of amendments to that agreement in connection with our Series E, E-1 and E-2 financings in order to add new investors as parties to that agreement and to make various other modifications to the agreement. Under the agreement as amended, each of the stockholders agreed to take all action necessary, so as to cause our authorized number of directors to be ten, consisting of the following individuals:

- one director who has been selected by the holders of a majority of each of the Series A Preferred Stock, currently Fred A. Middleton;
- one director who has been selected by the holders of a majority of each of the Series B Preferred Stock, currently Randall D. Ledford;
- one director who has been selected by Gateway Venture Partners so long as it owns shares of Series B Preferred or common stock issued upon conversion, currently Gregory R. Johnson;
- one director who has been selected by CID Equity Capital V, L.P. so long as it owns shares of Series C Preferred or common stock issued upon conversion, currently John C. Aplin;
- one director who has been selected by Advent International or a designee of Advent so long as it owns shares of Series D Preferred or common stock issued upon conversion, currently William C. Mills III;
- one director who has been selected by Ampersand Ventures so long as it owns shares of Series D Preferred or common stock issued upon conversion, currently David J. Parker;
- one director who has been selected by the holders of a majority of each of the Series D-1 Preferred Stock, currently William M. Kelley;
- our chief executive officer, currently Bevil J. Hogg; and

- two individuals designated jointly by the foregoing directors, currently Ralph G. Dacey, Jr. and Christopher Alafi.

In April 2004, the stockholders approved an increase to the number of directors to 11 and elected Abhijeet Lele as EGS Private Healthcare's designated representative. We also agreed to take such actions as are reasonably necessary to cause, and the stockholders are required to cause their director-designees to vote in favor of, the appointment of the Ampersand director as a member of our compensation committee and the appointment of the Advent director as a member of our audit committee.

The stockholders' agreement terminates on the earlier of:

- the closing of a public offering of shares of our capital stock pursuant to a registration statement filed under the Securities Act, other than a registration statement relating solely to employee benefit plans or a transaction covered by SEC Rule 145;
- the time that we become required to file reports with the SEC under the Securities Exchange Act of 1934; or
- upon any change in control of us by reason of:
  - any consolidation or merger of Stereotaxis with or into any other corporation or other entity or person, or any other corporate reorganization in which we are not the continuing or surviving entity of such consolidation, merger or reorganization or any transaction or series of related transactions by us in which in excess of 50% of our voting securities are transferred; or
  - a sale, lease, license or other disposition of all or substantially all of our assets.

Indemnification and Employment Agreements

As permitted by the Delaware General Corporation Law, we have adopted provisions in our certificate of incorporation and bylaws that authorize and require us to indemnify our officers and directors to the full extent permitted under Delaware law, subject to limited exceptions. See "Management — Limitation of Liability and Indemnification". We have also entered into employment agreements with our named executive officers. See "Management — Agreements with Named Executive Officers".

We have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances.

Stock Option Grants

We have granted stock options to purchase shares of our common stock to our executive officers and directors. See "Principal Stockholders" and "Management — Summary Compensation Table".

Amended and Restated Investor Rights Agreement

We, our preferred stockholders and certain of our common stockholders have entered into an agreement under which those stockholders have registration rights with respect to their shares of common stock following this offering. Upon closing of this offering, all our currently outstanding shares of preferred stock will be converted into shares of our common stock. See "Description of Capital Stock — Registration Rights" for a further description of the terms of this agreement.

Other Transactions

We reimburse members of the Board of Directors for travel related expenditures related to their services to us.

We made total payments of approximately $125,000 in 2001, $85,000 in 2002 and $20,000 in 2003 to Sanderling Management Company, LLC, one of our principal stockholders and an affiliate of Mr. Middleton, chairman of our board of directors, for reimbursement of consulting, administrative and financial services performed on our behalf and for reimbursement of out-of-pocket expenses. We terminated the arrangement for consulting, administrative and financial services in 2003. We reimbursed Mr. Middleton for travel expenditures related to his service as Chairman during 2003.

We made total payments of $5,000 in 2002 and $25,000 in 2003 to Mr. Kelley, one of our directors, as compensation for consulting services.

We have entered into various agreements regarding research collaboration and other matters with Washington University, in St. Louis, Missouri and other parties affiliated with it. Dr. Dacey is the Chairman of Neurosurgery of the Washington University School of Medicine. Dr. Dacey receives no compensation from Washington University under these agreements.

In December 2000 we loaned $54,250 to Bevil Hogg in connection with the exercise of options to purchase 250,000 shares of common stock. The note bore interest at the rate of 7% per annum. As of March 31, 2004 the outstanding principal and interest on the note was $68,195. Mr. Hogg repaid this note in May 2004.

In November 2001 we loaned $134,700 to Doug Bruce in connection with the exercise of options to purchase 300,000 shares of common stock. The note is full recourse and bears interest at the rate of 7% per annum. As of March 31, 2004 the outstanding principal and interest on the note was $158,833. Principal and interest are due on November 20, 2006.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of April 30, 2004 and as adjusted to reflect the sale of the shares offered, by:

- each person known by us to own beneficially more than 5% of our outstanding common stock;
- each of our directors;
- each named executive officer; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power over securities. The table below includes the number of shares underlying options and warrants that are currently exercisable or exercisable within 60 days of April 30, 2004 and is adjusted to reflect the conversion of all shares of our preferred stock into an aggregate of 66,436,116 shares of our common stock prior to this offering. It is therefore based on 72,003,728 shares of common stock outstanding before this offering and shares of common stock outstanding immediately after this offering, based on the number of shares outstanding as of April 30, 2004. Shares of common stock subject to options and warrants that are currently exercisable or exercisable within 60 days of April 30, 2004 are considered outstanding and beneficially owned by the person holding the options or warrants for the purposes of computing beneficial ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws where applicable, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is as follows: c/o Stereotaxis, Inc., 4041 Forest Park Avenue, St. Louis, Missouri 63108.

Name of beneficial owner	Number of shares beneficially owned	Percent beneficially owned before this offering	Percent beneficially owned after this offering
Five percent stockholders			
Entities affiliated with Sanderling Ventures(1)			
400 S. El Camino Real, Suite 1200			
San Mateo, CA 94402	11,263,268	15.50%	%
Alafi Capital Company LLC(2)			
9 Commodore Drive, Suite 405			
Emeryville, CA 94608	8,072,250	11.13%	%
Entities affiliated with EGS Healthcare(3)			
105 Rowayton Avenue, 2nd Floor			
Rowayton, CT 06853	6,813,687	9.36%	%
Entities affiliated with Ampersand Ventures(4)			
55 William Street, Suite 240			
Wellesley, MA 02481	4,725,703	6.55%	%

	Number of shares beneficially owned	Percent beneficially owned before this offering	Percent beneficially owned after this offering
Directors and named executive officers			
Fred A. Middleton(5)	12,030,144	16.56%	%
Christopher Alafi(6)	8,679,704	11.96%	%
Gregory R. Johnson(7)	5,160,725	7.14%	%
David J. Parker(8)	4,725,703	6.55%	%
William C. Mills III(9)	3,706,530	5.13%	%
John C. Aplin(10)	2,725,267	3.78%	%
Randall D. Ledford(11)	2,650,408	3.67%	%
Bevil J. Hogg(12)	1,997,708	2.74%	%
Ralph G. Dacey, Jr.	180,000	*	%
William M. Kelley(13)	119,376	*	%
Michael P. Kaminski(14)	284,373	*	%
Douglas M. Bruce(15)	481,771	*	%
Melissa Walker(16)	205,209	*	%
Abhijeet Lele(17)	6,813,687	9.36%	%
Nicola J.H. Young(18)	421,875	*	%
All directors and executive officers as a group (16 persons)	50,182,480	65.31%	%

* Indicates ownership of less than 1%.

(1) Includes 116,480 shares of common stock and 2,811,786 shares of preferred stock held by Sanderling Venture Partners II, L.P., 43,629 shares of common stock and 1,085,823 shares of preferred stock held by Sanderling Ventures Limited, L.P., 1,841,216 shares of preferred stock and 34,130 warrants held by Sanderling IV Biomedical Co-Investment Fund, L.P., 807,005 shares of preferred stock held by Sanderling Venture Partners IV Co-Investment Fund, L.P., 1,995,215 shares of preferred stock and 305,995 warrants held by Sanderling Venture Partners V Co-Investment Fund, L.P., 290,312 shares of preferred stock and 88,932 warrants held by Sanderling V Beteiligungs GmbH & Co. KG., 326,303 shares of preferred stock and 81,374 warrants held by Sanderling V Limited Partnership, 1,209,629 shares of preferred stock and 135,743 warrants held by Sanderling V Biomedical Co-Investment Fund, L.P., 76,667 shares of preferred stock and 11,301 warrants held by Sanderling Ventures Management V; and 1,728 warrants held by Sanderling II Limited Partnership (collectively, "Sanderling").

(2) Includes 7,562,806 shares of preferred stock and 509,444 warrants held by Alafi Capital Company LLC ("Alafi Capital").

(3) Includes 2,058,773 share of preferred stock and 151,208 warrants held by EGS Private Healthcare Partnership, L.P., 294,111 shares of preferred stock and 21,600 warrants held by EGS Private Healthcare Counterpart, L.P., 2,780,301 shares of preferred stock and 468,766 warrants held by EGS Private Healthcare Partnership II L.P., 438,482 shares of preferred stock and 73,929 warrants held by EGS Private Healthcare Investors II, L.P., 418,370 shares of preferred stock and 70,538 warrants held by EGS Private Healthcare Canadian Partners, L.P. and 32,183 shares of preferred stock and 5,426 warrants held by EGS Private Healthcare President's Fund, L.P. (collectively, "EGS").

(4) Includes 75,950 shares of common stock, 4,402,875 shares of preferred stock and 152,365 warrants held by Ampersand 1999 Limited Partnership and 1,550 shares of common

stock, 89,855 shares of preferred stock and 3,108 warrants held by Ampersand 1999 Companion Fund Limited Partnership (collectively, "Ampersand").

(5) Includes 160,109 shares of common stock, 10,443,956 shares of preferred stock and 659,203 warrants held by Sanderling and 20,851 shares of common stock and 518,945 shares of preferred stock held by Middleton-McNeil L.P. Mr. Middleton is a general partner of Sanderling Ventures and Middleton-McNeil L.P. and disclaims beneficial ownership of the shares and warrants held by Sanderling and Middleton-McNeil L.P. except to the extent of his proportionate partnership interest therein.

(6) Includes 7,562,806 shares of preferred stock and 509,444 warrants held by Alafi Capital Company, LLC ("Alafi Capital"). Dr. Alafi is a general partner of Alafi Capital and disclaims beneficial ownership of the shares and warrants held by Alafi Capital except to the extent of his proportionate partnership interest therein.

(7) Includes 25,000 shares of common stock and 1,888,412 shares of preferred stock held by Gateway Venture Partners III, L.P., 666,668 shares of preferred stock held by BOME Investors, Inc., 460,829 shares of preferred stock held by BOME Investors II, L.L.C., 691,245 shares of preferred stock and 103,686 warrants held by BOME Investors III, L.L.C., 760,370 shares of preferred stock and 114,055 warrants held by Prolog Capital A, L.P. and 391,705 shares of preferred stock and 58,755 warrants held by Prolog Capital B, L.P. Dr. Johnson is a Principal of each of such entities and disclaims beneficial ownership of the shares and warrants held by such entities except to the extent of his proportionate partnership interest therein.

(8) Includes 52,500 shares of common stock, 4,492,730 shares of preferred stock and 155,473 warrants held by Ampersand. Mr. Parker is a general partner of Ampersand and disclaims beneficial ownership of the shares and warrants held by Ampersand except to the extent of his proportionate partnership interest therein.

(9) Includes 3,102,996 shares of preferred stock and 155,149 warrants held by Advent Health Care and Life Sciences II Limited Partnership, 241,245 shares of preferred stock and 12,061 warrants held by Advent Health Care and Life Sciences II Beteiligung GmbH & Co. KG, 69,125 shares of preferred stock and 3,455 warrants held by Advent Partners HLS II Limited Partnership and 42,857 shares of preferred stock and 2,142 warrants held by Advent Partners Limited Partnership (collectively, "Advent"). Mr. Mills is a general partner of Advent and disclaims beneficial ownership of the shares and warrants held by Advent except to the extent of his proportionate partnership interest therein. Also includes options to purchase 77,500 shares of common stock.

(10) Includes 25,000 shares of common stock, 2,385,391 shares of preferred stock and 57,808 warrants held by CID Equity Capital V, L.P. and 170,473 shares of preferred stock and 34,095 warrants held by CID Equity Capital VIII, L.P. (collectively, "CID"). Dr. Aplin is a general partner of CID and disclaims beneficial ownership of the shares and warrants held by CID except to the extent of his proportionate partnership interest therein. Also includes options to purchase 52,500 shares of common stock.

(11) Includes 25,000 shares of common stock, 2,429,956 shares of preferred stock and 142,952 warrants held by Emersub XXXVIII, Inc., an affiliate of Emerson Electric Co. Dr. Ledford is an officer of Emerson Electric Co. and disclaims beneficial ownership of the shares and warrants held by Emersub XXXVIII, Inc. Also includes options to purchase 52,500 shares of common stock.

(12) Includes options to purchase 917,708 shares of common stock, 322,922 shares of which, when received upon exercise, would be subject to repurchase by us. Our right to repurchase lapses ratably on a monthly basis, with the repurchase right terminating in full on the fourth anniversary of the date of the grant.

(13) Includes options to purchase 119,376 shares of common stock.

(14) Includes options to purchase 284,373 shares of common stock.

(15) Includes 300,000 shares received upon exercise of stock options, 62,502 shares of which are subject to repurchase by us. Also includes options to purchase 181,771 shares of common stock, 72,918 shares of which, when received upon exercise, are subject to repurchase by us. Our right to repurchase both the shares already received and any shares received upon exercise of the stock option lapses ratably on a monthly basis, with the repurchase right terminating in full on the fourth anniversary of the date of the grant.

(16) Includes options to purchase 205,209 shares of common stock, 47,397 shares of which, when received upon exercise, would be subject to repurchase by us. Our right to repurchase lapses ratably on a monthly basis, with the repurchase right terminating in full on the fourth anniversary of the date of the grant.

(17) Includes 6,022,220 shares of preferred stock and 791,467 warrants held by EGS. Mr. Lele is a general partner of EGS and disclaims beneficial ownership of such shares and warrants held by EGS except to the extent of his proportionate partnership interest therein.

(18) Includes 350,000 shares received upon exercise of stock options, 51,045 shares of which are subject to repurchase by us. Also includes options to purchase 71,875 shares of common stock, 10,416 shares of which, when received upon exercise, would be subject to repurchase by us.

DESCRIPTION OF CAPITAL STOCK

The following information describes our common stock and preferred stock, as well as options and warrants to purchase our common stock, and provisions of our certificate of incorporation and our bylaws, all as will be in effect upon the closing of this offering. This description is only a summary. You should also refer to our amended and restated certificate of incorporation and bylaws which have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part.

Upon the completion of this offering, we will be authorized to issue up to 110,000,000 shares of capital stock, par value $.001 per share, to be divided into two classes to be designated, respectively, "common stock" and "preferred stock". Of such shares authorized, 100,000,000 shares shall be designated as common stock, and 10,000,000 shares shall be designated as preferred stock.

Common Stock

As of March 31, 2004, there were 71,983,291 shares of common stock outstanding that were held of record by approximately 197 stockholders, assuming conversion of all shares of preferred stock outstanding as of March 31, 2004 into 66,436,116 shares of common stock. There will be shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options, after giving effect to the sale of common stock offered in this offering.

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the shares voting are able to elect all of the directors. Subject to preferences that may be granted to any then outstanding preferred stock, holders of common stock are entitled to receive ratably only those dividends as may be declared by the board of directors out of funds legally available therefor, as well as any distributions to the stockholders. See "Dividend Policy". In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all of our assets remaining after we pay our liabilities and distribute the liquidation preference of any then outstanding preferred stock. Holders of common stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

Upon completion of this offering, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of Stereotaxis. We have no present plan to issue any shares of preferred stock.

Treasury Stock

As of March 31, 2004, we had 66,355 shares of treasury stock purchased at a weighted average price of $0.27 per share.

Warrants

As of March 31, 2004, there were warrants outstanding to purchase 4,189,835 shares of common stock at a weighted average exercise price of $2.37 per share, and warrants to purchase 105,560 shares of our Series D-1 preferred stock at an exercise price of $2.17 per share.

The common stock warrants were issued in connection with our Series D-1, D-2 and E-2 preferred stock financings. Each of the warrant agreements provides that if the warrants have not been exercised as of the date of any "Senior Preferred Qualified IPO," then the warrantholder will be deemed to have made an election to effect a cashless exercise as of that date for all shares issuable under the warrant agreements. Under the cashless exercise, in lieu of paying the exercise price in cash, the warrantholder will surrender the warrant for the number of shares of common stock determined by multiplying the number of shares to which the warrantholder would otherwise be entitled by a fraction, with a numerator equal to the difference between the then current "fair market value" per share of common stock and the then current exercise price and with a denominator equal to the then current fair market value per share of our common stock. A "Senior Preferred Qualified IPO" means a firm commitment underwritten initial public offering by us pursuant to an effective registration statement under the Securities Act at a public offering price per share of not less than $4.34 (subject to adjustment in specified instances) with aggregate gross proceeds to us of over $20 million, prior to deduction of underwriters' commissions and expenses. In the event of such a deemed exercise, the "fair market value" will be equal to the net per share proceeds to us in a Senior Preferred Qualified IPO, after deduction of underwriting commissions and discounts. Unless we state otherwise, the information in this prospectus does not give effect to any deemed cashless exercise.

The preferred stock warrants were issued to Silicon Valley Bank in January, March and September of 2002 in connection with various credit facilities we entered into with them. The warrants will remain outstanding following the completion of the offering and will be exercisable for shares of our common stock. Silicon Valley Bank will be afforded registration rights for shares of common stock issuable upon exercise of the warrants under the terms of our existing investor rights agreement, the terms of which are described below under "— Registration Rights".

Options

As of March 31, 2004, additional options to purchase a total of 1,693,257 shares of our common stock may be granted under our 2002 Stock Incentive Plan and our 2002 Non-Employee Directors' Stock Plan. As of March 31, 2004, there are outstanding options to purchase a total of 2,863,810 shares of our common stock under the 1994 Stock Option Plan, 4,049,500 shares under our 2002 Stock Incentive Plan and 505,000 shares under our 2002 Non-Employee Directors Plan. Any shares issued upon exercise of these options will be immediately available for sale in the public market upon our filing, after the offering, of a registration statement relating to the options, subject to the terms of lock-up agreements entered into between certain of our option holders and the underwriters.

Registration Rights

After the closing of this offering, the holders of approximately shares of our common stock, including shares issuable upon conversion of outstanding shares of our preferred stock and upon conversion or exercise of outstanding warrants and a conversion of a convertible note, at an assumed offering price of $ per share in this offering, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, these holders are entitled to notice of such registration and are entitled to include their common stock in such registration, subject to certain marketing and other limitations. Beginning six months after the closing of this offering, the holders of at least 20% of these securities

have the right to require us, on not more than one occasion, to file a registration statement under the Securities Act in order to register shares of their common stock. We may, in certain circumstances, defer such registrations and the underwriters have the right, subject to certain limitations, to limit the number of shares included in such registrations. Further, these holders may require us to register all or a portion of their shares on Form S-3, subject to certain conditions and limitations.

We will bear all costs related to the registration of these shares other than underwriting discounts and commissions incurred in connection with registration.

Registration of shares of common stock upon the exercise of registration rights at any time six months after the closing of this offering would result in the covered shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration of those shares.

Anti-Takeover Provisions of Delaware Law and Charter Provisions

Interested Stockholder Transactions

We are subject to Section 203 of the General Corporation Law of the State of Delaware, which prohibits a Delaware corporation from engaging in any "business combination" with any "interested stockholder" for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines "interested stockholder" as an entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or any entity or person affiliated with or controlling or controlled by such entity or person.

In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective upon closing of this offering, may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Cumulative Voting

Our amended and restated certificate of incorporation will expressly deny stockholders the right to cumulative voting in the election of directors.

Classified Board of Directors

Our board of directors will be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the board of directors will be elected each year, which has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of the members of the board. These provisions, when coupled with the provision of our amended and restated certificate of incorporation authorizing only the board of directors to fill vacant directorships or increase the size of the board of directors, may deter a stockholder from removing incumbent directors and simultaneously gaining control of the board of directors by filling the vacancies created by such removal with its own nominees. The certificate of incorporation also provides that directors may be removed by stockholders only for cause. Since the board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

Stockholder Action; Special Meeting of Stockholders

Our amended and restated certificate of incorporation and bylaws will eliminate the ability of stockholders to act by written consent. They will also provide that special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer or a majority of our directors. Further, our amended and restated certificate of incorporation will provide that the stockholders may amend bylaws adopted by the board of directors or specified provisions of the certificate of incorporation by the affirmative vote of at least 66 2/3% of our capital stock.

Advance Notice Requirements for Stockholder Proposals and Directors Nominations

Our amended and restated bylaws will provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not more than 120 days or less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders or between January 26, 2005 and February 25, 2005 in the case of the 2005 annual meeting. However, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the 10th day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our amended and restated bylaws will also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Authorized But Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of Stereotaxis by means of a proxy contest, tender offer, merger or otherwise.

Amendments; Supermajority Vote Requirements

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless either a corporation's certificate of incorporation or bylaws require a greater percentage. Our amended and restated certificate of incorporation will impose supermajority vote requirements of 66 2/3% of the voting power of our capital stock in connection with the amendment of certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws, including those provisions relating to the classified board of directors, action by written consent and the ability of stockholders to call special meetings.

Nasdaq National Market Listing

We have applied for quotation of our common stock on the Nasdaq National Market under the symbol "STXS".

Transfer Agent And Registrar

The transfer agent and registrar for our common stock will be The Bank of New York. Its address is 101 Barclay Street, Floor 11E, New York, NY 10286, and its telephone number is (212) 815-3644.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options and warrants, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon completion of this offering and based on shares outstanding as of March 31, 2004, we will have an aggregate of shares of common stock outstanding. Of these shares, all the shares sold in this offering, plus any shares issued upon exercise of the underwriters' option to purchase additional shares from us, will be freely tradable without restriction under the Securities Act, unless purchased by us or our "affiliates" as that term is defined in Rule 144 under the Securities Act. Shares of Stereotaxis not registered by this registration statement and shares of Stereotaxis acquired by us or our "affiliates" after this offering constitute "restricted securities" within the meaning of Rule 144 and may not be offered or sold in the open market after the offering, except subject to the applicable requirements of Rule 144 or Rule 701 under the Securities Act, which are described below, or another available exemption from registration under the Securities Act.

The remaining shares sold by us in reliance on exemptions from the registration requirements of the Securities Act, are "restricted securities" within the meaning of Rule 144 under the Securities Act and become eligible for sale in the public market as follows:

- beginning 90 days after the effective date, shares will become eligible for sale subject to the provisions of Rules 144 and 701; and

- beginning 180 days after the date of this prospectus, additional shares will become eligible for sale, subject to the provisions of Rule 144, Rule 144(k) or Rule 701, upon the expiration of agreements not to sell such shares entered into between the underwriters and such stockholders.

After the offering, the holders of shares of our common stock, including shares issuable upon conversion of outstanding shares of our preferred stock and upon conversion or exercise of outstanding warrants and conversion of a convertible note, will be entitled to registration rights. For more information on these registration rights, see "Description of Capital Stock — Registration Rights."

Our directors, officers and substantially all of our stockholders, option holders and warrant holders have entered into lock-up agreements with the underwriters of this offering generally providing that they will not offer, sell, contract to sell or grant any option to purchase or otherwise dispose of our shares of common stock or any securities exercisable for or convertible into our common stock owned by them prior to this offering for a period of 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co. on behalf of our underwriters. As a result of these contractual restrictions, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, shares subject to lock-up agreements may not be sold until such agreements expire or are waived by Goldman, Sachs & Co. on behalf of our underwriters. Based on shares outstanding as of , 2004, taking into account the lock-up agreements, and assuming Goldman, Sachs & Co. does not release stockholders from these agreements prior to the expiration of the 180-day lock-up period, the following shares will be eligible for sale in the public market at the following times:

- beginning on the date of this prospectus, the shares sold in this offering will be immediately available for sale in the public market;

- beginning 180 days after the date of this prospectus, approximately additional shares will become eligible for sale under Rule 144 or 701, subject to volume restrictions as described below; and

- the remainder of the restricted securities will be eligible for sale from time to time thereafter, subject in some cases to compliance with Rule 144.

We anticipate that all participants in the directed share program described under "Underwriting" will also agree to restrictions on their ability to sell their common stock, except with our prior written consent and other limited exceptions.

In general, under Rule 144 as currently in effect, a person who has beneficially owned restricted shares for at least one year, including the holding period of any prior owner except an affiliate, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or

- the average weekly trading volume of our common stock during the four calendar weeks preceding the date on which notice of the sale is filed.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted pursuant to the lock-up agreements or otherwise, those shares may be sold immediately upon the completion of this offering.

Any of our employees, officers, directors or consultants who purchased his or her shares before the date of completion of this offering or who holds vested options as of that date pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701. Rule 701 permits non-affiliates to sell their Rule 701 shares without complying with the public-information, holding-period, volume-limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with Rule 144's holding-period restrictions, in each case commencing 90 days after the date of completion of this offering, subject, however, to the lock-up agreements. See "Underwriting".

No precise prediction can be made as to the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price of our common stock following this offering. We are unable to estimate the number of our shares that may be sold in the public market pursuant to Rule 144 or Rule 701 because this will depend on the market price of our common stock, the personal circumstances of the sellers and other factors. See "Risk Factors — Risks Related To Our Common Stock — Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that they may occur, may depress the market price of our common stock".

Within 90 days following the effectiveness of this offering, we intend to file registration statements on Form S-8 under the Securities Act to register shares of common stock subject to outstanding options or reserved for issuance under our 1994 Stock Option Plan, our 2002 Stock Incentive Plan, our 2002 Non-Employee Directors' Stock Plan and our 2004 Employee Stock Purchase Plan, thus permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act, subject to any applicable lock-up agreements. Such registration statements will become effective immediately upon filing.

CERTAIN MATERIAL U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS

This is a summary of certain material U.S. federal income tax and estate tax consequences relating to the purchase, ownership and disposition of our common stock applicable to non-U.S. holders, as defined below. This summary is based on the Internal Revenue Code of 1986, or the Code, as amended to the date hereof, Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, changes to any of which subsequent to the date of the registration statement may affect the tax consequences described herein. We undertake no obligation to update this tax summary in the future. This summary applies only to non-U.S. holders that will hold our common stock as capital assets within the meaning of Section 1221 of the Code. It does not purport to be a complete analysis of all the potential tax consequences that may be material to a non-U.S. holder based on his or her particular tax situation. This summary does not address tax consequences applicable to non-U.S. holders that may be subject to special tax rules, such as banks, tax-exempt organizations, pension funds, insurance companies or dealers in securities or foreign currencies, or persons that have a functional currency other than the U.S. dollar. This summary does not address the tax treatment of partnerships or persons who hold their interests through a partnership or another pass-through entity. This summary does not consider the effect of any applicable state, local, foreign or other tax laws.

When we refer to a non-U.S. holder, we mean a beneficial owner of common stock that for U.S. federal income tax purposes is:

- a nonresident alien individual (other than certain former citizens and residents of the U.S. subject to tax as expatriates);
- a foreign corporation or other entity taxable as a corporation for U.S. federal income tax purposes; or
- a foreign estate or trust.

We urge you to consult your tax advisor about the U.S. federal tax consequences of purchasing, holding, and disposing of our common stock in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Taxation of Dividends and Dispositions

Dividends on Common Stock. In general, if distributions are made with respect to our common stock, such distributions will be treated as dividends to the extent of our current and accumulated earnings and profits as determined under the Code. Any portion of a distribution that exceeds our current and accumulated earnings and profits will first be applied in reduction of the non-U.S. holder's basis in the common stock, and to the extent such portion exceeds the non-U.S. holder's basis, the excess will be treated as gain from the disposition of the common stock, the tax treatment of which is discussed below under "Dispositions of Common Stock".

Generally, dividends paid to a non-U.S. holder will be subject to the U.S. withholding tax at a 30% rate, subject to the two following exceptions.

- Dividends effectively connected with a trade or business of a non-U.S. holder within the U.S. generally will not be subject to withholding if the non-U.S. holder complies with applicable IRS certification requirements and generally will be subject to U.S. federal income tax on a net income basis at regular graduated rates. In the case of a non-U.S. holder that is a corporation, such effectively connected income also may be subject to the branch profits tax, which generally is imposed on a foreign corporation on the deemed repatriation from the U.S. of effectively connected earnings and profits at a 30% rate (or such lower rate as may be prescribed by an applicable tax treaty).

- The withholding tax might not apply, or might apply at a reduced rate, under the terms of an applicable tax treaty. Under the Treasury regulations, to obtain a reduced rate of withholding under a tax treaty, a non-U.S. holder generally will be required to satisfy applicable certification and other requirements.

Dispositions of Common Stock. Generally, a non-U.S. holder will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of such holder's shares of common stock unless:

- the non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition and certain other conditions are met;
- such gain is effectively connected with the conduct by a non-U.S. holder of a trade or business within the U.S. and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the non-U.S. holder; or
- we are or have been a "U.S. real property holding corporation" for federal income tax purposes and, assuming that the common stock is deemed to be "regularly traded on an established securities market," the non-U.S. holder held, directly or indirectly at any time during the five-year period ending on the date of disposition or such shorter period that such shares were held, more than five percent of our common stock.

We believe we are not currently, and do not anticipate becoming, a "U.S. real property holding corporation" for U.S. federal income tax purposes.

Special rules may apply to certain non-U.S. holders, such as "controlled foreign corporations", "passive foreign investment companies," "foreign personal holding companies" and corporations that accumulate earnings to avoid U.S. federal income tax, that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the U.S. federal, state, local, foreign and other tax consequences that may be relevant to them.

Federal Estate Tax

Common stock owned or treated as owned by an individual non-U.S. holder at the time of death generally will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Information Reporting. The payment of a dividend to a non-U.S. holder is generally not subject to information reporting on IRS Form 1099 if applicable certification requirements are satisfied. The payment of proceeds from the sale of common stock by a broker to a non-U.S. holder is generally not subject to information reporting, if the broker or payor does not have actual knowledge or reason to know that the payer is a U.S. person and:

- the beneficial owner of the common stock certifies its non-U.S. status under penalties of perjury, or otherwise establishes an exemption; or
- the sale of the common stock is effected outside the U.S. by a foreign office of a broker, unless the broker is:
  - a U.S. person;
  - a foreign person that derives 50% or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the U.S.;
  - a controlled foreign corporation for U.S. federal income tax purposes; or
  - a foreign partnership more than 50% of the capital or profits of which is owned by one or more U.S. persons or which engages in a U.S. trade or business.

In addition to the foregoing, we must report annually to the IRS and to each non-U.S. holder on IRS Form 1042-S the entire amount of any distribution irrespective of any estimate of the portion of the distribution that represents a taxable dividend. This information may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

Backup Withholding. Backup withholding is only required on payments that are subject to the information reporting requirements, discussed above, and if other requirements are satisfied. Even if the payment of proceeds from the sale of common stock is subject to the information reporting requirements, the payment of sale proceeds from a sale outside the U.S. will not be subject to backup withholding unless the payor has actual knowledge the payee is a U.S. person. Backup withholding does not apply when any other provision of the Code requires withholding. As withholding is generally required on dividends paid to non-U.S. holders, as discussed above, backup withholding is not also imposed. Thus, backup withholding may be required on payments subject to information reporting, and not otherwise subject to withholding.

Backup withholding is not an additional tax. Any amount withheld from a payment to a non-U.S. holder under these rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished timely to the IRS.

The U.S. federal income tax and estate tax summary set forth above is included for general information only and may not be applicable depending upon your particular situation. You should consult your own tax advisors with respect to the tax consequences to you of the purchase, ownership and disposition of the common stock, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in federal or other tax laws.

UNDERWRITING

Stereotaxis and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. is the sole book-running manager of this offering.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Bear, Stearns & Co. Inc.	
Deutsche Bank Securities Inc.	
A.G. Edwards & Sons, Inc.	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have a 30-day option to buy from us up to an additional shares at the initial public offering price less the underwriting discounts and commissions to cover these sales. If any shares are purchased under this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares.

	Paid by Stereotaxis	
	No exercise	Full exercise
Per share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms.

We and each of our directors, officers and substantially all of our stockholders, option holders and warrant holders have agreed with the underwriters, pursuant to lock-up agreements, not to offer, sell, contract to sell, hedge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any of our common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, without the prior written consent of Goldman, Sachs & Co. We currently anticipate that we will undertake a directed share program, pursuant to which we will direct the underwriters to reserve shares of our common stock for sale at the initial offering price to directors, officers, employees and friends. The number of shares of common stock available for sale to the general public in the public offering will be reduced to the extent these persons purchase any reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby. Shares purchased in this program by persons who have otherwise entered

into lock-up agreements with the underwriters, as described above, generally may not be sold for 180 days after the date of this prospectus.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among us and the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of the business potential and our earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made for quotation of the common stock on the Nasdaq National Market under the symbol "STXS".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares from us in the offering or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the Nasdaq National Market or in the over-the-counter market or otherwise.

Each underwriter has represented, warranted and agreed that: (i) it has not offered or sold and, prior to the expiration of a period of six months from the closing date, will not offer or sell any shares to person in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with

all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold, transferred or delivered, as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

No syndicate member has offered or sold, or will offer or sell, in Hong Kong, by means of any document, any shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or under circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, nor has it issued or had in its possession for the purpose of issue, nor will it issue or have in its possession for the purpose of issue, any invitation or advertisement relating to the shares in Hong Kong (except as permitted by the securities laws of Hong Kong) other than with respect to shares which are intended to be disposed of to persons outside Hong Kong or to be disposed of only to persons whose business involves the acquisition, disposal, or holding of securities (whether as principal or as agent).

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered, or sold, or be made the subject of any invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the shares to the public in Singapore.

Each underwriter has acknowledged and agreed that the securities have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

The underwriters have informed us that they do not expect discretionary sales to exceed % of the total number of shares offered.

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately $.

We have agreed to indemnify the several underwriters against some liabilities, including liabilities under the Securities Act and to contribute to payments that the underwriters may be required to make in respect thereof.

As of March 31, 2004, an affiliate of A.G. Edwards & Sons, Inc. owned 1,376,276 shares of our preferred stock, which will convert into 1,376,276 shares of our common stock upon the closing of this offering, and warrants to purchase 106,207 shares of our common stock which will be automatically exercised upon the closing of this offering if not previously exercised at exercise prices ranging from $2.17 to $2.93 per share. In the ordinary course of their businesses, the underwriters or their affiliates have performed and may in the future perform various financial advisory, and investment banking services for us from time to time, for which they have received or will receive customary fees.

VALIDITY OF SECURITIES

The validity of the common stock offered hereby will be passed upon for us by Bryan Cave LLP, St. Louis, Missouri, and for the underwriters by Sullivan & Cromwell LLP, New York, New York. James L. Nouss, Jr., a partner of our legal counsel Bryan Cave LLP, is one of three managers of a private investment fund that owns 246,058 shares of our Series C preferred stock, has an ownership interest in two other private investment funds that own 233,575 and 359,870 shares, respectively, of our Series B and C preferred stock, and is also our corporate secretary.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our financial statements as of December 31, 2002 and 2003, and for each of the three years in the period ended December 31, 2003 as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

In May 2002, our board of directors dismissed Arthur Andersen LLP and engaged Ernst & Young LLP as our principal accountants. The reports of Arthur Andersen LLP on the fiscal 2001 financial statements of Stereotaxis (not included herein) did not contain any adverse opinion or disclaimer of opinion, nor were they disqualified or modified as to uncertainty, audit scope or accounting principles. There were no disagreements between us and Arthur Andersen LLP during fiscal year 2001 or during fiscal 2002 preceding their replacement on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have cause them to make reference to the subject matter of the disagreement in connection with their reports. None of the reportable events described under item 304(a)(1)(v) of Regulation S-K occurred within our two more recent fiscal years and the first quarter of fiscal 2004. During fiscal 2001 and during fiscal 2002 preceding Arthur Andersen LLP replacement, we did not consult with Ernst & Young LLP regarding any of the matters or events set forth in item 304(a)(2)(i) and (ii) of Regulation S-K.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including exhibits, schedules and amendments) under the Securities Act with respect to the shares of common stock to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information with respect to us and the shares of common stock to be sold in this offering, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. Whenever a reference is made in this prospectus to any contract or other document of ours, the reference may not be complete, and you should refer to the exhibits that are apart of the registration statement for a copy of the contract or document.

You may read and copy all or any portion of the registration statement or any other information that we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings, including the registration statement, are also available to you on the SEC's web site (http://www.sec.gov).

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934, and, in accordance with those requirements, will file periodic reports, proxy statements and other information with the SEC. This prospectus includes statistical data that were obtained from industry publications. These industry publications generally indicate that the authors of these publications have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While we believe these industry publications to be reliable, we have not independently verified their data.

STEREOTAXIS, INC.

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Report of Independent Auditors

The Board of Directors

Stereotaxis, Inc.

We have audited the accompanying balance sheets of Stereotaxis, Inc. (the Company) as of December 31, 2002 and 2003, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stereotaxis, Inc. at December 31, 2002 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

St. Louis, Missouri
March 26, 2004, except for Note 16
as to which the date is May , 2004

The foregoing report is in the form that will be signed upon the completion of the restatement of capital accounts described in Note 16 to the financial statements.

/s/ ERNST & YOUNG LLP

St. Louis, Missouri
May 3, 2004

STEREOTAXIS, INC.

BALANCE SHEETS

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 28,834,123	$ 21,356,247	$ 27,614,180
Short-term investments	—	5,124,365	5,061,986
Accounts receivable, net of allowance of $1,650, $116,725 and $232,089 in 2002, 2003, and March 31, 2004, respectively	436,146	559,721	3,784,759
Current portion of long-term receivables	—	155,331	150,641
Inventories	2,360,607	4,430,228	4,626,997
Prepaid expenses and other current assets	470,277	876,264	1,107,586
Total current assets	32,101,153	32,502,156	42,346,149
Property and equipment, net	699,582	2,309,467	2,509,503
Intangible assets	—	1,944,444	1,911,111
Long-term receivables	—	465,993	301,282
Other assets	120,137	101,359	93,497
Total assets	$ 32,920,872	$ 37,323,419	$ 47,161,542
Liabilities and stockholders' equity			
Current liabilities:			
Current maturities of long-term debt	$ 904,311	$ 2,289,314	$ 2,131,801
Accounts payable	1,505,361	1,697,497	1,877,566
Accrued liabilities	2,556,332	4,936,233	4,624,562
Deferred contract revenue	1,652,000	814,393	2,692,243
Total current liabilities	6,618,004	9,737,437	11,326,172
Long-term debt, less current maturities	2,281,321	2,243,768	2,154,849
Other liabilities	14,901	75,786	134,858
Stockholders' equity:			
Convertible preferred stock, issued in series, par value $0.001; 65,000,000 shares authorized at December 31, 2002 and 2003 and 70,000,000 shares authorized at March 31, 2004 (unaudited); 51,635,017, 61,055,286 and 66,436,116 shares issued and outstanding at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively; liquidation preference of $111,283,107, $146,819,436, and $165,712,996 at December 31, 2002 and 2003 and March 31, 2004 (unaudited), respectively	51,635	61,055	66,436
Common stock, par value of $0.001; 80,000,000 shares authorized at December 31, 2002 and 2003 and 95,000,000 shares authorized at March 31, 2004 (unaudited); 5,003,891, 5,454,709, and 5,613,530 shares issued at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively; 4,989,516, 5,388,771, and 5,547,175 shares outstanding at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively	5,004	5,455	5,613
Additional paid-in capital	88,442,639	113,899,964	129,915,569
Deferred compensation	(674,344)	(835,801)	(670,968)
Treasury stock, 14,375, 65,938, and 66,355 shares at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively	(15)	(67)	(67)
Notes receivable from sale of stock	(439,345)	(448,413)	(446,117)
Accumulated deficit	(63,378,928)	(87,415,765)	(95,265,762)
Accumulated other comprehensive loss	—	—	(59,041)
Total stockholders' equity	24,006,646	25,266,428	33,545,663
Total liabilities and stockholders' equity	$ 32,920,872	$ 37,323,419	$ 47,161,542

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF OPERATIONS

	Year Ended December 31			Three Months Ended March 31	
	2001	2002	2003	2003	2004
				(Unaudited)	
Systems revenue	$ —	$ —	$ 3,808,036	$ 365,000	$ 2,672,316
Disposables, service and accessories revenue	—	18,900	480,941	21,073	401,575
Other revenue	—	—	725,900	—	—
	—	18,900	5,014,877	386,073	3,073,891
Costs of revenue	—	39,760	4,051,313	500,937	2,482,414
	—	(20,860)	963,564	(114,864)	591,477
Operating expenses:					
Research and development	13,831,016	14,325,389	13,541,398	2,510,396	4,593,358
General and administrative	2,575,800	4,461,625	4,893,830	1,042,431	1,271,655
Sales and marketing	926,859	2,230,565	5,986,518	1,101,136	2,377,022
Stock-based compensation	622,299	483,638	492,168	125,001	183,553
Total operating expenses	17,955,974	21,501,217	24,913,914	4,778,964	8,425,588
Operating loss	(17,955,974)	(21,522,077)	(23,950,350)	(4,893,828)	(7,834,111)
Interest income	950,776	434,470	375,361	102,158	95,050
Interest expense	—	(371,051)	(461,848)	(114,000)	(110,936)
Net loss	$(17,005,198)	$(21,458,658)	$(24,036,837)	$(4,905,670)	$(7,849,997)
Net loss per common share:					
Basic and diluted	$ (6.39)	$ (5.33)	$ (5.10)	$ (1.10)	$ (1.48)
Shares used in computing net loss per common share:					
Basic and diluted	2,660,717	4,022,283	4,711,696	4,456,228	5,292,246
Analysis of stock-based compensation:					
Research and development	$ 528,115	$ 416,626	$ 345,064	$ 89,272	160,793
General and administrative	69,763	67,012	134,312	33,578	21,796
Sales and marketing	24,421	—	12,792	2,151	964
Total stock-based compensation	$ 622,299	$ 483,638	$ 492,168	$ 125,001	$ 183,553

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Comprehensive Income (Loss)	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital
		Shares	Amount	Shares	Amount	
Balance at December 31, 2000	$ —	33,436,255	$33,436	3,009,584	$3,010	$48,373,331
Issuance of Series D-1 convertible preferred stock at $2.17 per share, net of issuance costs of $1,431,201	—	10,052,020	10,052	—	—	17,604,834
Exercise of stock options	—	—	—	1,495,565	1,495	410,119
Repurchase of common stock	—	—	—	—	—	(2,141)
Issuance of common stock	—	—	—	37,500	38	49,463
Interest receivable from sale of stock	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	1,606,606
Stock-based compensation	—	—	—	—	—	—
Payments of notes receivable from sale of stock	—	—	—	—	—	—
Issuance of warrants to purchase common stock	—	—	—	—	—	2,789,413
Net loss	(17,005,198)	—	—	—	—	—
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	(17,005,198)	—	—	—	—	—
Balance at December 31, 2001		43,488,275	43,488	4,542,649	4,543	70,831,625

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock	Notes Receivable From Sale of Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2000	$ (75,201)	$ —	$(163,748)	$(24,915,072)	$ —	$ 23,255,756
Issuance of Series D-1 convertible preferred stock at $2.17 per share, net of issuance costs of $1,431,201	—	—	—	—	—	17,614,886
Exercise of stock options	—	—	(258,640)	—	—	152,974
Repurchase of common stock	—	(15)	—	—	—	(2,156)
Issuance of common stock	—	—	—	—	—	49,501
Interest receivable from sale of stock	—	—	(12,284)	—	—	(12,284)
Deferred compensation	(1,606,606)	—	—	—	—	—
Stock-based compensation	622,299	—	—	—	—	622,299
Payments of notes receivable from sale of stock	—	—	11,500	—	—	11,500
Issuance of warrants to purchase common stock	—	—	—	—	—	2,789,413
Net loss	—	—	—	(17,005,198)	—	(17,005,198)
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	—	—	—	—	—	—
Balance at December 31, 2001	(1,059,508)	(15)	(423,172)	(41,920,270)	—	27,476,691

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY — (Continued)

	Comprehensive Income (Loss)	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital
		Shares	Amount	Shares	Amount	
Issuance of Series D-2 convertible preferred stock at $2.17 per share, net of issuance costs of $287,262	—	7,940,951	7,941	—	—	15,352,459
Exercise of stock warrants	—	205,791	206	—	—	289,365
Exercise of stock options	—	—	—	461,242	461	93,877
Interest receivable from sale of stock	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	98,474
Stock-based compensation	—	—	—	—	—	—
Payments of notes receivable from sale of stock	—	—	—	—	—	—
Issuance of warrants to purchase common stock	—	—	—	—	—	1,584,202
Issuance of warrants to purchase convertible preferred stock in connection with long-term debt	—	—	—	—	—	192,637
Net loss	(21,458,658)	—	—	—	—	—
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	(21,458,658)	—	—	—	—	—
Balance at December 31, 2002		51,635,017	51,635	5,003,891	5,004	88,442,639

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock	Notes Receivable From Sale of Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Issuance of Series D-2 convertible preferred stock at $2.17 per share, net of issuance costs of $287,262	—	—	—	—	—	15,360,400
Exercise of stock warrants	—	—	—	—	—	289,571
Exercise of stock options	—	—	—	—	—	94,338
Interest receivable from sale of stock	—	—	(28,758)	—	—	(28,758)
Deferred compensation	(98,474)	—	—	—	—	—
Stock-based compensation	483,638	—	—	—	—	483,638
Payments of notes receivable from sale of stock	—	—	12,585	—	—	12,585
Issuance of warrants to purchase common stock	—	—	—	—	—	1,584,202
Issuance of warrants to purchase convertible preferred stock in connection with long-term debt	—	—	—	—	—	192,637
Net loss	—	—	—	(21,458,658)	—	(21,458,658)
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	—	—	—	—	—	—
Balance at December 31,	(674,344)	(15)	(439,345)	(63,378,928)	—	24,006,646

2002

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY — (Continued)

	Comprehensive Income (Loss)	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital
		Shares	Amount	Shares	Amount	
Issuance of Series D-2 convertible preferred stock at $2.17 per share, net of issuance costs of $17,953	—	2,764,978	2,765	—	—	5,454,716
Issuance of Series E convertible preferred stock at $2.93 per share, net of issuance costs of $605,106	—	3,412,970	3,413	—	—	9,391,481
Issuance of Series E-1 convertible preferred stock at $2.93 per share, net of issuance costs of $403,931	—	3,242,321	3,242	—	—	9,092,827
Exercise of stock options	—	—	—	450,818	451	328,607
Repurchase of common stock	—	—	—	—	—	(15,542)
Interest receivable from sale of stock	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	653,625
Stock-based compensation	—	—	—	—	—	—
Payments of notes receivable from sale of stock	—	—	—	—	—	—
Issuance of warrants to purchase common stock	—	—	—	—	—	551,611
Net loss	(24,036,837)	—	—	—	—	—
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	(24,036,837)	—	—	—	—	—
Balance at December 31, 2003		61,055,286	$61,055	5,454,709	$5,455	$113,899,964

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock	Notes Receivable From Sale of Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Issuance of Series D-2 convertible preferred stock at $2.17 per share, net of issuance costs of $17,953	—	—	—	—	—	5,457,481
Issuance of Series E convertible preferred stock at $2.93 per share, net of issuance costs of $605,106	—	—	—	—	—	9,394,894
Issuance of Series E-1 convertible preferred stock at $2.93 per share, net of issuance costs of $403,931	—	—	—	—	—	9,096,069
Exercise of stock options	—	—	—	—	—	329,058
Repurchase of common stock	—	(52)	—	—	—	(15,594)
Interest receivable from sale of stock	—	—	(21,653)	—	—	(21,653)
Deferred compensation	(653,625)	—	—	—	—	—
Stock-based compensation	492,168	—	—	—	—	492,168

Payments of notes receivable from sale of stock	—	—	12,585	—	—	12,585
Issuance of warrants to purchase common stock	—	—	—	—	—	551,611
Net loss	—		—	(24,036,837)	—	(24,036,837)
Other comprehensive income (loss):						
Unrealized loss on short term investments	—	—	—	—	—	—
Comprehensive loss	—	—	—	—	—	—
Balance at December 31, 2003	$(835,801)	$(67)	$(448,413)	$(87,415,765)	—	$ 25,266,428

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY — (Continued)

	Comprehensive Income (Loss)	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital
		Shares	Amount	Shares	Amount	
Issuance of Series E-2 convertible preferred stock at $2.93 per share, net of issuance costs of $64,962 (unaudited)	—	5,380,830	5,381	—	—	14,108,138
Exercise of stock options (unaudited)	—	—	—	158,821	158	159,549
Repurchase of common stock (unaudited)	—					(90)
Interest receivable from sale of stock (unaudited)	—	—	—	—	—	—
Deferred compensation (unaudited)	—	—	—	—	—	144,515
Stock-based compensation (unaudited)	—	—	—	—	—	—
Payments of notes receivable from sale of stock (unaudited)	—	—	—	—	—	—
Issuance of warrants to purchase common stock (unaudited)	—	—	—	—	—	1,603,493
Net loss (unaudited)	(7,849,997)	—	—	—	—	—
Other comprehensive income (loss):						
Unrealized loss on short term investments (unaudited)	(59,041)	—	—	—	—	—
Comprehensive loss (unaudited)	$(7,909,038)	—	—	—	—	—
Balance at March 31, 2004 (unaudited)		66,436,116	$66,436	5,613,530	$5,613	$129,915,569

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock	Notes Receivable From Sale of Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Issuance of Series E-2 convertible preferred stock at $2.93 per share, net of issuance costs of $64,962 (unaudited)	—	—	—	—	—	14,113,519
Exercise of stock options (unaudited)	—	—	—	—	—	159,707
Repurchase of common stock (unaudited)						(90)
Interest receivable from sale of stock (unaudited)	—	—	(6,296)	—	—	(6,296)
Deferred compensation (unaudited)	(144,515)	—	—	—	—	—
Stock-based compensation (unaudited)	309,348	—	—	—	—	309,348
Payments of notes receivable from sale of stock (unaudited)	—	—	8,592	—	—	8,592
Issuance of warrants to purchase common stock (unaudited)	—	—	—	—	—	1,603,493
Net loss (unaudited)	—		—	(7,849,997)		(7,849,997)
Other comprehensive income (loss):						
Unrealized loss on	—	—	—	—	(59,041)	(59,041)

short term investments (unaudited)						
Comprehensive loss (unaudited)	—	—	—	—	—	—
Balance at March 31, 2004 (unaudited)	$(670,968)	$(67)	$(446,117)	$(95,265,762)	$(59,041)	$33,545,663

See accompanying notes.

STEREOTAXIS, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31			Three Months Ended March 31	
	2001	2002	2003	2003	2004
				(Unaudited)	
Cash flows from operating activities					
Net loss	$(17,005,198)	$(21,458,658)	$(24,036,837)	$ (4,905,670)	$ (7,849,997)
Adjustments to reconcile net loss to cash used in operating activities:					
Depreciation	253,441	406,766	447,786	104,855	193,721
Amortization	—	—	55,556	—	33,333
Stock-based compensation	622,299	483,638	492,168	125,001	183,553
Noncash research and development services	49,501	—	—	—	—
Interest receivable from sale of stock	(12,284)	(28,758)	(21,653)	(7,483)	(6,296)
Changes in operating assets and liabilities:					
Accounts receivable	(355,596)	(80,550)	(123,575)	(305,429)	(3,225,038)
Notes receivable	—	—	(621,324)	—	169,401
Inventories	—	(2,360,607)	(2,069,621)	(823,089)	(196,769)
Prepaid expenses and other current assets	(47,888)	(368,106)	(405,987)	(2,939)	(105,527)
Other assets	(27,088)	(77,337)	18,778	13,363	7,862
Accounts payable	260,797	169,638	192,136	217,134	180,069
Accrued liabilities	1,551,274	468,440	2,379,901	(24,762)	(311,671)
Deferred revenue	547,600	826,000	(837,607)	252,182	1,877,850
Other	1,912	(9,401)	60,885	(1,616)	59,072
Net cash used in operating activities	(14,161,230)	(22,028,935)	(24,469,394)	(5,358,453)	(8,990,437)
Cash flows from investing activities					
Purchase of equipment	(665,436)	(308,512)	(2,057,671)	(123,374)	(393,757)
Sale (purchase) of short-term investments, net	17,905,006	1,788,105	(5,124,365)	—	3,338
Net cash (used in) provided by investing activities	17,239,570	1,479,593	(7,182,036)	(123,374)	(390,419)
Cash flows from financing activities					
Proceeds from long-term debt	—	3,874,627	1,829,690	366,769	—
Payments under long-term debt	—	(688,995)	(2,482,240)	(227,432)	(246,432)
Proceeds from issuance of stock and warrants, net of issuance costs	20,557,273	17,521,148	24,829,113	6,033,514	15,876,719
Purchase of treasury stock	(2,156)	—	(15,594)	—	(90)
Payments received on notes receivable from sale of common stock	11,500	12,585	12,585	—	8,592
Net cash provided by financing activities	20,566,617	20,719,365	24,173,554	6,172,851	15,638,789
Net increase (decrease) in cash and cash equivalents	23,644,957	170,023	(7,477,876)	691,024	6,257,933
Cash and cash equivalents at beginning of period	5,019,143	28,664,100	28,834,123	28,834,123	21,356,247
Cash and cash equivalents at end of period	$ 28,664,100	$ 28,834,123	$ 21,356,247	$29,525,147	$27,614,180
Supplemental disclosures of cash flow information:					
Interest paid	$ —	$ 371,051	$ 394,287	$ 114,000	$ 50,109
Noncash acquisition of purchased technology upon issuance of convertible note payable	$ —	$ —	$ 2,000,000	$ —	$ —

See accompanying notes.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

1. Description of Business

Stereotaxis, Inc. (the Company) designs, manufactures, and markets an advanced cardiology instrument control system for the interventional treatment of coronary artery disease and arrhythmias. The Company also markets and sells various disposable interventional devices, including catheters, guidewires and stent delivery devices, for use in conjunction with its system. By 2003, the Company had received U.S. and European regulatory approval for the core components of its system.

Prior to 2003, the Company's principal activities involved obtaining capital, business development, performing research and development activities, and funding prototype development. As such, the Company was classified as a development-stage company from its inception on June 13, 1990 through December 31, 2002. During 2003, the Company emerged from the development-stage and began to generate revenue from the commercial launch of its systems.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying balance sheet as of March 31, 2004, the statements of operations and of cash flows for the three months ended March 31, 2003 and 2004, and the statement of stockholders' equity for the three months ended March 31, 2004 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations and cash flows for the three months ended March 31, 2003 and 2004. The financial data and other information disclosed in these notes to consolidated financial statements related to the three month periods are unaudited. The results for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the year ending December 31, 2004 or for any other interim period or for any future year.

Cash and Cash Equivalents

The Company considers all short-term deposits 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.

Short-Term Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* the Company's investment securities are classified as available-for-sale and are carried at market value, which approximates cost. Realized gains or losses, calculated based on the specific identification method, were not material for the years ended December 31, 2001, 2002, and 2003.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable primarily include amounts due from hospitals and medical centers for acquisition of magnetic systems and associated disposable device sales. Credit is granted on a limited basis, with most balances due within 30 days of billing. The provision for bad debts is based

upon management's assessment of historical and expected net collections considering business and economic conditions and other collection indicators.

Financial Instruments

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

Inventory

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

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Raw materials	$ 694,928	$ 975,052	$1,133,623
Work in process	821,363	487,344	528,477
Finished goods	928,896	3,073,584	3,081,988
Reserve for obsolescence	(84,580)	(105,752)	(117,091)
	$2,360,607	$4,430,228	$4,626,997

Property and Equipment

Property and equipment consist primarily of laboratory, office, and computer equipment and leasehold improvements and are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives or life of lease, ranging from two to seven years. Depreciation expense for the years ended December 31, 2001, 2002, and 2003, is $253,441, $406,766, and $447,786, respectively, and for the three months ended March 31, 2003 and 2004 is $104,855 and $193,721, respectively.

Long-Lived Assets

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

Intangible Assets

Intangible assets consist of purchased technology valued at the cost of acquisition on the acquisition date and amortized over its estimated useful life of 15 years. Accumulated amortization at December 31, 2003 and March 31, 2004 is $55,556 and $88,889, respectively. Amortization expense in 2003 is $55,556 and for the three months ended March 31, 2004, is $33,333, as determined under the straight-line method. The estimated future amortization of intangible assets is $133,333 annually through June 2019.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

Use of Estimates

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

Revenue and Costs of Revenue

The Company recognizes systems revenue from system sales made directly to end users upon installation, provided there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed or determinable, and collection of the related receivable is reasonably ensured. Revenue from system sales made to distributors is recognized upon delivery since these arrangements do not include an installation element. If uncertainties exist, the Company recognizes revenue when those uncertainties are resolved. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services, whether sold individually or as a separable unit of accounting in a multi-element arrangement, is deferred and amortized over the service period, which is typically one year. The Company recognizes revenue from disposable device sales or accessories upon shipment, and an appropriate reserve for returns is established. Other revenue represents a system sale for which the cost of production was charged to research and development costs in a previous period.

Costs of revenue include direct product costs, installation labor, estimated warranty costs, and training and product maintenance costs. The Company also includes in costs of revenue any expected loss related to executed contracts in the period in which the loss becomes known. In the years ended December 31, 2002 and 2003, the Company accrued $33,580 and $278,320, respectively, and in the three month periods ended March 31, 2003 and 2004, accrued $2,663 and $109,004, respectively, for estimated losses in excess of contractual revenues.

Research and Development Costs

Internal research and development costs, including clinical and regulatory costs incurred prior to receiving Food and Drug Administration approval, are expensed in the period incurred. Directed research performed by hospitals at the Company's request are expensed in the period such services are provided. Amounts paid for directed research were $3,025, $100,041, and $128,424 in 2001, 2002, and 2003, respectively, and $22,150 and $102,215 for the three months ended March 31, 2003 and 2004, respectively.

Stock-Based Compensation

As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation,* the Company has elected to follow Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations in accounting for stock-based employee compensation. Under APB No. 25, if the exercise price of the Company's employee and director stock options equals or exceeds the estimated fair value of the underlying stock on the date of grant and the number of options is not variable, no compensation expense is recognized. Options are variable if the options are forfeitable when performance milestones described in the option agreements may not occur. When the exercise price of the employee or director stock options is less than the estimated fair value of the underlying stock (intrinsic value) at the date of grant or for variable options through the

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

vesting or forfeiture date, the Company records deferred compensation for the intrinsic value and amortizes the amount to expense in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 28 over the service period. Deferred compensation for variable options granted to employees and directors is periodically remeasured through the vesting or forfeiture date.

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

The following table illustrates the effect on net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Year Ended December 31			Three Months Ended March 31	
	2001	2002	2003	2003	2004
				(Unaudited)	
Net loss, as reported	$(17,005,198)	$(21,458,658)	$(24,036,837)	$(4,905,670)	$(7,849,997)
Add total stock-based compensation cost included in net loss	622,299	483,638	492,168	125,001	183,553
Deduct total stock-based compensation expense under fair value method	(695,733)	(1,104,659)	(1,793,447)	(456,291)	(636,907)
Pro forma net earnings	(17,078,632)	(22,079,679)	(25,338,116)	(5,236,960)	(8,303,351
Net loss per share, basic and diluted, as reported	(6.39)	(5.33)	(5.10)	(1.10)	(1.48)
Net loss per share, basic and diluted, pro forma	(6.42)	(5.49)	(5.38)	(1.18)	(1.57)

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the years ended 2001, 2002, 2003 and the three months ended March 31, 2003 and 2004: dividend yield of 0%, expected volatility of 120%, risk-free interest rates ranging from 1.09% to 5.28%, and an expected life of ten years. The weighted average fair value of the options at grant date was $0.45, $1.32, and $1.65 for 2001, 2002, and 2003, and $1.65 and $1.88 for the three months ended March 31, 2003 and 2004, respectively. Future pro forma results of operations may be materially different from amounts reported, as future years will include the effects of additional stock option grants.

Option valuation models require the input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of employee stock options.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

Net Loss per Share

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

The Company has excluded all preferred stock, outstanding options and warrants, and shares subject to repurchase from the calculation of diluted loss per common share because all such securities are antidilutive for all periods presented.

Income Taxes

In accordance with SFAS No. 109, *Accounting for Income Taxes,* a deferred income tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred income tax assets unless, based upon available evidence, it is more likely than not the deferred income tax assets will be realized.

Patent Costs

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

Comprehensive Income (Loss)

Comprehensive income (loss) generally represents all changes in stockholders' equity except those resulting from investments by stockholders, and includes the Company's unrealized losses on marketable securities of $59,041 during the three months ended March 31, 2004.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

3. Short-Term Investments

Short-term investments consist of $5,035,269 of corporate debt securities and $89,096 of related accrued interest at December 31, 2003, and $4,976,228 and $85,758, respectively, at March 31, 2004.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

4. Property and Equipment

Property and equipment consist of the following:

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Equipment	$1,336,377	$1,806,186	$2,183,607
Equipment held for lease	—	1,533,094	1,533,094
Leasehold improvements	254,445	309,213	325,548
	1,590,822	3,648,493	4,042,249
Less accumulated depreciation	891,240	1,339,026	1,532,746
	$ 699,582	$2,309,467	$2,509,503

Equipment held for lease consists of medical devices provided to customers under prepaid operating lease arrangements, whereby the Company is the lessor.

5. Related-Party Transactions

For the years ended December 31, 2001, 2002, and 2003, the Company incurred expenses of $125,298, $85,332, and $20,330, respectively, and for the three-month periods ended March 31, 2003 and 2004 the Company incurred expenses of $4,175, and $2,833, respectively, to affiliates of one of its significant investors for reimbursement of various consulting services performed on behalf of the Company and for reimbursement of out-of-pocket expenses.

For the years ended December 31, 2001, 2002, and 2003, the Company made payments of $48,000, $70,000, and $25,000, respectively, and for the three month periods ended March 31, 2003 and 2004 the Company incurred expenses of $10,000 and $5,000, respectively, to certain members of the Board of Directors as compensation for consulting services to the Company unrelated to their services as directors.

In the normal course of business, the Company has entered into an agreement with Biosense Webster, Inc., a subsidiary of Johnson & Johnson and a strategic investor, under which the Company jointly develops integrated systems and certain disposable interventional devices. Amounts paid to this investor under this agreement totaled $972,190 in 2003, and $2,190 and $869,282 during the three months ended March 31, 2003 and 2004, respectively. In addition, the Company is entitled to receive royalty payments from the strategic investor based on a profit formula pertaining to sales of certain disposable devices. In the event that the Company elects to terminate this agreement in certain specified change of control situations, the strategic investor would be entitled to a termination payment of 5% of the total equity value of the Company in the change of control transaction up to a maximum of $10 million.

In the normal course of business, the Company has made system sales to certain other investors or their affiliated medical institutions. These sales totaled $633,333 in 2003 and $375,000 during the three months ended March 31, 2004.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended
March 31, 2003 and 2004 is unaudited)

6. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Accrued salaries, bonus, and benefits	$1,202,013	$1,570,063	$1,251,911
Accrued research and development	568,564	727,143	906,769
Accrued legal	266,513	696,772	975,878
Accrued other professional fees	279,572	271,760	235,834
Other	239,670	1,670,495	1,254,170
	$2,556,332	$4,936,233	$4,624,562

7. Long-Term Debt

Long-term debt consists of the following:

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Revolving credit agreement, due April 2004	$ 998,240	$1,250,000	$1,250,000
Term note, due December 2004	1,328,316	711,469	543,004
Term note, due September 2005	859,076	571,613	493,646
Pay-in-kind note, due August 2006	—	2,000,000	2,000,000
	3,185,632	4,533,082	4,286,650
Less current maturities	904,311	2,289,314	2,131,801
	$2,281,321	$2,243,768	$2,154,849

In January 2002, the Company entered into a term note with its primary lender for $2,000,000 (January 2002 term note). In conjunction with the January 2002 term note, the Company issued its primary lender warrants to purchase 50,692 shares of Company's Series D-1 preferred stock at a price equal to the price per share of $2.17. The total proceeds under the January 2002 term note of $2,000,000 were allocated between the term note and the warrants based on an estimate of each security's fair value at the date of issuance. Under the January 2002 term note, the Company is required to make equal payments of principal and interest, at 10%, through December 2004.

The warrants expire after five years and can be exercised at any time. The fair value assigned to the warrants of $92,793 was reflected in additional paid-in capital on the balance sheet and is included in debt issuance costs, which are being amortized to interest expense over the life of the January 2002 term note.

In March 2002, the Company entered into a revolving line of credit agreement (Revolving Credit Agreement) with a maximum borrowing capacity of $2,000,000, limited to the value of qualifying receivable and inventory balances, with its primary lender. In conjunction with the Revolving Credit Agreement, the Company issued its primary lender warrants to purchase 36,868 shares of the Company's Series D-1 preferred stock at a price per share of $2.17. The Revolving Credit

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

Agreement was amended in July 2003 to increase the maximum borrowing capacity to $3,000,000. Borrowings under the Revolving Credit Agreement are subject to monthly interest at the lender's prime rate plus 1.25%, subject to a minimum interest rate of 6.75%, and are due in full in April 2004. Remaining available borrowing capacity at March 31, 2004 is $1,750,000.

The warrants issued in conjunction with the Revolving Credit Agreement expire after five years and can be exercised at any time. The fair value assigned to the warrants of $67,264 is reflected in additional paid-in capital on the balance sheet and is included in debt issuance costs, which are being amortized to interest expense over the 12-month life of the Revolving Credit Agreement.

In October 2002, the Company entered into a term note with its primary lender for $1,000,000 (October 2002 term note). In conjunction with the October 2002 term note, the Company issued its primary lender warrants to purchase 18,000 shares of the Company's Series D-1 preferred stock at a price equal to the price per share of $2.17. The total proceeds under the October 2002 term note of $1,000,000 were allocated between the term note and the warrants based on an estimate of each security's fair value at the date of issuance. Under the October 2002 term note, the Company is required to make equal payments of principal and interest, at 10%, through September 2005.

The warrants expire after five years and can be exercised at any time. The fair value assigned to the warrants of $32,580 was reflected in additional paid-in capital on the balance sheet and is included in debt issuance costs, which are being amortized to interest expense over the life of the October 2002 term note.

The January 2002 term note, Revolving Credit Agreement, and October 2002 term note (collectively, the Credit Agreements) are secured by substantially all of the Company's assets. The Credit Agreements also include certain operating performance covenants and require the Company to maintain minimum liquidity levels. The Company is also required under the Credit Agreements to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

In August 2003, the Company issued a $2,000,000 cumulative convertible pay-in-kind 8%, three-year note to a strategic partner pursuant to an agreement between the parties to transfer certain purchased technology to the Company, which is treated as a noncash activity in the accompanying statement of cash flows. The balance of the note, including accrued and unpaid interest, automatically converts into shares of common stock immediately prior to the closing of a public offering pursuant to a registration statement filed under the Securities Act with aggregate gross proceeds in excess of $20,000,000, at a conversion price equal to the gross per share proceeds to such offering, prior to deduction of underwriting commissions and discounts. As of December 31, 2003, $67,561 of interest was accrued.

Contractual principal maturities of long-term debt at December 31, 2003 are as follows:

2004	$2,289,314
2005	243,768
2006	2,000,000
	$4,533,082

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

8. Lease Obligations

The Company leases its facilities under operating leases. For the years ended December 31, 2001, 2002, and 2003, rent expense was $389,424, $569,079, and $660,901, respectively, and for the three month periods ended March 31, 2003 and 2004, rent expense was $122,206 and $166,030, respectively.

The future minimum lease payments under noncancelable leases as of December 31, 2003 are as follows:

Year	Operating Leases
2004	$596,910
2005	111,856
2006	110,838
2007	34,656
2008	34,656
Total minimum lease payments	$888,916

9. Stockholders' Equity

Common Stock

The Board of Directors is comprised of the chief executive officer and nine other members elected by the holders of common and preferred stock.

The holders of common stock are entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the prior rights of holders of all classes of stock having priority rights as dividends. No dividends have been declared or paid as of March 31, 2004.

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

	December 31		March 31
	2002	2003	2004
			(Unaudited)
Convertible preferred stock	51,635,017	61,055,286	66,436,116
Warrants	2,804,480	3,219,225	4,295,395
Stock option plan	5,735,984	7,045,018	9,111,567
	60,175,481	71,319,529	79,843,078

The Company has outstanding shares of common stock that are subject to the Company's right to repurchase at the original issuance price upon the occurrence of certain events as defined in the agreements related to the sale of such stock. As of December 31, 2002 and 2003, and March 31, 2004 shares subject to repurchase were 605,699, 199,792, and 133,646, respectively.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

Convertible Preferred Stock

As of March 31, 2004, convertible preferred stock outstanding is as follows:

Date Issued	Series	Price per Share	Number of Shares	Liquidation Value
				(Unaudited)
December 1990	A	$0.50	400,000	$ 466,667
April 1993	A	0.45	2,222,222	2,244,444
September 1994	A	1.00	50,000	50,500
December 1994	B	0.72	4,139,117	5,684,387
April 1995	B	0.72	520,833	678,819
November 1996-February 1997	B	0.72	2,352,949	2,901,970
June-December 1998	C	1.50	11,999,987	28,187,470
April 2000	D	2.17	11,751,147	35,487,485
November-December 2001	D-1	2.17	10,052,020	26,902,556
October 2002	C	1.50	205,791	353,703
December 2002	D-2	2.17	7,940,950	19,457,646
January 2003	D-2	2.17	2,764,979	6,700,003
June 2003	E	2.93	3,412,970	10,791,667
December 2003	E-1	2.93	3,242,321	9,777,083
January-February 2004	E-2	2.93	5,380,830	16,028,596
			66,436,116	$165,712,996

Preferred stockholders are entitled to cumulative dividends at the rate of $0.05, $0.07, $0.15, $0.217, $0.217, $0.217, $0.293, $0.293, and $0.293 per share per annum on each outstanding share of Series A, B, C, D, D-1, D-2, E, E-1, and E-2 preferred stock as adjusted for stock splits and recapitalizations, if declared by the Board of Directors, payable in preference to common stock dividends. No dividends have been declared or paid by the Company.

Preferred shares' liquidation value equals the original purchase price plus amounts equal to all dividends in arrears. Cumulative dividends in arrears totaled $32,171,521 at December 31, 2003 and $35,299,249 at March 31, 2004; however, as mentioned above, no dividends have been declared. After payment has been made to the preferred stockholders, holders of common stock shall receive the remaining assets. Such assets shall be distributed ratably among such holders in proportion to the shares of stock held by them.

Each share of preferred stock votes equally with shares of common stock on an "if-converted" basis at any stockholders' meeting and may act by written consent in the same manner as the common stock. Certain holders of the Series D, D-1, D-2, E, E-1, and E-2 preferred stock have the right of first refusal with respect to participation in additional equity financings the Company undertakes, subject to certain exceptions.

Each share of preferred stock is convertible at any time at the option of the holder into common stock on a one-for-one basis. Conversion of the preferred stock is automatic upon the closing of an initial public offering (IPO) under certain conditions.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

Notes Receivable

At December 31, 2002 and 2003, and March 31, 2004, an officer of the Company, consultants, members of the Board of Directors, and employees have outstanding promissory notes including accrued and unpaid interest totaling $439,345, $448,413, and $446,117, respectively, related to the sale of common stock to such individuals. The notes are full-recourse and are also secured by the underlying stock. These notes bear interest at a range from 4.5% to 8.0% per annum and are due from 2004 through 2006. These notes receivable are reflected on the balance sheets as a component of stockholders' equity.

Stock Option Plans

In 2002, the Board of Directors adopted a stock incentive plan (the 2002 Stock Incentive Plan) and a nonemployee directors' stock plan (2002 Director Plan). In 1994, the Board of Directors adopted the 1994 Stock Option Plan. At December 31, 2003, and March 31, 2004, the Board of Directors has reserved a total of 7,045,018 and 9,111,567, respectively, shares of the Company's common stock to provide for current and future grants under the 2002 Stock Incentive Plan and the 2002 Director Plan and for all current grants under the 1994 Stock Option Plan. In 2002, the Board of Directors adopted a provision providing for an annual increase in the number of shares reserved for stock options of the lessor of 3.25% of outstanding common shares or 3,000,000 shares on January 1 of each year through January 1, 2007.

The 2002 Stock Incentive Plan allows for the grant of incentive stock options and non-qualified stock options to employees, Board members, and consultants. Options granted under the 2002 Stock Incentive Plan expire no later than ten years from the date of grant. The exercise price of each incentive stock option shall not be less than 100% of the fair value of the stock subject to the option on the date the option is granted. The exercise price of each non-qualified option shall not be less than 85% of the fair value of the stock subject to the option on the date the option is granted. The vesting provisions of individual options may vary, but incentive stock options generally vest 25% on the first anniversary of each grant and 1/48 per month over the next three years. Non-qualified stock options generally vest ratably over a period of two to four years.

The 2002 Director Plan allows for the grant of non-qualified stock options to the Company's nonemployee directors. Options granted under the 2002 Director Plan expire no later than ten years from the date of grant. The exercise price of options under the 2002 Director Plan shall not be less than 100% of the fair value of the stock subject to the option on the date the option is granted. The options generally vest 100% on the first anniversary of each grant.

The 1994 Stock Option Plan allows for the grant of incentive stock options and non-qualified stock options to employees, Board members, and consultants to the Company. Options granted under the 1994 Stock Option Plan expire no later than ten years from the date of grant. The exercise price of each incentive stock option shall be not less than 100% of the fair value of the stock subject to the option on the date the option is granted. The exercise price of each non-qualified option shall be not less than 85% of the fair value of the stock subject to the option on the date the option is granted. The vesting provisions of individual options may vary but in each case will provide for vesting of at least 20% of the total number of shares subject to the option per year (which in certain cases is based on the individual meeting agreed-upon milestones). Options granted may be exercised prior to vesting, in which case the related shares would be subject to repurchase by the Company at original purchase price until vested. In February 2002, the Compensation Committee of the Board of Directors resolved that any outstanding contingencies associated with individual stock

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

options were to be waived. In addition, in February 2002, the Board accelerated vesting on certain stock options granted to certain advisors to the Company and to nonemployee Board members.

As of December 31, 2001, 2002, and 2003, 514,594, 606,666, and 1,787,573 outstanding options were vested under all stock plans, respectively, and as of March 31, 2004, 1,775,096 outstanding options were vested, respectively.

A summary of the options outstanding is as follows:

	Number of Shares	Range of Exercise Price	Weighted Average Price per Share
Outstanding, December 31, 2000	2,663,539	$0.04-$0.30	$0.20
Granted	1,931,000	$0.30-$0.45	$0.44
Repurchased	14,375	$0.15	$0.15
Exercised	(1,495,565)	$0.07-$0.45	$0.28
Forfeited	(426,959)	$0.07-$0.45	$0.28
Outstanding, December 31, 2001	2,686,390	$0.04-$0.45	$0.32
Granted	2,792,500	$1.32-$1.65	$1.38
Exercised	(461,242)	$0.07-$0.45	$0.66
Forfeited	(371,768)	$0.15-$1.65	$0.20
Outstanding, December 31, 2002	4,645,880	$0.04-$1.65	$0.93
Granted	2,289,500	$1.65	$1.65
Repurchased	51,563	$0.30-$0.38	$0.30
Exercised	(450,818)	$0.07-$1.65	$0.71
Forfeited	(501,732)	$0.15-$1.65	$1.20
Outstanding, December 31, 2003	6,034,393	$0.07-$1.65	$1.19
Granted (unaudited)	1,677,000	$1.65-$1.88	$1.85
Repurchased (unaudited)	417	$0.22	$0.22
Exercised (unaudited)	(158,821)	$0.07-$1.65	$1.01
Forfeited (unaudited)	(134,679)	$0.22-$1.88	$1.61
Outstanding, March 31, 2004 (unaudited)	7,418,310	$0.07-$1.88	$1.33

As of December 31, 2003 and March 31, 2004, the weighted average remaining contractual life of the options outstanding was 8.0 years and 8.3 years, respectively.

Deferred Compensation

For the years ended December 31, 2001, 2002, and 2003, the Company recorded stock-based compensation expense related primarily to grants of non-qualified options to consultants and other nonemployees of $622,299, $483,638, and $492,168, respectively. For the three month periods ended March 31, 2003 and 2004, the Company recorded stock-based compensation expense related primarily to grants of non-qualified options to consultants and other nonemployees of $125,001 and

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

$183,553, respectively. As of March 31, 2004, deferred compensation of $670,968 is expected to be expensed over the term of the underlying options in future years as follows:

2004	$305,722
2005	283,219
2006	65,625
2007	16,402
Total	$670,968

Deferred compensation is recorded as a separate component of stockholders' equity. As of December 31, 2003 and March 31, 2004, $688,851 and $548,977, respectively of deferred compensation is subject to periodic remeasurement.

In 2003, the Company recognized additional deferred compensation of $360,297 related to modification of an option grant to allow an employee to retain and continue to vest in outstanding options upon change to nonemployee status.

Warrants

As of March 31, 2004, the Company has issued warrants to purchase 1,507,791 shares of common stock at $2.17 per share exercisable through December 2006 and warrants to purchase 1,605,874 shares of common stock at $2.17 exercisable through December 2007 and warrants to purchase 1,076,170 shares of common stock at 2.93 per share exercisable through February 2009. Additionally, the Company has issued to its primary lender warrants to purchase 105,560 shares of its Series D-1 preferred stock at $2.17 per share exercisable through various times in 2007. The fair values of these warrants were estimated using the Black-Scholes pricing method and were credited to additional paid-in capital. As of March 31, 2004, 4,189,835 warrants are automatically convertible into common shares pursuant to a cashless exercise feature upon the closing of an initial public offering under certain conditions.

10. Income Taxes

The provision for income taxes consists of:

	Year Ended December 31		
	2001	**2002**	**2003**
Deferred:			
Federal	$ 6,167,136	$ 7,521,820	$ 8,683,446
State and local	669,545	861,391	879,474
	6,836,681	8,383,211	9,562,920
Valuation allowance	(6,836,681)	(8,383,211)	(9,562,920)
	$ —	$ —	$ —

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

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

	Year Ended December 31		
	2001	2002	2003
U.S. statutory income tax rate	34.0%	34.0%	34.0%
Increase in taxes, resulting from state income taxes, net of federal tax benefit	3.6%	3.6%	3.6%
Permanent differences between book and tax, research credits, and other	2.6%	1.4%	2.5%
Valuation allowance	(40.2)%	(39.0)%	(40.1)%
Effective income tax rate	0.0%	0.0%	0.0%

The components of the deferred tax asset are as follows:

	December 31	
	2002	2003
Current accruals	$ 685,283	$ 1,212,564
Depreciation and amortization	650,515	833,002
Deferred compensation	475,926	540,246
Net operating loss carryovers	22,097,952	30,418,180
Research and development credit carryovers	1,530,871	2,077,280
	25,440,547	35,081,272
Valuation allowance	(25,440,547)	(35,081,272)
	$ —	$ —

As of December 31, 2003, the Company has federal net operating loss carryforwards of $80,048,000. The net operating loss carryforwards will expire at various dates beginning in 2005 through 2023, if not utilized. As of December 31, 2003, the Company had federal research and development credit carryforwards of $2,100,000, that will expire at various dates beginning in 2006 through 2023, if not utilized.

11. Restructuring Charge

During 2002, the Company decided to discontinue its embolic product line. This resulted in the Company incurring total restructuring expenses, included in research and development, of approximately $267,000, consisting primarily of employee severance costs and cancellation of contract research agreements. The Company utilized this entire accrual in 2003.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

12. Net Loss per Share

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

	Year Ended December 31			Three Months Ended March 31	
	2001	2002	2003	2003	2004
				(Unaudited)	
Basic and diluted:					
Net loss	$(17,005,198)	$(21,458,658)	$(24,036,837)	$(4,905,670)	$(7,849,997)
Weighted average common shares outstanding	3,354,068	4,775,534	5,127,177	5,011,937	5,458,965
Less weighted average shares subject to repurchase	693,351	753,251	415,481	555,709	166,719
Weighted average shares used in basic and diluted net loss per share	2,660,717	4,022,283	4,711,696	4,456,228	5,292,246
Net loss per share	$ (6.39)	$ (5.33)	$ (5.10)	$ (1.10)	$ (1.48)

The following table sets forth potential shares of common stock that are not included in the diluted net loss per share because to do so would be antidilutive for the periods indicated:

	Year Ended December 31			Three Months Ended March 31	
	2001	2002	2003	2003	2004
				(Unaudited)	
Preferred stock (as if converted)	34,409,188	43,855,381	56,214,778	53,746,731	64,754,171
Options to purchase common stock	2,686,390	4,645,881	6,034,393	4,675,631	7,418,310
Common stock subject to repurchase	688,694	605,699	199,792	505,614	133,646
Warrants	1,789,006	2,804,480	3,219,225	3,219,225	4,295,395
	39,573,278	51,911,441	65,668,188	$62,147,201	76,601,522

13. Employee Benefit Plan

From 1999 through 2001, the Company offered employees the opportunity to participate in a Simple IRA plan. Participants had the option to defer up to $6,500 of their salary per year on a pretax basis. This plan was discontinued as of December 31, 2001. Beginning in 2002, the Company offered employees the opportunity to participate in a 401(k) plan. The Company matches employee contributions dollar for dollar up to 3% of the employee's salary during the employee's period of participation. For the years ended December 31, 2001, 2002, and 2003, the Company expensed $134,853, $222,081, and $264,965, respectively, and for the three months ended March 31, 2003 and 2004, the Company expensed $52,917 and $103,743, respectively, related to the plan.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

14. 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.

15. Quarterly Data (Unaudited)

The following tabulations reflect the unaudited quarterly results of operations for the years ended December 31, 2003 and 2002:

	Net Sales	Gross Profit	Net Loss	Diluted Earning Per Share
2003				
First quarter	$ 386,073	$(114,864)	$(4,905,670)	$(1.10)
Second quarter	1,742,967	660,400	(4,846,292)	(1.05)
Third quarter	1,040,932	439,310	(6,194,112)	(1.30)
Fourth quarter	1,844,905	(21,282)	(8,090,763)	(1.62)
2002				
First quarter	—	—	(5,300,282)	(1.43)
Second quarter	9,000	6,596	(5,021,419)	(1.27)
Third quarter	4,400	2,134	(4,717,678)	(1.14)
Fourth quarter	5,500	(29,590)	(6,419,279)	(1.50)

16. Subsequent Events (Unaudited)

In April 2004, the Company executed a commitment letter with Silicon Valley Bank to obtain an additional $2.0 million of equipment financing and to increase the maximum availability under its working capital line of credit by $5.0 million to $8.0 million limited to the amount of qualifying receivable and inventory balances. The equipment financing will be repayable over 36 months following closing and borrowings will accrue interest at a rate of 7%. The working capital line of credit will be repayable 24 months after closing and borrowings will accrue interest at the lender's prime rate plus 1.25%, subject to a minimum interest rate of 5.25%.

The Company completed a for stock split, affecting all outstanding shares of its common stock on , 2004.

STEREOTAXIS, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(Information as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 is unaudited)

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including , 2004 (the 25th day after commencement of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares

Stereotaxis, Inc.

Common Stock

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.
Deutsche Bank Securities
A.G. Edwards

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution*

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Stereotaxis in connection with the sale of the common stock being registered hereby, other than underwriting commissions and discounts. All amounts are estimates except the SEC Registration Fee and the NASD filing fee.

SEC Registration fee	$14,570.50
NASD filing fee*	
Nasdaq National Market listing fee*	
Blue Sky fees and expenses*	
Printing and engraving expenses*	
Legal fees and expenses*	
Accounting fees and expenses*	
Transfer agent and registrar fees*	
Miscellaneous expenses*	
Total*	$

* To be supplied by amendment.

We intend to pay all expenses of registration, issuance and distribution.

Item 14. *Indemnification of Officers and Directors*

Our amended and restated certificate of incorporation provides that, to the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, our directors shall not be liable to the Company or our stockholders for monetary damages for breach of fiduciary duty as a director. In addition, our certificate of incorporation provides that we may, to the fullest extent permitted by law, indemnify any person made or threatened to be made a party to an action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or his or her testator or intestate is or was a director, officer or employee of the Company, or any predecessor of the Company, or serves or served at any other enterprise as a director, officer or employee at the request of the Company.

Our amended and restated bylaws provide that the Company shall indemnify our directors and officers to the fullest extent not prohibited by the Delaware General Corporation Law or any other law. We are not required to indemnify any director or officer in connection with a proceeding brought by such director or officer unless (i) such indemnification is expressly required by law; (ii) the proceeding was authorized by our board of directors; or (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the Delaware General Corporation Law or any other applicable law. In addition, our bylaws provide that the Company may indemnify its employees and other agents as set forth in the Delaware General Corporation Law or any other applicable law.

We have also entered into separate indemnification agreements with our directors that require us, among other things, to indemnify each of them against certain liabilities that may arise by reason of their status or service with the Company or on behalf of the Company, other than liabilities arising from willful misconduct of a culpable nature. The Company is not required to indemnify under the agreement for (i) actions initiated by the director without the authorization of consent of the board of

directors; (ii) actions initiated to enforce the indemnification agreement unless the director is successful; (iii) actions resulting from violations of Section 16 of the Exchange Act in which a final judgment has been rendered against the director; and (iv) actions to enforce any non-compete or non-disclosure provisions of any agreement.

The indemnification provided for above provides for reimbursement of all losses of the indemnified party including, expenses, judgment, fines and amounts paid in settlement. The right to indemnification set forth above includes the right for us to pay the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition in certain circumstances.

The Delaware General Corporation Law provides that indemnification is permissible only when the director, officer, employee, or agent acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The Delaware General Corporation Law also precludes indemnification in respect of any claim, issue, or matter as to which an officer, director, employee, or agent shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine that, despite such adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper.

We have agreed to indemnify the underwriters and their controlling persons, and the underwriters have agreed to indemnify us and our controlling persons, against certain liabilities, including liabilities under the Securities Act. Reference is made to the Underwriting Agreement filed as part of the exhibits hereto.

See Item 17 for information regarding our undertaking to submit to adjudication the issue of indemnification for violation of the securities laws.

Item 15. ***Recent Sales of Unregistered Securities***

During the past three years, the registrant has issued and sold the following securities that were not registered under the Securities Act, as amended. Unless expressly provided otherwise, amounts have not been adjusted to reflect the reverse stock split which will be effective upon completion of this offering.

1. From May 1, 2001 through April 30, 2004, the registrant granted options to purchase 8,386,500 shares of its common stock to employees, consultants and directors pursuant to its stock option plans. Options to purchase an aggregate of 1,460,997 shares have been canceled without being exercised, options to purchase an aggregate of 2,445,880 shares have been exercised, options to purchase an aggregate of 66,355 shares have been repurchased.

2. In November and December 2001, the registrant issued and sold to a group of accredited investors 10,052,020 shares of its Series D-1 preferred stock, convertible into 10,052,020 shares of its common stock, for approximately $21.8 million.

3. In November and December 2001, in connection with the sale of the Series D-1 preferred stock, the registrant issued and sold to the same group of accredited investors warrants to purchase an aggregate of 1,507,791 shares of its common stock for approximately $23,000. Unless previously exercised, the warrants will be automatically exercised on a cashless basis at an exercise price of $2.17 per share upon completion of this offering.

4. In connection with entering into a credit facility with Silicon Valley Bank, on January 31, 2002 the registrant issued warrants to purchase 50,692 shares of its Series D-1 preferred stock to the bank. The warrants are exercisable at any time prior to January 31, 2007 at an exercise price of $2.17 per share.

5. In connection with entering into a credit facility with Silicon Valley Bank, on March 19, 2002 the registrant issued warrants to purchase 36,868 shares of its Series D-1 preferred stock to the bank. The warrants are exercisable at any time prior to March 20, 2007 at an exercise price of $2.17 per share.

6. In connection with entering into a credit facility with Silicon Valley Bank, on September 30, 2002 the registrant issued warrants to the bank to purchase 18,000 shares of its Series D-1 preferred stock. The warrants are exercisable at any time prior to September 31, 2007 at an exercise price of $2.17 per share.

7. In December 2002 and January 2003, the registrant issued and sold to a group of accredited investors 10,705,929 shares of its Series D-2 preferred stock, convertible into an aggregate of 10,705,929 shares of its common stock, for approximately $23.2 million.

8. In December 2002 and January 2003 in connection with the sale of the Series D-2 preferred stock, the registrant issued and sold to the same group of accredited investors warrants to purchase an aggregate of 1,605,874 shares of its common stock for approximately $24,000. Unless previously exercised, the warrants will be automatically exercised on a cashless basis at an exercise price of $2.17 per share upon completion of this offering.

9. In June 2003, the registrant issued and sold to an accredited investor 3,412,970 shares of its Series E preferred stock, convertible into an aggregate of 3,412,970 shares of its common stock, for approximately $10 million.

10. In August 2003, the registrant issued and sold to one private investor a cumulative convertible pay-in-kind note in the aggregate principal amount of $2.0 million which bears interest at 8% per year and is due on August 1, 2006. Upon completion of this offering, the note will automatically convert into the number of shares of the registrant's common stock that is equal to the outstanding principal and accrued and unpaid interest on the note divided by the public offering price per share in this offering.

11. In December 2003, the registrant issued and sold to an accredited investor 3,242,321 shares of its Series E-1 preferred stock, convertible into an aggregate of 3,242,321 shares of its common stock, for approximately $9.5 million.

12. In January and February 2004, the registrant issued and sold to a group of accredited investors 5,380,830 shares of its Series E-2 preferred stock, convertible into an aggregate of 5,380,830 shares of its common stock, for approximately $15.8 million.

13. In January and February 2004 in connection with the sale of the Series E-2 preferred stock, the registrant issued and sold to the same group of accredited investors warrants to purchase an aggregate of 1,076,170 shares of its common stock. Unless previously exercised, the warrants will be automatically exercised on a cashless basis at an exercise price of $2.93 per share upon completion of this offering.

The sales and issuances of securities described in item 1 above were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 of the Securities Act in that they were offered and sold either pursuant to a written compensatory benefit plan or pursuant to a written contract relating to compensation, as provided by Rule 701. The sales of the securities described in items 2 through 13 above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act, or Regulation D promulgated thereunder. With respect to the grant of options described in item 1, an exemption from registration was unnecessary in that none of the transactions involved a "sale" of securities as such term is used in Section 2(3) of the Securities Act.

The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such

transactions. All recipients had adequate access, through their relationships with the Company, to information about the registrant.

Item 16. ***Exhibits and Financial Statements Schedules***

(a) The following is a list of exhibits filed as a part of this Registration Statement:

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation of the Registrant dated January 27, 2004
3.2	Bylaws of the Registrant as currently in effect
3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be effective upon the closing of this offering
3.4	Form of Amended and Restated Bylaws of the Registrant, to be effective upon the closing of this offering
4.1*	Specimen Stock Certificate
4.2	Second Amended and Restated Stockholders' Agreement, dated December 17, 2002 by and among the Registrant and certain stockholders
4.3	Fourth Amended and Restated Investor Rights Agreement, dated December 17, 2002 by and among Registrant and certain stockholders
4.4	Joinder Agreement to Series D-2 Preferred Stock Purchase Agreement, Fourth Amended and Restated Investor Rights Agreement and Amendment to Second Amended and Restated Stockholders' Agreement dated January 21, 2003 by and among Registrant and certain stockholders
4.5	Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated May 27, 2003 by and among Registrant and certain stockholders
4.6	Second Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated December 22, 2003 by and among Registrant and certain stockholders
4.7	Third Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated January 28, 2004 by and among Registrant and certain stockholders
4.8	Form of Warrant Agreement issued to Series D-1 investors
4.9	Warrant Agreement issued to Silicon Valley Bank dated January 31, 2002
4.10	Form of Warrant Agreement issued to Series D-2 investors
4.11	Form of Warrant Agreement issued to Series E-2 investors
4.12	8% Convertible Promissory Note dated August 1, 2003 issued by the Registrant in favor of Siemens AG
4.13	Warrant Agreement issued to Silicon Valley Bank dated March 19, 2002
4.14	Warrant Agreement issued to Silicon Valley Bank dated September 30, 2002
5.1*	Opinion of Bryan Cave LLP
10.1	1994 Stock Option Plan
10.2	2002 Stock Incentive Plan
10.3	2004 Employee Stock Purchase Plan
10.4	2002 Non-Employee Directors' Stock Plan
10.5	Employment Agreement dated June 23, 1997 between Bevil J. Hogg and the Registrant
10.6	Employment Agreement dated April 4, 2001 between Douglas M. Bruce and the Registrant
10.7	Employment Agreement dated February 16, 2001 between Melissa Walker and the Registrant

Exhibit No.	Description
10.8	Employment Agreement dated April 17, 2002 between Michael P. Kaminski and the Registrant
10.9†*	Collaboration Agreement dated June 8, 2001 between the Registrant and Siemens AG, Medical Solutions
10.10†*	Extended Collaboration Agreement dated May 27, 2003 between the Registrant and Siemens AG, Medical Solutions
10.11†*	Development and Supply Agreement dated May 7, 2002 between the Registrant and Biosense Webster, Inc.
10.12†*	Amendment to Development and Supply Agreement dated November 3, 2003 between the Registrant and Biosense Webster, Inc.
10.13†*	Supply Agreement dated July 1, 2003 between the Registrant and Magnet Sales & Manufacturing Inc.
10.14	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.15	Lease, having an effective date of August 15, 2001, between the Registrant and Emerging Technologies Building II, LLC
10.16†*	Letter Agreement, dated September 12, 2003, between the Registrant and Philips Medizin Systeme G.m.b.H.
10.17	Employment Agreement dated March 22, 2004 between Timothy J. Mortenson and the Registrant
10.18†*	Software Distribution Agreement dated March 3, 2004 between the Registrant and Siemens Aktiengesellschaft
10.19†*	Third Party Service Agreement dated August 5, 2002 between the Registrant and Siemens Medical Solutions USA, Inc.
10.20†*	Research Agreement between the Registrant, Siemens AG and Landesbetrieb Krankenhauser
10.21	Loan and Security Agreement dated January 31, 2002 between the Registrant and Silicon Valley Bank
10.22	Loan Modification Agreement dated May 14, 2002 between the Registrant and Silicon Valley Bank
10.23	Second Loan Modification Agreement dated July 11, 2002 between the Registrant and Silicon Valley Bank
10.24	Loan and Security Agreement dated September 30, 2002 between the Registrant and Silicon Valley Bank
10.25	Second Loan Modification Agreement dated September 30, 2002 to Equipment Loan and Security Agreement dated January 31, 2002 and Third Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002
10.26	Third Loan Modification Agreement dated December 31, 2002 to Equipment Loan and Security Agreement dated January 31, 2002 and Fourth Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002 and First Loan Modification Agreement to Equipment Loan and Security Agreement dated September 30, 2002 between the Registrant and Silicon Valley Bank
10.27	Fourth Loan Modification Agreement dated April 2003 to Equipment Loan and Security Agreement dated January 31, 2002 and Fifth Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002 and Second Loan Modification Agreement to Equipment Loan and Security Agreement dated September 30, 2002
10.28*	Loan and Security Agreement dated April 30, 2004 between the Registrant and Silicon Valley Bank
10.29†*	Distributor Agreement dated September 17, 2003 between the Registrant and AB Medica

Exhibit No.	Description
10.30	Promissory Note dated November 20, 2001 by Douglas M. Bruce payable to the order of Stereotaxis, Inc.
10.31*	Retirement and Consulting Agreement between the Registrant and Nicola J.H. Young
23.1	Consent of Ernst & Young LLP
23.2*	Consent of Bryan Cave LLP (included in the opinion filed as Exhibit 5.1)
24.1	Powers of Attorney (see signature page)

* To be filed by amendment to this registration statement

† Confidential treatment requested as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.

(b) Financial Statement Schedule

Stereotaxis, Inc.

Schedule of Accounts Receivable and Inventory Reserves

Three months ended March 31, 2004 and years ended December 31, 2003, 2002 and 2001

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions Describe	Foreign Currency Translation	Balance at End of Period
Accounts Receivable Reserves:					
Three Months Ended March 31, 2004					
Sales Allowances	$ (14,975)	$ (79,122)	$34,255(1)	$ —	$ (59,842)
Bad Debt Reserve	(101,750)	(70,497)	—	—	(172,247)
	$(116,725)	$(149,619)	$34,255	$ —	$(232,089)
Year Ended December 31, 2003					
Sales Allowances	$ —	$ (17,607)	$ 2,632(1)	$ —	$ (14,975)
Bad Debt Reserve	(1,650)	(100,100)	—	—	(101,750)
	$ (1,650)	$(117,707)	$ 2,632	$ —	$(116,725)
Year Ended December 31, 2002					
Sales Allowances	$ —	$ —	$ —	$ —	$ —
Bad Debt Reserve	—	(1,650)	—	—	(1,650)
	$ —	$ (1,650)	$ —	$ —	$ (1,650)
Year Ended December 31, 2001					
Sales Allowances	$ —	$ —	$ —	$ —	$ —
Bad Debt Reserve	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —
Inventory Reserves:					
Three Months Ended March 31, 2004					
Inventory Reserve	$(105,750)	$ (13,844)	$ 2,503(2)	$ —	$(117,090)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions Describe	Foreign Currency Translation	Balance at End of Period
Year ended December 31, 2003					
Inventory Reserve	$(51,000)	$(123,534)	$68,784(2)	$ —	$(105,750)
Year ended December 31, 2002					
Inventory Reserve	$ —	$ (51,000)	$ —	$ —	$ (51,000)
Year ended December 31, 2001					
Inventory Reserve	$ —	$ —	$ —	$ —	$ —

(1) Sales allowance and product returns

(2) Write-off of obsolete inventory and physical inventory adjustments

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14 or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of St. Louis, State of Missouri, on the 6th day of May, 2004.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Bevil J. Hogg
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Fred A. Middleton and Bevil J. Hogg, and each of them (with full power of each to act alone), severally, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and her and to execute in his or her name, place and stead (individually and in any capacity stated below) any and all amendments to this Registration Statement (including post-effective amendments), and any additional registration statement filed pursuant to Rule 462(b) under the Securities Act, for the same offering contemplated by this Registration Statement, and all documents and instruments necessary or advisable in connection therewith, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (or any other governmental regulatory authority), each of said attorneys-in-fact and agents to have power to act with or without the others and to have full power and authority to do and to perform in the name and on behalf of each of the undersigned every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ FRED A. MIDDLETON Fred A. Middleton	Chairman of the Board of Directors	May 6, 2004
/s/ BEVIL J. HOGG Bevil J. Hogg	President, Chief Executive Officer and Director (Principal Executive Officer)	May 6, 2004
/s/ CHRISTOPHER ALAFI Christopher Alafi	Director	May 6, 2004
/s/ JOHN C. APLIN John C. Aplin	Director	May 6, 2004

Signatures	Title	Date
/s/ RALPH G. DACEY, JR. Ralph G. Dacey, Jr.	Director	May 6, 2004
/s/ GREGORY R. JOHNSON Gregory R. Johnson	Director	May 6, 2004
/s/ WILLIAM M. KELLEY William M. Kelley	Director	May 6, 2004
/s/ RANDALL D. LEDFORD Randall D. Ledford	Director	May 6, 2004
/s/ ABHIJEET J. LELE Abhijeet J. Lele	Director	May 6, 2004
/s/ WILLIAM C. MILLS III William C. Mills III	Director	May 6, 2004
/s/ DAVID J. PARKER David J. Parker	Director	May 6, 2004
/s/ TIMOTHY J. MORTENSON Timothy J. Mortenson	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 6, 2004

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EXHIBIT INDEX

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3.1	Amended and Restated Certificate of Incorporation of the Registrant dated January 27, 2004
3.2	Bylaws of the Registrant as currently in effect
3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be effective upon the closing of this offering
3.4	Form of Amended and Restated Bylaws of the Registrant, to be effective upon the closing of this offering
4.1*	Specimen Stock Certificate
4.2	Second Amended and Restated Stockholders' Agreement, dated December 17, 2002 by and among the Registrant and certain stockholders
4.3	Fourth Amended and Restated Investor Rights Agreement, dated December 17, 2002 by and among Registrant and certain stockholders
4.4	Joinder Agreement to Series D-2 Preferred Stock Purchase Agreement, Fourth Amended and Restated Investor Rights Agreement and Amendment to Second Amended and Restated Stockholders' Agreement dated January 21, 2003 by and among Registrant and certain stockholders
4.5	Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated May 27, 2003 by and among Registrant and certain stockholders
4.6	Second Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated December 22, 2003 by and among Registrant and certain stockholders
4.7	Third Joinder and Amendment to Second Amended and Restated Stockholders' Agreement and Fourth Amended and Restated Investor Rights Agreement, dated January 28, 2004 by and among Registrant and certain stockholders
4.8	Form of Warrant Agreement issued to Series D-1 investors
4.9	Warrant Agreement issued to Silicon Valley Bank dated January 31, 2002
4.10	Form of Warrant Agreement issued to Series D-2 investors
4.11	Form of Warrant Agreement issued to Series E-2 investors
4.12	8% Convertible Promissory Note dated August 1, 2003 issued by the Registrant in favor of Siemens AG
4.13	Warrant Agreement issued to Silicon Valley Bank dated March 19, 2002
4.14	Warrant Agreement issued to Silicon Valley Bank dated September 30, 2002
5.1*	Opinion of Bryan Cave LLP
10.1	1994 Stock Option Plan
10.2	2002 Stock Incentive Plan
10.3	2004 Employee Stock Purchase Plan
10.4	2002 Non-Employee Directors' Stock Plan
10.5	Employment Agreement dated June 23, 1997 between Bevil J. Hogg and the Registrant
10.6	Employment Agreement dated April 4, 2001 between Douglas M. Bruce and the Registrant
10.7	Employment Agreement dated February 16, 2001 between Melissa Walker and the Registrant
10.8	Employment Agreement dated April 17, 2002 between Michael P. Kaminski and the Registrant
10.9†*	Collaboration Agreement dated June 8, 2001 between the Registrant and Siemens AG, Medical Solutions
10.10†*	Extended Collaboration Agreement dated May 27, 2003 between the Registrant and Siemens AG, Medical Solutions

Exhibit No.	Description
10.11†*	Development and Supply Agreement dated May 7, 2002 between the Registrant and Biosense Webster, Inc.
10.12†*	Amendment to Development and Supply Agreement dated November 3, 2003 between the Registrant and Biosense Webster, Inc.
10.13†*	Supply Agreement dated July 1, 2003 between the Registrant and Magnet Sales & Manufacturing Inc.
10.14	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.15	Lease, having an effective date of August 15, 2001, between the Registrant and Emerging Technologies Building II, LLC
10.16†*	Letter Agreement, dated September 12, 2003, between the Registrant and Philips Medizin Systeme G.m.b.H.
10.17	Employment Agreement dated March 22, 2004 between Timothy J. Mortenson and the Registrant
10.18†*	Software Distribution Agreement dated March 3, 2004 between the Registrant and Siemens Aktiengesellschaft
10.19†*	Third Party Service Agreement dated August 5, 2002 between the Registrant and Siemens Medical Solutions USA, Inc.
10.20†*	Research Agreement between the Registrant, Siemens AG and Landesbetrieb Krankenhauser
10.21	Loan and Security Agreement dated January 31, 2002 between the Registrant and Silicon Valley Bank
10.22	Loan Modification Agreement dated May 14, 2002 between the Registrant and Silicon Valley Bank
10.23	Second Loan Modification Agreement dated July 11, 2002 between the Registrant and Silicon Valley Bank
10.24	Loan and Security Agreement dated September 30, 2002 between the Registrant and Silicon Valley Bank
10.25	Second Loan Modification Agreement dated September 30, 2002 to Equipment Loan and Security Agreement dated January 31, 2002 and Third Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002
10.26	Third Loan Modification Agreement dated December 31, 2002 to Equipment Loan and Security Agreement dated January 31, 2002 and Fourth Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002 and First Loan Modification Agreement to Equipment Loan and Security Agreement dated September 30, 2002 between the Registrant and Silicon Valley Bank
10.27	Fourth Loan Modification Agreement dated April 2003 to Equipment Loan and Security Agreement dated January 31, 2002 and Fifth Loan Modification Agreement to Revolving Loan and Security Agreement dated March 19, 2002 and Second Loan Modification Agreement to Equipment Loan and Security Agreement dated September 30, 2002
10.28*	Loan and Security Agreement dated April 30, 2004 between the Registrant and Silicon Valley Bank
10.29†*	Distributor Agreement dated September 17, 2003 between the Registrant and AB Medica
10.30	Promissory Note dated November 20, 2001 by Douglas M. Bruce payable to the order of Stereotaxis, Inc.
10.31*	Retirement and Consulting Agreement between the Registrant and Nicola J.H. Young
23.1	Consent of Ernst & Young LLP
23.2*	Consent of Bryan Cave LLP (included in the opinion filed as Exhibit 5.1)
24.1	Powers of Attorney (see signature page)

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* To be filed by amendment to this registration statement

† Confidential treatment requested as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
STEREOTAXIS, INC.

It is hereby certified that:

1. The present name of the corporation (hereinafter called the "Corporation") is Stereotaxis, Inc., which is the name under which the Corporation was originally incorporated; and the date of filing the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware is June 13,1990.

2. The Certificate of Incorporation is hereby amended in its entirety as set forth in the Amended and Restated Certificate of Incorporation hereinafter provided for.

3. The provisions of the Certificate of Incorporation of the Corporation as heretofore amended and/or supplemented, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Amended and Restated Certificate of Incorporation of Stereotaxis, Inc. without any further amendments other than the amendments herein certified and without any discrepancy between the provisions of the Certificate of Incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

4. The amendments and the restatement of the Certificate of Incorporation herein certified have been duly adopted by the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

5. The Certificate of Incorporation of the Corporation, as amended and restated herein, shall at the effective time of this Amended and Restated Certificate on Incorporation, read as follows:

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION
OF
STEREOTAXIS, INC.

I.

The name of this Corporation is Stereotaxis, Inc.

II.

The registered agent and the address of the registered office in New Castle County in the State of Delaware are:

The Prentice-Hall Corporation System, Inc.
2711 Centerville Road, Suite 400
Wilmington, Delaware 19808

III.

The purpose of this Corporation is to engage in any lawful act or activity for which a Corporation may be organized under the Delaware General Corporation Law of the State of Delaware.

IV.

1. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is One Hundred Sixty Five Million (165,000,000) shares. Ninety Five Million (95,000,000) shares shall be Common Stock, each having a par value of one-tenth of one cent ($0.001). Seventy Million (70,000,000) shares shall be Preferred Stock, each having a par value of one-tenth of one cent ($0.001).

2. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, subject to Section 6 of Article V, by filing a certificate pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including, without limitation, the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

V.

1. TITLE OF SERIES AND NUMBER OF SHARES. The initial series of Preferred Stock shall be designated "Series A Preferred Stock" (the "Series A Preferred") and shall consist of Two Million Six Hundred Seventy-Two Thousand Two Hundred Twenty-Two (2,672,222) shares. The second series of Preferred Stock shall be designated "Series B Preferred Stock" (the "Series B Preferred") and shall consist of Seven Million Twelve Thousand Eight Hundred Ninety Nine (7,012,899) shares. The third series of Preferred Stock shall be designated "Series C Preferred Stock" (the "Series C Preferred") and shall consist of Twelve Million Two Hundred Five Thousand Seven Hundred Seventy-Eight (12,205,778) shares. The fourth series of Preferred Stock shall be designated "Series D Preferred Stock" (the "Series D Preferred") and shall consist of Eleven Million Seven Hundred Fifty-One Thousand One Hundred Forty-Seven (11,751,147) shares. The fifth series of Preferred Stock shall be designated "Series D-1 Preferred Stock" (the "Series D-1 Preferred") and shall consist of Ten Million One Hundred Fifty-Seven Thousand Five Hundred Eighty (10,157,580) shares. The sixth series of Preferred Stock shall be designated "Series D-2 Preferred Stock" (the "Series D-2 Preferred") and shall consist of Ten Million Seven Hundred Five Thousand Nine Hundred Twenty Nine (10,705,929) shares. The seventh series of Preferred Stock shall be designated "Series E Preferred Stock" (the "Series E Preferred") and shall consist of Three Million Four Hundred Twelve Thousand Nine Hundred Seventy

(3,412,970) shares. The eighth series of Preferred Stock shall be designated "Series E-1 Preferred Stock" (the "Series E-1 Preferred") and shall consist of Three Million Two Hundred Forty Two Thousand Three Hundred Twenty One (3,242,321) shares. The ninth series of Preferred Stock shall be designated "Series E-2 Preferred Stock" (the "Series E-2 Preferred") and shall consist of Five Million Four Hundred Sixty Thousand Seven Hundred Fifty One (5,460,751) shares. As used herein, the term "Series Preferred" shall refer collectively to the Series A Preferred, the Series B Preferred, the Series C Preferred, the Series D Preferred, the Series D-1 Preferred, the Series D-2 Preferred, the Series E Preferred, the Series E-1 Preferred and the Series E-2 Preferred. As used herein, the term "Senior D Preferred" shall refer collectively to the Series D Preferred, the Series D-1 Preferred and the Series D-2 Preferred, the term "Senior E Preferred" shall refer collectively to the Series E Preferred, the Series E-1 Preferred and the Series E-2 Preferred, and the term "Junior Preferred" shall refer collectively to the Series A Preferred, the Series B Preferred, and the Series C Preferred.

2. DIVIDEND RIGHTS.

(a) The holders of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred and Series E-2 Preferred shall be entitled to receive dividends at the rate of $0.05, $0.07, $0.15, $0.217, $0.217, $0.217, $0.293, $0.293 and $0.293 per share, respectively, per annum out of any assets legally available therefor, prior to and in preference to any declaration or payment of any dividends or distributions (payable other than in Common Stock) on the Common Stock. Such dividends shall be cumulative, whether or not earned or declared, shall accrue annually from the date of original issue and shall be payable (A) upon liquidation, dissolution or winding up of the Corporation pursuant to the provisions of this Certificate or otherwise or (B) when, as, and if declared by the Board of Directors. A holder of Series D Preferred, Series D-1 Preferred or Series D-2 Preferred may elect, upon advance written notice to the Corporation, to receive his, her or its cumulative dividends in additional shares of Series D Preferred, Series D-1 Preferred or Series D-2 Preferred, as the case may be (at a value of $2.17 per share) in lieu of cash. A holder of Series E-2 Preferred may elect, upon advance written notice to the Corporation, to receive his, her or its cumulative dividends in additional shares of Series E-2 Preferred (at a value of $2.93 per share) in lieu of cash.

(b) PARTICIPATE WITH COMMON. Subject to subsection (a) above, if any cash dividends or other distributions are declared by the Board of Directors to be paid on the Common Stock as a class, then a dividend shall be paid at the same time to the holders of the outstanding shares of the Series Preferred at a rate per share equal to the product of (i) such per share dividend or other distribution declared by the Board of Directors on the Common Stock times (ii) the number of shares of Common Stock into which such share of the Series Preferred is then convertible.

(c) DISTRIBUTIONS DEFINED. For purposes of this Section 2, unless the context requires otherwise, "distribution" shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise, payable other than in Common Stock, or the purchase or redemption of shares of the Corporation (other than repurchases, at cost, of Common Stock held by directors, officers or employees of, or consultants to, the Corporation upon termination of their employment with or service to the Corporation, and other than

redemptions in liquidation or dissolution of the Corporation) for cash or property, including any such transfer, purchase, or redemption by a subsidiary of the Corporation.

3. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Corporation and until all preferential amounts owed to them under this subsection 3(a) have been paid, the holders of the Senior D Preferred and the Senior E Preferred shall be entitled to receive, respectively, prior and in preference to any distribution of any asset or property of the Corporation to the holders of Junior Preferred and to the holders of Common Stock by reason of their ownership thereof, the amount of $2.17 per share for each share of Senior D Preferred and $2.93 per share for each share of Senior E Preferred then held by them, plus an amount equal to all accrued but not declared and all declared but unpaid dividends on the Senior D Preferred and the Senior E Preferred as of the liquidation date (each as adjusted for stock splits, combinations and similar events with respect to the Senior D Preferred and the Senior E Preferred). If, upon any liquidation, distribution, or winding up of the Corporation, the assets of the Corporation shall be insufficient to make payment in full of such amounts to all holders of the Senior D Preferred and the Senior E Preferred, then such assets shall be distributed among such holders ratably in proportion to the full amounts to which they would otherwise be entitled.

(b) Subject to Section 3(a) hereof, in the event of any liquidation, dissolution or winding up of the Corporation and until all preferential amounts owed to them under this subsection 3(b) have been paid, the holders of Junior Preferred shall be entitled to receive, respectively, prior and in preference to any distribution of any asset or property of the Corporation to the holders of Common Stock by reason of their ownership thereof, the amount of $0.4577 per share for each share of Series A Preferred, $0.72 per share for each share of Series B Preferred, and $1.50 per share for each share of Series C Preferred then held by them, plus an amount equal to all accrued but not declared and all declared but unpaid dividends on the Series A Preferred, Series B Preferred, and Series C Preferred as of the liquidation date (each as adjusted for stock splits, combinations and similar events with respect to the Series A Preferred, Series B Preferred, or Series C Preferred). If, upon any liquidation, distribution, or winding up of the Corporation, the assets of the Corporation shall be insufficient to make payment in full of such amounts to all holders of the Series A Preferred, Series B Preferred, and Series C Preferred, then such assets shall be distributed among such holders ratably in proportion to the full amounts to which they would otherwise be entitled.

(c) After the payment of the full liquidation preference of the Senior D Preferred, the Senior E Preferred and the Junior Preferred as set forth in subsections 3(a) and 3(b) above, the holders of Common Stock shall receive the remaining assets of the Corporation, if any, ratably on the basis of the number of shares of Common Stock held by each of them.

(d) The following events shall be considered a liquidation under subsections 3(a) and 3(b) above:

(i) any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such consolidation, merger or reorganization or any transaction or series of related transactions by the Corporation in which in excess of 50% of the Corporation's voting securities are transferred; or

(ii) a sale, lease, license or other disposition of all or substantially all of the assets of the Corporation;

provided, however, that solely with respect to the Senior D Preferred and the Senior E Preferred, such events shall not be considered a liquidation under Sections 3(a) and 3(b) above if the holders of a majority of the shares of Senior D Preferred and the Senior E Preferred, as a single class, then outstanding elect otherwise by giving written notice thereof to the Corporation at least 15 days before the effective date of such event, in which case the provisions of Section 4(g)(v) shall apply.

4. CONVERSION. The holders of the Series Preferred shall have conversion rights as follows (the "Conversion Rights"):

(a) RIGHT TO CONVERT. Each share of Series Preferred shall be convertible at the option of the holder thereof, at any time after the Original Issue Date at the office of the Corporation or any transfer agent for the Series Preferred. The number of shares of Common Stock to which a holder of Series Preferred shall be entitled upon conversion shall be the product obtained by multiplying the applicable "Conversion Rate" then in effect (determined as provided in subsection 4(b) below) by the number of shares of Series Preferred being converted by such holder.

(b) CONVERSION RATE. The conversion rate in effect at any time for conversion of shares of Series A Preferred (the "Series A Conversion Rate") shall be the quotient obtained by dividing $0.4577 by the "Series A Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series B Preferred (the "Series B Conversion Rate") shall be the quotient obtained by dividing $0.72 by the "Series B Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series C Preferred (the "Series C Conversion Rate") shall be the quotient obtained by dividing $1.50 by the "Series C Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series D Preferred (the "Series D Conversion Rate") and for shares of Series D-1 Preferred (the "Series D-1 Conversion Rate") shall be the quotient obtained by dividing $2.17 by the "Series D Conversion Price," or the Series D-1 Conversion Price, as applicable, calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series D-2 Preferred (the "Series D-2 Conversion Rate") shall be the quotient obtained by dividing $2.17 by the "Series D-2 Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series E Preferred (the "Series E Conversion Rate") shall be the quotient obtained by dividing $2.93 by the "Series E Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of shares of Series E-1 Preferred (the "Series E-1 Conversion Rate") shall be the quotient obtained by dividing $2.93 by the "Series E-1 Conversion Price," calculated as provided in subsection 4(c) below. The conversion rate in effect at any time for conversion of the Series E-2 Preferred (the "Series E-2 Conversion Rate") shall be the quotient obtained by dividing $2.93 by the "Series E-2 Conversion Price" calculated as provided in subsection 4(c) below.

(c) CONVERSION PRICE. The conversion price for the Series A Preferred (the "Series A Conversion Price") shall initially be $0.4577. The conversion price for the Series B

Preferred (the "Series B Conversion Price") shall initially be $0.72. The conversion price for the Series C Preferred (the "Series C Conversion Price") shall initially be $1.50. The conversion price for the Series D Preferred (the "Series D Conversion Price"), for the Series D-1 Preferred (the "Series D-1 Conversion Price"), and for the Series D-2 Preferred (the "Series D-2 Conversion Price") shall in each case initially be $2.17. The conversion price for the Series E Preferred (the "Series E Conversion Price"), for the Series E-1 Preferred (the "Series E-1 Conversion Price") and for the Series E-2 Preferred (the "Series E-2 Conversion Price") shall in each case initially be $2.93. The initial Series A Conversion Price, Series B Conversion Price, Series C Conversion Price, Series D Conversion Price, Series D-1 Conversion Price, Series D-2 Conversion Price, Series E Conversion Price, Series E-1 Conversion Price and Series E-2 Conversion Price shall each be adjusted from time to time in accordance with this Section 4. All references herein to the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price Series D Conversion Price, Series D-1 Conversion Price, Series D-2 Conversion Price, Series E Conversion Price, Series E-1 Conversion Price or Series E-2 Conversion Price shall mean such conversion price as so adjusted.

(d) AUTOMATIC CONVERSION.

(i) Each share of Series A Preferred, Series B Preferred and Series C Preferred shall automatically be converted into share(s) of Common Stock based on the then effective Series A Conversion Rate, Series B Conversion Rate, or Series C Conversion Rate, respectively, immediately upon the earlier of (A) the closing of a firm commitment underwritten offer and sale of Common Stock for the account of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), at a public offering price per share of not less than $3.00 (subject to appropriate adjustment in the case of any event for which adjustment is made pursuant to subsection 4(g) hereof), and with aggregate gross proceeds to the Corporation, prior to deduction of underwriters' commissions and expenses, exceeding $7,500,000, or (B) the vote of the holders of a majority of the outstanding shares of Junior Preferred, voting together as a separate class.

(ii) Each share of Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred and Series E-2 Preferred shall automatically be converted into share(s) of Common Stock based on the then effective Series D Conversion Rate, Series D-1 Conversion Rate, Series D-2 Conversion Rate, Series E Conversion Rate, Series E-1 Conversion Rate or Series E-2 Conversion Rate (subject to, in the case of the Series E-1 Preferred, the last clause hereof), respectively, immediately upon the earlier of (A) the closing of a firm commitment underwritten offer and sale of Common Stock for the account of the Corporation pursuant to an effective registration statement under the Securities Act at a public offering price per share of not less than $4.34 (subject to appropriate adjustment in the case of any event for which adjustment is made pursuant to subsection 4(g) hereof), and with aggregate gross proceeds to the Corporation, prior to deduction of underwriters' commissions and expenses, exceeding $20,000,000 (a "Senior Preferred Qualified IPO"), or (B) the vote of the holders of a majority of the outstanding shares of Senior D Preferred and the Senior E Preferred, voting together as a single class; provided, however, that with respect to the Series E-1 Preferred, in the event the Corporation closes a Senior Preferred Qualified IPO on or prior to March 31, 2004, then the Series E-1 Conversion Price shall be as follows: where "X" is the per share offering price to the public in such Senior Preferred Qualified IPO, then such rate as provides the

holders of Series E-1 Preferred with an effective ab initio investment price "Z", in the Corporation as follows:

(I) where X less than or equal to 145%* $2.93 per share, then Z=$2.93 per share; or

(II) where X is greater than 145%*$2.93 per share and less than 160%*$2.93 per share, then Z=Y%*X, where Y% is interpolated between 70% and 80% for the range of X from 145%*$2.93) per share up to 160% *$2.93 per share; or

(III) where X is greater than 160%*$2.93 per share, then Z=80%*X.

(e) MECHANICS OF CONVERSION. Before any holder of Series Preferred shall be entitled to convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series Preferred, and shall give written notice to the Corporation at such office that such holder elects to convert the same, and shall state therein the name or names which such holder wishes the certificate or certificates for shares of Common Stock to be issued. The Corporation shall, as soon as practicable thereafter (but in no event more than thirty (30) days), issue and deliver at such office to each such holder of Series Preferred, as applicable, or to such holder's nominee or nominees, any certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of certificates evidencing the shares of the Series Preferred to be converted (except that in the case of an automatic conversion pursuant to subsections 4(d)(i) and (ii) hereof, such conversion shall be deemed to have been made immediately prior to the closing of the offering described in subsection 4(d)(i) and (ii) hereof), and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. No fractional shares of Common Stock shall be issued upon conversion of Series Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors).

(f) ADJUSTMENTS TO CONVERSION PRICE FOR DILUTING ISSUES.

(i) SPECIAL DEFINITIONS. For purposes of this subsection 4(f), the following definitions apply:

(1) "OPTIONS" shall mean rights, options, or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Common Stock or Convertible Securities, as hereinafter defined.

(2) "ORIGINAL ISSUE DATE" shall mean the date on which a share of Series E-2 Preferred was first issued.

(3) "CONVERTIBLE SECURITIES" shall mean any evidences of indebtedness, shares (other than Common Stock and Series Preferred) or other securities directly or indirectly convertible into or exchangeable for Common Stock.

(4) "ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares of Common Stock issued (or, pursuant to subsection 4(f)(ii), deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable:

(A) upon conversion of shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred (which includes 105,260 shares of Series D-1 Preferred issuable upon exercise of warrants outstanding as of the Original Issue Date), Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred;

(B) to officers, directors or employees of or consultants, lessors or suppliers to the Corporation pursuant to any stock purchase plan or arrangement, stock option plan, or other stock incentive plan or agreement approved by the Board of Directors in an aggregate amount not to exceed 3,277,714 shares following the Original Issue Date unless a higher number is approved in writing by holders of no fewer than two-thirds of the issued and outstanding Senior D Preferred and Senior E Preferred, voting together as a single class, (plus (1) any shares repurchased, at cost, by the Corporation after the Original Issue Date from any officer, director or employee of or consultant to the Corporation pursuant to any of the plans or arrangements referred to in this clause 4(B), (2) any shares subject to options granted to officers, directors or employees of or consultants to the Corporation pursuant to any of the plans or arrangements referred to in this clause 4(B) that are outstanding as of the Original Issue Date and are forfeited prior to exercise and (3) any options (and shares issuable upon exercise thereof) that are automatically added to any of the plans referred to in this clause 4(B) without further stockholder vote pursuant to the terms of such plan(s));

(C) upon exercise of Options or Convertible Securities that are issued and outstanding as of the Original Issue Date;

(D) by way of dividend or other distribution on the Series Preferred or any event for which adjustment is made pursuant to subsection 4(g) hereof;

(E) shares of Series D Preferred, Series D-1 Preferred, Series D-2 Preferred or Series E-2 Preferred issued to any holder of Series D Preferred, Series D-1 Preferred, Series D-2 Preferred or Series E-2 Preferred pursuant to an election made by such holder under the last two sentences of Section 2(a) hereof; or

(F) shares of Common Stock issuable upon exercise of any warrants issued in connection with the offer, sale and issuance of the Series D-1 Preferred, the Series D-2 Preferred or the Series E-2 Preferred.

(ii) DEEMED ISSUE OF ADDITIONAL SHARES OF COMMON STOCK. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities then entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefore upon the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record

date shall have been fixed, as of the close of business on such record date; provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to subsection 4(f)(iv) hereof) of such Additional Shares of Common Stock would be less than the applicable Series A Conversion Price, Series B Conversion Price, Series C Conversion Price, Series D Conversion Price, Series D-1 Conversion Price, Series D-2 Conversion Price, Series E Conversion Price, Series E-1 Conversion Price or Series E-2 Conversion Price, respectively, in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(1) no further adjustments in the respective Conversion Prices shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation or in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the respective Conversion Prices computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities (provided, however, that no such adjustment of the respective Conversion Prices shall affect Common Stock previously issued upon conversion of the Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred);

(3) Upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the respective Conversion Prices computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(A) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange;

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised,

plus the consideration deemed to have been received by the Corporation (determined pursuant to subsection 4(f)(iv)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(C) no readjustment pursuant to clauses (A) or (B) above shall have the effect of increasing the respective Conversion Prices to amounts which exceed the lower of (1) such Conversion Price on the original adjustment date, or (2) such Conversion Prices that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

(D) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the respective Conversion Prices shall be made (except as to shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred converted in such period), until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clauses (A) or (B) above; and

(E) if any such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed thereof, the adjustment previously made in the respective Conversion Prices which became effective on such record date shall be cancelled as of the close of business on such record date, and shall instead be made on the actual date of issuance, if any.

(iii) ADJUSTMENT OF CONVERSION PRICE UPON ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK.

(1) SERIES D-2 PREFERRED FULL RATCHET ADJUSTMENT. In the event the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 4(f)(ii) hereof) for a consideration per share less than the Series D-2 Conversion Price in effect on the date of and immediately prior to such issue (the "Series D-2 Ratchet Price"), then in such event, such Series D-2 Preferred Conversion Price shall be reduced to the Series D-2 Ratchet Price concurrently with such issue in order to increase the number of shares of Common Stock into which the Series D-2 Preferred is convertible.

(2) SERIES E-2 PREFERRED FULL RATCHET ADJUSTMENT. In the event the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 4(f)(ii) hereof) for a consideration per share less than the Series E-2 Conversion Price in effect on the date of and immediately prior to such issue (the "Series E-2 Ratchet Price"), then in such event, such Series E-2 Preferred Conversion Price shall be reduced to the Series E-2 Ratchet Price concurrently with such issue in order to increase the number of shares of Common Stock into which the Series E-2 Preferred is convertible.

(3) SERIES A, B, C, D AND D-1 PREFERRED FORMULA ADJUSTMENT. In the event the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 4(f)(ii) hereof) without consideration or for a consideration per share less than the respective

Series A Conversion Price, Series B Conversion Price, Series C Conversion Price, Series D Conversion Price or Series D-1 Conversion Price in effect on the date of and immediately prior to such issue, then in such event, such Series A Conversion Price, Series B Conversion Price, Series C Conversion Price, Series D Conversion Price or Series D-1 Conversion Price, as applicable, shall be reduced concurrently with such issue in order to increase the number of shares of Common Stock into which the applicable series of Series Preferred is convertible to a price (calculated to the nearest hundredth of a cent) determined by the following formula:

$$NCP = CP \times \frac{CS + \frac{C}{CP}}{CS + AS}$$

where:

CP = the respective Conversion Price in effect on the date of and immediately prior to such issue,

NCP = the Conversion Price as so adjusted,

CS = the number of shares of Common Stock outstanding immediately prior to such issue, including shares issuable upon (i) conversion of all outstanding Preferred Stock, (ii) exercise of all outstanding options and warrants to purchase Common Stock, and (iii) exercise and conversion of all outstanding options or warrants to purchase Preferred Stock.

C = the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued, and

AS = the number of Additional Shares of Common Stock so issued.

(4) SERIES E AND E-1 PREFERRED FORMULA ADJUSTMENT. In the event that (a) at any time ending on the earlier of (x) December 31, 2005 or (y) the closing of a Senior Preferred Qualified IPO (the "Formula Adjustment Period") the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 4(f)(ii) hereof) without consideration or for a consideration per share less than the Series E Conversion Price and Series E-1 Conversion Price in effect on the date of and immediately prior to such issue, and (b) such Additional Shares are either issued to a Strategic Investor (as hereinafter defined) or are subsequently transferred to a Strategic Investor, in either case during the Formula Adjustment Period, then in such event, such Series E Conversion Price and Series E-1 Conversion Price shall be reduced either concurrently with such issue (or at the time of any such subsequent transfer to a Strategic Investor) in order to increase the number of shares of Common Stock into which the Series E Preferred and Series E-1 Preferred is convertible to a price (calculated to the nearest hundredth of a cent) determined by the formula provided for in Section 4(f)(iii)(3) hereof. In the case of an adjustment made on account of a subsequent transfer to a Strategic Investor, the aggregate consideration to be used in the formula to determine the adjustment shall be the consideration received by the Corporation in the initial issuance. For purposes of this subsection, a "Strategic Investor" shall mean any person

or entity that is engaged in the business of developing, providing or delivering medical imaging technologies or interventional, disposable devices, or any person or entity that is an affiliate of such person or entity, as reasonably determined by the Corporation.

(5) Notwithstanding the foregoing, the Conversion Price shall not be so reduced at such time if the amount of such reduction would be an amount less than one hundredth of a cent ($0.0001), but any such amount shall be carried forward and deduction in respect thereof made at the time of and together with any subsequent reduction which, together with such amount and any other amount or amounts so carried forward, shall aggregate one hundredth of a cent ($0.0001) or more.

(iv) DETERMINATION OF CONSIDERATION. For purposes of this subsection 4(f), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) CASH AND PROPERTY: Such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(2) OPTIONS AND CONVERTIBLE SECURITIES. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to subsection 4(f)(ii) relating to Options and Convertible Securities shall be determined by dividing:

(A) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number of Options or Convertible Securities) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(B) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number of shares of Common Stock) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(g) ADJUSTMENT OF CONVERSION PRICE FOR DIVIDENDS, DISTRIBUTIONS, COMBINATIONS OR CONSOLIDATIONS.

(i) STOCK DIVIDENDS, DISTRIBUTIONS OR SUBDIVISIONS. In the event the Corporation shall, at any time or from time to time after the Original Issue Date, issue Common Stock in a stock dividend, stock distribution or subdivision, the Conversion Price in effect for the Series Preferred immediately prior to such stock dividend, stock distribution or subdivision shall, concurrently with the effectiveness of such stock dividend, stock distribution or subdivision, be proportionately decreased.

(ii) COMBINATIONS OR CONSOLIDATIONS. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, at any time or from time to time after the Original Issue Date into a lesser number of shares of Common Stock, the Conversion Price in effect for the Series Preferred immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(iii) OTHER DIVIDENDS OR DISTRIBUTIONS. If the Corporation at any time or from time to time after the Original Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then in each such event provision shall be made so that the holders of each series of Series Preferred shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of other securities of the Corporation which they would have received had their series of Series Preferred been converted into Common Stock on the date of such event and had they thereafter retained such securities through and including the conversion date, subject to all other adjustments called for during such period under this Section 4.

(iv) ADJUSTMENT FOR RECLASSIFICATION, EXCHANGE AND SUBSTITUTION. If at any time or from time to time after the Original Issue Date, the Common Stock issuable upon the conversion of the Series Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4 or in Section 3), then each holder of Series Preferred shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Common Stock into which such shares of Series Preferred could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(v) REORGANIZATIONS, MERGERS, CONSOLIDATIONS OR SALES OF ASSETS. If at any time or from time to time after the Original Issue Date there is a capital reorganization of the Common Stock (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4 or in Section 3), or, in the case of the Senior D Preferred and the Senior E Preferred, any consolidation or merger of the Corporation with or into another corporation or the sale of all or substantially all of the assets of the Corporation to another corporation which is not deemed to be a liquidation under Section

3(d) above, as a part of such capital reorganization, or, in the case of the Senior D Preferred and the Senior E Preferred, such consolidation, merger or sale, provision shall be made so that the holders of the Series Preferred shall thereafter be entitled to receive upon conversion of the Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred, as applicable, the number of shares of stock or other securities or property of the Corporation to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall by made in the application of the provisions of this Section 4 with respect to the respective rights of the holders of Series Preferred after the capital reorganization to the end that the provisions of this Section 4 (including adjustment of the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price, the Series D Conversion Price, the Series D-1 Conversion Price, the Series D-2 Conversion Price, the Series E Conversion Price, the Series E-1 Conversion Price and the Series E-2 Conversion Price then in effect and the number of shares issuable upon conversion of the Series Preferred) shall be applicable after that event and be as nearly equivalent as practicable as before such event.

(h) NO IMPAIRMENT. Without the consent of holders of a majority of any affected series of Series Preferred, as applicable, the Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but it will at all times in good faith assist in the carrying out of all of the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the affected series of Series Preferred against impairment.

(i) CERTIFICATE AS TO ADJUSTMENTS. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price, the Series D Conversion Price, the Series D-1 Conversion Price, the Series D-2 Conversion Price, the Series E Conversion Price, the Series E-1 Conversion Price or the Series E-2 Conversion Price pursuant to this Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment and furnish to each holder of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred, as appropriate, a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred, furnish or cause to be furnished to each holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the applicable Conversion Price in effect at the time, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred.

(j) NOTICES OF RECORD DATE. In the event of any taking by the Corporation of the record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, the Corporation shall mail to each respective holder of Series Preferred, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(k) RESERVATION OF STOCK. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the respective conversion of the shares of Series Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the respective conversion of all outstanding shares of Series Preferred; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all of the then outstanding shares of Series Preferred, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(l) NOTICES. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Series Preferred shall be deemed given upon receipt. Notice may be deposited in the United States certified or registered mail, first class postage prepaid, or by personal (courier) delivery and addressed to each holder of record of his or her address appearing on the books of the Corporation.

(m) NO REISSUANCE OF THE SERIES PREFERRED. No shares of the Series Preferred which have been converted into Common Stock or otherwise acquired by the Corporation by reason of purchase or otherwise shall be reissued.

5. VOTING RIGHTS. Except as otherwise provided herein or as required by law, the holders of the Series Preferred shall be entitled to notice of any stockholders' meeting and to vote together with the holders of the Common Stock of the Corporation and not as a separate class, at any annual or special meeting of stockholders of the Corporation, and may act by written consent in the same manner as the holders of Common Stock, in either case upon the following basis: each holder of shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred and Series E-2 Preferred shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series D-1 Preferred, Series D-2 Preferred, Series E Preferred, Series E-1 Preferred or Series E-2 Preferred are convertible (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

6. RESTRICTIVE COVENANTS.

The Corporation shall not, without obtaining the vote or written consent of (i) the holders of a majority of the Senior D Preferred and the Senior E Preferred (voting together as a single class) and (ii) the holders of a majority of the outstanding shares of the Junior Preferred (voting together as a single class):

(i) amend or repeal any provision of the Certificate of Incorporation or the Bylaws of the Corporation so as to affect adversely the rights, powers, preferences, or other special rights or privileges of any series of Series Preferred;

(ii) amend or repeal Article VIII of the Certificate of Incorporation of the Corporation so as to limit or diminish in any way the indemnification provided thereunder;

(iii) authorize, create (by reclassification or otherwise) or issue shares of any class or series of equity securities of the Corporation having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of any series of Series Preferred;

(iv) increase or decrease the authorized number of shares of Preferred Stock or Common Stock;

(v) pay or declare a dividend on, or repurchase or redeem any Common Stock (except for repurchases of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares, at cost, upon termination of employment or in exercise of the Corporation's right of first refusal upon a proposed transfer), or repurchase or redeem any shares of the Series Preferred;

(vi) sell, lease or otherwise dispose of all or substantially all of the assets, property or business of the Corporation, or merge or consolidate the Corporation with any person, or permit any other person to merge into it, or undertake any other reorganization, other than mergers, consolidations or reorganizations in which the Corporation is the surviving corporation and, after giving effect to the merger, consolidation, or reorganization, the holders of the Corporation's outstanding capital stock immediately preceding such merger own more than fifty percent (50%) of the outstanding capital stock of the surviving corporation; or

(vii) take action which results in the taxation of the holders of shares of Series Preferred under Section 305 of the United States Internal Revenue Code.

The Corporation shall not, without obtaining the vote or written consent of the holders of a majority of each of the Series E Preferred and the Series E-1 Preferred, amend or repeal any provision of the Certificate of Incorporation or the Bylaws of the Corporation so as to affect adversely the unique rights, powers, preferences, or other special rights or privileges of the Series E Preferred or the Series E-1 Preferred, in either case as a separate class, whether by merger, consolidation or otherwise. Further, notwithstanding the Senior D Preferred and the Senior E Preferred voting threshold prescribed in Section 4(d)(ii)(B) hereof, the Corporation shall not, without obtaining the vote or written consent of the holders of a majority of the Series E-1 Preferred, amend or repeal the proviso language set forth at the end thereof.

7. PREEMPTIVE RIGHT. The Corporation hereby grants to each holder holding at least 225,000 shares of the Corporation's Senior D Preferred and/or Senior E Preferred (each, a "Preemptive Holder" and collectively "Preemptive Holders"), the right to purchase its pro rata share of New Securities (as defined below) that the Corporation may, from time to time, propose to sell and issue. For purposes of this Section 7, the shares of the Corporation's Senior D Preferred and/or Senior E Preferred held by all affiliated entities and individuals shall be aggregated for purposes of determining whether the above 225,000 share threshold is met, and all

such affiliated entities and individuals shall be treated as a single Preemptive Holder. Each Preemptive Holder's pro rata share, for purposes of this preemptive right, is the ratio of (X) the number of shares of Senior D Preferred and/or Senior E Preferred then owned on an as converted to Common Stock basis to (Y) the total number of shares of Common Stock of the Corporation outstanding immediately prior to the issuance of the New Securities, assuming full conversion of all shares of outstanding Preferred Stock of the Corporation and exercise of all outstanding options and warrants to purchase securities of the Corporation. This preemptive right shall be subject to the following provisions:

(a) "New Securities" shall mean any offering by the Corporation of any Common Stock or Preferred Stock of the Corporation, whether now authorized or not, and rights, options, or warrants to purchase said Common Stock or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible into or exchangeable for said Common Stock or Preferred Stock; provided, however, that "New Securities" does not include: (i) securities issuable upon conversion of the Preferred Stock; (ii) securities offered to the public pursuant to a registration statement filed under the Securities Act; (iii) securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets, or other reorganization whereby the Corporation owns more than 50% of the voting power of such corporation approved by the Board of Directors; (iv) up to 3,277,714 shares of the Corporation's Common Stock (or related options) issued or issuable at any time to employees, directors or consultants of the Corporation, or any subsidiary, pursuant to any employee stock offering, plan, or arrangement, or such greater number of shares as shall be approved by the Board of Directors and a majority of the Preemptive Holders (plus (1) any shares repurchased, at cost, by the Corporation after the Original Issue Date from any officer, director or employee of or consultant to the Corporation pursuant to any of the plans or arrangements referred to in this clause, (2) any shares subject to options granted to officers, directors or employees of or consultants to the Corporation pursuant to any of the plans or arrangements referred to in this clause that are outstanding as of the Original Issue Date and are forfeited prior to exercise and (3) any options (and shares issuable upon exercise thereof) that are automatically added to any of the plans referred to in this subclause (iv) without further stockholder vote pursuant to the terms of such plan(s)); (v) shares of the Corporation's Common Stock issued or issuable upon exercise of options, warrants or other convertible securities that are issued and outstanding as of the Original Issue Date; (vi) shares of the Corporation's Common Stock or Preferred Stock issued in connection with any stock split, stock dividend, or recapitalization by the Corporation; (vii) securities issued in connection with equipment lease financings or other financings with commercial lenders which are approved by the Corporation's Board of Directors; (viii) shares of the Corporation's Common Stock or Preferred Stock issued in connection with strategic transactions involving the Corporation and other entities approved by the Board of Directors, including (A) joint ventures, manufacturing, marketing or distribution arrangements or (B) technology transfer, corporate partnering or development arrangements; provided that such strategic transactions and the issuance of shares therein, has been approved by the Corporation's Board of Directors; and (ix) with respect to the Series E Preferred and the Series E-1 Preferred, securities issued pursuant to the acquisition by another corporation of the Corporation by merger, purchase of substantially all of the assets, or other reorganization.

(b) In the event that the Corporation proposes to undertake an issuance of New Securities, it shall give each Preemptive Holder written notice of its intention, describing the type of New Securities, the price, and the general terms upon which the Corporation proposes

to issue the same. Each such Preemptive Holder shall have twenty (20) business days from the date of receipt any such notice (unless a shorter period is consented to by a majority in interest of the Preemptive Holders) to agree, by written notice to the Corporation, to purchase its pro rata share, or any part thereof, of such New Securities for the price and upon the general terms specified in the notice by giving written notice to the Corporation and stating therein the quantity of New Securities to be purchased. In the event that each Preemptive Holder initially fails to exercise in full its preemptive rights within said period, the Corporation shall promptly advise those Preemptive Holders who have exercised such right in full who may then purchase the New Securities as to which Preemptive Holders have not exercised such right in full, pro rata based upon their respective ownership of Senior D Preferred and/or Senior E Preferred, or as they otherwise may agree among themselves. This right of over-allotment must be exercised by notice to the Corporation within five (5) business days after the Preemptive Holders' receipt of notice that each Preemptive Holder had not exercised its preemptive right in full.

(c) In the event that the Preemptive Holders fail to exercise in full the preemptive right as aforesaid, the Corporation shall have 120 days thereafter to sell (or enter into an agreement pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within thirty (30) days from the date of said agreement) the New Securities respecting which the Preemptive Holders' rights were not exercised at a price and upon general terms materially no more favorable to the purchasers thereof than specified in the Corporation's notice. In the event the Corporation has not sold the New Securities within said 120 day period (or sold and issued New Securities in accordance with the foregoing within thirty (30) days from the date of said agreement), the Corporation shall not thereafter issue or sell any New Securities without first offering such securities to the Preemptive Holders in the manner provided above.

(d) Notwithstanding anything to the contrary contained in this Section 7, the preemptive rights granted to the Preemptive Holders under this Section shall not apply if waived in writing by holders of at least two thirds of the Senior D Preferred and Series E-2 Preferred held by the Preemptive Holders.

8. RESIDUAL RIGHTS. All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary herein shall be vested in the Common Stock. Notwithstanding anything herein contained to the contrary, but subject to Article V.6 of this Certificate of Incorporation, the number of authorized shares of Common Stock may be increased by an affirmative vote of the holders of a majority of the outstanding voting capital stock of the Corporation.

VI.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed in the manner provided in the Bylaws.

2. The Board of Directors may from time to time make, amend, supplement or repeal the Bylaws; provided, however, that the stockholders may change or repeal any Bylaw adopted by the Board of Directors by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation (considered for this purpose as one class); and, provided further, that no amendment or supplement to the Bylaws adopted by the Board of Directors shall vary or conflict with any amendment or supplement thus adopted by the stockholders.

3. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

4. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

VII.

A director of the Corporation shall, to the full extent not prohibited by the Delaware General Corporation law, as the same exists or may hereafter be amended, not be liable to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director. No amendment to or repeal of this Article VII shall apply to or have any effect on the liability or alleged liability of any director or officer of the Corporation for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

VIII

The Corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware, as amended from time to time, indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, limited liability company, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such action, suit or proceeding and any appeal therefrom.

As a condition precedent to his or her right to be indemnified, the person seeking indemnification must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him or her for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to such person.

In the event that the Corporation does not assume the defense of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, indemnification shall include payment by the Corporation of expenses in defending an action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if it is ultimately determined that such person is not entitled to indemnification under this Article, which undertaking shall be accepted without reference to the financial ability of such person to make such repayments.

The Corporation shall not indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person unless the initiation thereof was approved or ratified by the Board of Directors of the Corporation. In addition, the Corporation shall not indemnify a person to the extent such person is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to any person and such person is subsequently reimbursed from the proceeds of insurance, such person shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

All determinations hereunder as to the entitlement of any person to indemnification shall be made in each instance by (a) a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may, be to the extent permitted by law, be regular legal counsel to the Corporation), or (d) a court of competent jurisdiction.

The indemnification rights provided in this Article (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any law, agreement or vote of stockholders or disinterested directors or otherwise, and (ii) shall inure to the benefit of the heirs, executors and administrators of such persons. The Corporation may, to the extent authorized from time to time by its Board of Directors grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article VIII.

Any person seeking indemnification under this Article shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established.

Any amendment or repeal of the provisions of this Article shall not adversely affect any right or protection of a director or officer of this Corporation with respect to any act or omission of such director or officer occurring before such amendment or repeal.

IX.

The Corporation is to have perpetual existence.

X.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this right.

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6. That thereafter, the stockholders of the corporation approved the adoption of the amendment and restatement in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

7. That said amendment and restatement was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, and that the capital of the Corporation will not be reduced under or by reason of the amendment and restatement.

IN WITNESS WHEREOF, said Stereotaxis, Inc., has caused its corporate seal to be hereunto affixed and this certificate to be signed by Bevil J. Hogg, its President, this 27th day of January, 2004.

STEREOTAXIS, INC.

BY: /s/ Bevil J. Hogg

Bevil J. Hogg, President

ATTEST:

BY: /s/ James L. Nouss, Jr.

James L. Nouss, Jr., Secretary

Exhibit 3.2

BYLAWS

OF

STEREOTAXIS, INC.

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INDEX

BYLAWS
OF
STEREOTAXIS
(a Delaware corporation)

ARTICLE I

Offices

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Dover, County of Kent. (Del. Code Ann., tit. 8,Section 131)

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require. (Del. Code Ann., tit. 8, Section 122(8))

ARTICLE II

Corporate Seal

Section 3. Corporate Seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. (Del. Code Ann., tit. 8, Section 122(3))

ARTICLE III

Stockholders' Meetings

Section 4. Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof. (Del. Code Ann., tit. 8, Section 211 (a))

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of Directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. (Del. Code Ann., tit. 8, Section 211 (b))

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) calendar days in advance of the date of the corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received a reasonable time before the solicitation is made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the Securities and Exchange Act of 1934, as amended. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted. (Del. Code Ann., tit. 8: P. 211 (b))

(c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of Directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 5. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a Director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and

number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a Director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 5. At the request of the Board of Directors, any person nominated by a stockholder for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting and the defective nomination shall be disregarded. (Del. Code Ann., tit. 8, Sections 212, 214)

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board, (ii) the President, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (iv) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as they or he shall fix; provided, however, that following registration of any of the classes of equity securities of the corporation pursuant to the provisions of the Securities Exchange Act of 1934, as amended, special meetings of the stockholders may only be called by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized Directors.

(b) If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any Vice President, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws, that a meeting will be held not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph (b) shall be

construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given. (Del. Code Ann., tit. 8, Sections 222, 229)

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. Any shares, the voting of which at said meeting has been enjoined, or which for any reason cannot be lawfully voted at such meeting, shall not be counted to determine a quorum at such meeting. In the absence of a quorum any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the voting power represented at any meeting at which a quorum is present shall be valid and binding upon the corporation; provided, however, that Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority (plurality, in the case of the election of Directors) of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class. (Del. Code Ann., tit. 8, Section 216)

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares represented thereat. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after

the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. (Del. Code Ann., tit. 8, Section 222(c))

Section 10. Voting Rights.

For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Except as may be otherwise provided in the Certificate of Incorporation or these Bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent, which proxy shall be filed with the Secretary at or before the meeting at which it is to be used. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period. All elections of Directors shall be by written ballot, unless otherwise provided in the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 211 (e), 212(b))

Section 11. Beneficial Owners of Stock.

(a) If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the General Corporation Law of Delaware, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of this subsection (c) shall be a majority or even-split in interest. (Del. Code Ann., tit. 8, Section 217(b))

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. (Del. Code Ann., tit. 8,Section 217(a))

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the

number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof, and may be inspected by any stockholder who is present. (Del. Code Ann., tit. 8, Section 219(a))

Section 13. Action without Meeting.

(a) Any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the Corporation in the manner herein required, written consents signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. (Del. Code Ann., tit. 8, Section 228)

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

(d) Notwithstanding the foregoing, no such action by written consent may be taken following the effectiveness of the registration of any class of securities of the corporation under the Securities Exchange Act of 1934, as amended.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, the

most senior Vice President present, or in the absence of any such officer, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies, and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless, and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

Directors

Section 15. Number and Term of Office. The number of Directors which shall constitute the whole of the Board of Directors shall be three (3). The number of authorized Directors may be modified from time to time by amendment of this Section 15 in accordance with the provisions of Section 44 hereof. Except as provided in Section 17, the Directors shall be elected by the stockholders at their annual meeting in each year and shall hold office until the next annual meeting and until their successors shall be duly elected and qualified. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws. No reduction of the authorized number of Directors shall have the effect of removing any Director before the Director's term of office expires, unless such removal is made pursuant to the provisions of Section 19 hereof. (Del. Code Ann., tit. 8, Sections 14 1 (b), 211 (b), (c))

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation (Del. Code Ann., tit. 8, Section 141(a))

Section 17. Vacancies. Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number

of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office for the unexpired portion of the term of the Director whose place shall be vacant and until his successor shall have been duly elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 17 in the case of the death, removal or resignation of any Director, or if the stockholders fail at any meeting of stockholders at which Directors are to be elected (including any meeting referred to in Section 19 below) to elect the number of Directors then constituting the whole Board of Directors. (Del. Code Ann., tit. 8, Section 223(a), (b))

Section 18. Resignation. Any Director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more Directors shall resign from the Board of Directors, effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified. (Del. Code Ann., tit. 8, Sections 141(b), 223(d))

Section 19. Removal. At a special meeting of stockholders called for the purpose in the manner hereinabove provided, subject to any limitations imposed by law or the Certificate of Incorporation, the Board of Directors, or any individual Director, may be removed from office, with or without cause, and a new Director or Directors elected by a vote of stockholders holding a majority of the outstanding shares entitled to vote at an election of Directors. (Del. Code Ann., tit. 8, Section 141 (k))

Section 20. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been determined by the Board of Directors. (Del. Code Ann., tit. 8, Section 141(g))

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place

within or without the State of Delaware whenever called by the President or a majority of the Directors. (Del. Code Ann., tit. 8,Section 141(g))

(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. (Del. Code Ann., tit. 8, Section 141(i))

(e) Notice of Meetings. Written notice of the time and place of all special meetings of the Board of Directors shall be given at least one (1) day before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. (Del. Code Ann., tit. 8, Section 229)

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the Directors not present shall sign a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in any written waiver of notice or consent unless so required by the Certificate of Incorporation or these Bylaws. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. (Del. Code Ann., tit. 8, Section 229)

Section 21. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 42 hereof, for which a quorum shall be one-third of the exact number of Directors fixed from time to time in accordance with Section 15 hereof, but not less than one (1), a quorum of the Board of Directors shall consist of a majority of the exact number of Directors fixed from time to time in accordance with Section 15 of these Bylaws, but not less than one (1); provided, however, at any meeting whether a quorum be present or otherwise, a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting. (Del. Code Ann., tit. 8, Section 141(b))

(b) At each meeting of the Board of Directors at which a quorum is present all questions and business shall be determined by a vote of a majority of the Directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws. (Del. Code Ann., tit. 8, Section 141(b))

Section 22. Action without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. (Del. Code Ann., tit. 8, Section 141(f))

Section 23. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor. (Del. Code Ann., tit. 8, Section 141(h))

Section 24. Committees.

(a) Executive Committee. The Board of Directors may by resolution passed by a majority of the whole Board of Directors, appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and specifically granted by the Board of Directors, shall have and may exercise when the Board of Directors is not in session all powers of the Board of Directors in the management of the business and affairs of the corporation, including, without limitation, the power and authority to declare a dividend or to authorize the issuance of stock, except such committee shall not have the power or authority to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, to recommend to the stockholders of the corporation a dissolution of the corporation or a revocation of a dissolution or to amend these Bylaws. (Del. Code Ann., tit. 8, Section 141(c))

(b) Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, from time to time appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors, and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall such committee have the powers denied to the Executive Committee in these Bylaws. (Del. Code Ann., tit. 8, Section 141(c))

(c) Term. The members of all committees of the Board of Directors shall serve a term coexistent with that of the Board of Directors which shall have appointed such committee. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Section 24, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and

the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. (Del. Code Ann., tit. 8, Section 141(c))

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 24 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any Director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee. (Del. Code Ann., tit. 8, Sections 141(c), 229)

Section 25. Organization. At every meeting of the Directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the Directors present, shall preside over the meeting. The Secretary, or in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

Officers

Section 26. Officers Designated. The officers of the corporation shall be the Chairman of the Board of Directors, the President, one or more Vice Presidents, the Secretary and the Chief Financial Officer or Treasurer, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The order of the seniority of the Vice Presidents shall be in the order of their nomination, unless otherwise determined by the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, and such other officers and agents with such powers and duties as it shall deem necessary. The Board of

Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors. (Del. Code Ann., tit. 8, Sections 122(5), 142(a), (b))

Section 27. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors. (Del. Code Ann., tit. 8, Section 141(b), (e))

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 27. (Del. Code Ann., tit. 8, Section 142(a))

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(d) Duties of Vice Presidents. The Vice Presidents, in the order of their seniority, may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors, and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders, and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other

duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

(f) Duties of Chief Financial Officer or Treasurer. The Chief Financial Officer or Treasurer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner, and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer or Treasurer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer or Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct any Assistant Treasurer to assume and perform the duties of the Chief Financial Officer or Treasurer in the absence or disability of the Chief Financial Officer or Treasurer, and each Assistant Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a))

Section 28. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 29. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.(Del. Code Ann., tit. 8, Section 142(b))

Section 30. Removal. Any officer may be removed from office at any time, either with or without cause, by the vote or written consent of a majority of the Directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

Execution of Corporate Instruments and Voting of Securities Owned by the Corporation

Section 31. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person

or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the corporation, shall be executed, signed or endorsed by the Chairman of the Board of Directors, or the President or any Vice President, and by the Secretary or Chief Financial Officer or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158)

Section 32. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the President, or any Vice President. (Del. Code Ann., tit. 8, Section 123)

ARTICLE VII

Shares of Stock

Section 33. Form and Execution of Certificates. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Where such certificate is countersigned by a transfer agent other than the corporation or its employee, or by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose

facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the designations, preferences, limitations, restrictions on transfer and relative rights of the shares authorized to be issued. (Del. Code Ann., tit. 8, Section 158)

Section 34. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed. (Del. Code Ann., fit. 8, Section 167)

Section 35. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares. (Del. Code Ann., tit. 8,Section 201, tit. 6, Section 8- 401(l))

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware. (Del. Code Ann., tit. 8, Section 160 (a))

Section 36. Fixing Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. (Del. Code Ann., tit. 8, Section 213)

Section 37. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware. (Del. Code Ann., tit. 8, Sections 213(a), 219)

ARTICLE VIII

Other Securities of the Corporation

Section 38. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 33), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

Dividends

Section 39. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 170, 173)

Section 40. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created. (Del. Code Ann., tit. 8, Section 171)

ARTICLE X

Fiscal Year

Section 41. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

Indemnification

Section 42. Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Executive Officers. The corporation shall indemnify its Directors and executive officers to the fullest extent not prohibited by the Delaware General Corporation Law; provided, however, that the corporation may limit the extent of such indemnification by individual contracts with its Directors and executive officers; and, provided, further, that the corporation shall not be required to indemnify any Director or executive officer in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the corporation or its Directors, officers, employees or other agents unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation or (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law.

(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the Delaware General Corporation Law.

(c) Good Faith.

(1) For purposes of any determination under this Bylaw, a Director or executive officer shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe that his conduct was unlawful, if his action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

(i) one or more officers or employees of the corporation whom the Director or executive officer believed to be reliable and competent in the matters presented;

(ii) counsel, independent accountants or other persons as to matters which the Director or executive officer believed to be within such person's professional competence; and

(iii) with respect to a Director, a committee of the Board upon which such Director does not serve, as to matters within such Committee's designated authority, which committee the Director believes to merit confidence; so long as, in each case, the Director or executive officer acts without knowledge that would cause such reliance to be unwarranted.

(2) The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(3) The provisions of this paragraph (c) shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the Delaware General Corporation Law.

(d) Expenses. The corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by any Director or executive officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation if a determination is reasonably and promptly made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to the proceeding, or (2) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that Such person did not believe to be in or not opposed to the best interests of the corporation.

(e) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to Directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the Director or executive officer. Any right to indemnification or advances granted by this Bylaw to a Director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. The corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

(f) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its Directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(g) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a Director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(h) Insurance. To the fullest extent permitted by the Delaware General Corporation Law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(i) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(j) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(k) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

ARTICLE XII

Notices

Section 43. Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent. (Del. Code Ann., tit. 8,Section 222)

(b) Notice to Directors. Any notice required to be given to any Director may be given by the method stated in subsection (a), or by facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such Director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such Director.

(c) Address Unknown. If no address of a stockholder or Director be known, notice may be sent to the office of the corporation required to be maintained pursuant to Section 2 hereof.

(d) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the

stockholder or stockholders, or Director or Directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained. (Del. Code Ann., tit. 8, Section 222)

(e) Time Notices Deemed Given. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(f) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all Directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(g) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any Director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such Director to receive such notice.

(h) Notice to Person with Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(i) Notice to Person with Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records

of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph. (Del. Code Ann, tit. 8, Section 230)

ARTICLE XIII

Amendments

Section 44. Amendments. Except as otherwise set forth in paragraph (i) of Section 42 of these Bylaws, these Bylaws may be amended or repealed and new Bylaws adopted by the stockholders entitled to vote. The Board of Directors shall also have the power, if such power is conferred upon the Board of Directors by the Certificate of Incorporation, to adopt, amend or repeal Bylaws (including, without limitation, the amendment of any Bylaw setting forth the number of Directors who shall constitute the whole Board of Directors). (Del. Code Ann., tit. 8, Sections 109(a), 122(6))

ARTICLE XIV

Right of First Refusal

Section 45. Right of First Refusal. No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of stock of the corporation or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this Bylaw:

(a) If the stockholder receives from anyone a bona fide offer acceptable to the stockholder to purchase any of his shares of stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the price per share and all other terms and conditions of the offer.

(b) For fifteen (15) days following receipt of such notice, the corporation shall have the option to purchase all or any lesser part of the shares specified in the notice at the price and upon the terms set forth in such bona fide offer. In the event the corporation elects to purchase all the shares, it shall give written notice to the selling stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) In the event the corporation does not elect to acquire all of the shares specified in the selling stockholder's notice, the Secretary of the corporation shall, within fifteen (15) days of receipt of said selling stockholder's notice, give written notice thereof to the stockholders of the corporation other than the selling stockholder. Said written notice shall state the number of shares that the corporation has elected to purchase and the number of shares remaining available for purchase (which shall be the same as the number contained in said selling stockholder's notice, less any such shares that the corporation has elected to purchase). Each of the other stockholders shall have the option to purchase that proportion of the shares available for purchase

as the number of shares owned by each of said other stockholders bears to the total issued and outstanding shares of the corporation, excepting those shares owned by the selling stockholder. A stockholder electing to exercise such option shall, within ten (10) days after mailing of the corporation's notice, give notice to the corporation specifying the number of shares such stockholder will purchase. Within such ten-day period, each of said other stockholders shall give written notice stating how many additional shares such stockholder will purchase if additional shares are made available. Failure to respond in writing within said ten-day period to the notice given by the Secretary of the corporation shall be deemed a rejection of such stockholder's right to acquire a proportionate part of the shares of the selling stockholder. In the event one or more stockholders do not elect to acquire the shares available to them, said shares shall be allocated on a pro rata basis to the stockholders who requested shares in addition to their pro rata allotment.

(d) In the event the corporation and/or stockholders, other than the selling stockholder, elect to acquire any of the shares of the selling stockholder as specified in said selling stockholder's notice, the Secretary of the corporation shall so notify the selling stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said selling stockholder's notice; provided that if the terms of payment set forth in said selling stockholder's notice were other than cash against delivery, the corporation and/or its other stockholders shall pay for said shares on the same terms and conditions set forth in said selling stockholder's notice.

(e) In the event the corporation and/or its other stockholders do not elect to acquire all of the shares specified in the selling stockholder's notice, said selling stockholder may, within the sixty-day period following the expiration of the option rights granted to the corporation and other stockholders herein, sell elsewhere the shares specified in said selling stockholder's notice which were not acquired by the corporation and/or its other stockholders, in accordance with the provisions of paragraph (d) of this bylaw, provided that said sale shall not be on terms and conditions more favorable to the purchaser than those contained in the bona fide offer set forth in said selling stockholder's notice. All shares so sold by said selling stockholder shall continue to be subject to the provisions of this Bylaw in the same manner as before said transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this Bylaw:

(1) A stockholder's transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer and shall include any trust established primarily for the benefit of the stockholder or his immediate family.

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this Section 45.

(3) A stockholder's transfer of any or all of such stockholder's shares to the corporation or to any other stockholder of the corporation.

(4) A stockholder's transfer of any or all of such stockholder's shares to a person who, at the time of such transfer, is an officer or director of the corporation.

(5) A corporate stockholder's transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

(6) A corporate stockholder's transfer of any or all of its shares to any or all of its stockholders.

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners.

In any such case, the transferee, assignee, or other recipient shall receive and hold such stock subject to the provisions of this Bylaw, and there shall be no further transfer of such stock except in accordance with this Bylaw.

(g) The provisions of this Section 45 may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be sold by the selling stockholder). This Section 45 may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express vote or written consent of the owners of a majority of the voting power of the corporation.

(h) Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this Bylaw are strictly observed and followed.

(i) The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:

(1) On December 31, 1999; or

(2) Upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(j) The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

"The shares represented by this certificate are subject to a right of first refusal option in favor of the corporation and its other stockholders, as provided in the bylaws of the corporation."

(Del. Code Ann., tit. 8, Section 160(a))

ARTICLE XV

Loans to Officer

Section 46. Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this Section 46 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute. (Del. Code Ann., tit. 8, Section 143)

ARTICLE XVI

Miscellaneous

Section 47. Annual Report.

(a) Subject to the provisions of Section 47(b) below, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accounts or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation's shares, as determined by Section 605 of the California Corporations Code, additional information as required by Section 1501 (b) of the California Corporations Code shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the United States Securities Exchange Act of 1934, that Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than 100 holders of record of the corporation's shares, the requirement of sending of an annual report to the stockholders of the corporation is hereby expressly waived.

Effective April 20, 2000, Article XI, Section 42 of the Company's Bylaws was amended to read in its entirety as follows:

"ARTICLE XI

[Reserved]

Section 42. [Reserved]"

Effective January 27, 2004, Article III, Section 5(c) of the Company's Bylaws was amended to read in its entirety as follows:

"(c) Unless otherwise set forth in a written agreement among the stockholders holding a majority of the voting capital stock of the corporation, only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of Directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by pursuant to timely notice in writing to the Secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 5. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re election as a Director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or person) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a Director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 5. At the request of the Board of Directors, any person nominated by a stockholder for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the corporation unless nominated in accordance

with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting and the defective nomination shall be disregarded."

Effective January 27, 2004, Article IV, Section 15 of the Company's Bylaws was amended to read in its entirety as follows:

"Section 15. Number and Term of Office. The number of Directors which shall constitute the whole of the Board of Directors shall be not less than ten (10) and not more than eleven (11). The number of authorized Directors may be increased from ten (10) to eleven (11) pursuant to a written agreement of the stockholders holding a majority of the voting capital stock of the corporation and may be further modified from time to time by amendment of this Section 15 in accordance with the provisions of Section 44 hereof. Except as provided in Section 17, the Directors shall be elected by the stockholders at their annual meeting in each year and shall hold office until the next annual meeting or until their successors shall be duly elected and qualified. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws. No reduction of the authorized number of Directors shall have the effect of removing any Director before the Director's term of office expires, unless such removal is made pursuant to the provisions of Section 19 hereof."

Effective January 27, 2004, Article IV, Section 17 of the Company's Bylaws was amended to read in its entirety as follows:

"Section 17. Vacancies. Unless otherwise provided in the Certificate of Incorporation or in any written agreement among the stockholders holding a majority of the voting capital stock of the corporation, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by holders of a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office for the unexpired portion of the term of the Director whose place shall be vacant and until his successor shall have been duly elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 17 in the case of the death, removal or resignation of any Director, or if the stockholders fail at any meeting of stockholders at which Directors are to be elected (including any meeting referred to in Section 19

below) to elect the number of Directors then constituting the whole Board of Directors."

Effective January 27, 2004, Article XIII, Section 44 of the Company's Bylaws was amended to read in its entirety as follows:

"Section 44. Amendments. Except as otherwise set forth in paragraph 15 and in paragraph (i) of Section 42 of these Bylaws, these Bylaws may be amended or repealed and new Bylaws adopted by the stockholders entitled to vote. Subject to any written agreement among stockholders of the corporation holding a majority of the voting capital stock of the corporation, the Board of Directors shall also have the power, if such power is conferred upon the Board of Directors by the Certificate of Incorporation, to adopt, amend or repeal Bylaws (including, without limitation, the amendment of any Bylaw setting forth the number of Directors who shall constitute the whole Board of Directors)."

EXHIBIT 3.3

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

STEREOTAXIS, INC.

It is hereby certified that:

1. The present name of the corporation (hereinafter called the "Corporation") is Stereotaxis, Inc., which is the name under which the Corporation was originally incorporated; and the date of filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was June 13, 1990.

2. The Certificate of Incorporation is hereby amended in its entirety as set forth in the Amended and Restated Certificate of Incorporation hereinafter provided for.

3. The provisions of the Certificate of Incorporation of the Corporation as heretofore amended and/or supplemented, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Amended and Restated Certificate of Incorporation of Stereotaxis, Inc. without any further amendments other than the amendments herein certified and without any discrepancy between the provisions of the Certificate of Incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

4. This Amended and Restated Certificate of Incorporation has been duly adopted by the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

5. The Certificate of Incorporation of the Corporation, as amended and restated herein, shall at the effective time of this Amended and Restated Certificate of Incorporation, read as follows:

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION
OF
STEREOTAXIS, INC.

ARTICLE I.

The name of this Corporation is Stereotaxis, Inc.

ARTICLE II.

The registered agent and the address of the registered office in New Castle County in the State of Delaware are:

The Prentice-Hall Corporation System, Inc.
2711 Centerville Road, Suite 400
New Castle County
Wilmington, Delaware 19808

ARTICLE III.

The purpose of this Corporation is to engage in any lawful act or activity for which a Corporation may be organized under the Delaware General Corporation Law of the State of Delaware.

ARTICLE IV.

1. AUTHORIZED STOCK. The total number of shares which the Corporation is authorized to issue is [110,000,000] shares as follows: [100,000,000] shares of common stock, each having a par value of one-tenth of one cent ($0.001) (the "Common Stock") and [10,000,000] shares of preferred stock, each having a par value of one-tenth of one cent ($0.001) (the "Preferred Stock").

2. COMMON STOCK. The powers, preferences and rights, and the qualifications, limitations and restrictions, of the Common Stock are as follows:

(a) NO CUMULATIVE VOTING. The holders of shares of Common Stock shall not have cumulative voting rights.

(b) DIVIDENDS; STOCK SPLITS. Subject to the rights of the holders of Preferred Stock, and subject to any other provisions of this Amended and Restated Certificate of Incorporation, as it may be amended from time to time, the holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(c) LIQUIDATION, DISSOLUTION, ETC. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors and to the holders of any Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them, respectively. For purposes of this paragraph 2(c), the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with one or more other corporations or other persons (whether or not the Corporation is the

corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(d) MERGER, ETC. In the event of a merger or consolidation of the Corporation with or into another entity (whether or not the Corporation is the surviving entity), the holders of each share of Common Stock shall be entitled to receive the same per share consideration on a per share basis.

(e) VOTING. At every meeting of the stockholders of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders, every holder of Common Stock is entitled to one vote in person or by proxy for each share of Common Stock registered in the name of the holder on the transfer books of the Corporation. Except as otherwise required by law, the holders of Common Stock shall vote together as a single class, subject to any right that may be conferred upon holders of Preferred Stock to vote together with holders of Common Stock on all matters submitted to a vote of stockholders of the Corporation.

(f) NO PREEMPTIVE OR SUBSCRIPTION RIGHTS. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

3. PREFERRED STOCK.

(a) The Preferred Stock may be issued from time to time in one or more classes or series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in a class or series and, by filing a certificate pursuant to the applicable law of the State of Delaware (a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such class or series, and to fix the designation, powers, preferences and rights of the shares of each such class or series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each class or series shall include, but not be limited to, determination of the following:

(i) The designation of the class or series, which may be by distinguishing number, letter or title.

(ii) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).

(iii) Whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the class or series.

(iv) The dates on which dividends, if any, shall be payable.

(v) The redemption rights and price or prices, if any, for shares of the class or series.

(vi) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the class or series.

(vii) The amounts payable on, and the preferences, if any, of, shares of the class or series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(viii) Whether the shares of the class or series shall be convertible into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series of such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible and all other terms and conditions upon which such conversion may be made.

(ix) Restrictions on the issuance of shares of the same class or series or of any other class or series.

(x) The voting rights, if any, of the holders of shares of the class or series.

(b) The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the voting power of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of the applicable Preferred Stock Designation.

(c) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided in this Amended and Restated Certificate of Incorporation or by applicable law.

4. POWER TO SELL AND PURCHASE SHARES. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock hereon or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

ARTICLE V.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by the Board of Directors in the manner provided in the Bylaws.

2. The directors, other than those who may be elected by the holders of any class or series of Preferred Stock issued by the Corporation, shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the annual meeting next following December 31, 2004; the term of the initial Class II directors shall terminate on the date of the annual meeting next following December 31, 2005; and the term of the initial Class III directors shall terminate on the date of the annual meeting next following December 31, 2006. At each succeeding annual meeting of stockholders beginning in 2005, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

3. A director shall hold office until the annual meeting for the year in which his or her term expires or until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

4. Subject to applicable law and the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors or resulting from the death, resignation, removal from office or any other cause may be filled by a majority of the Board of Directors then in office, although less than a quorum, or by a sole remaining director, and not by the stockholders. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor. Subject to applicable law and the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time by the stockholders only for cause and only

by the affirmative vote of a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors. A director may not be removed by the stockholders at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is the removal of the director. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article V unless expressly provided otherwise by the terms of a Preferred Stock Designation filed pursuant to this Amended and Restated Certificate of Incorporation.

5. The Board of Directors may from time to time make, amend, supplement or repeal the Bylaws; provided, however, that the stockholders may change or repeal any Bylaw adopted by the Board of Directors by the affirmative vote of the holders of sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation, voting together as a single class; and, provided, further, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting.

6. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

7. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

8. In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the Delaware General Corporation Law, this Amended and Restated Certificate of Incorporation, and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

ARTICLE VI.

1. LIMITATION OF LIABILITY. To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

2. INDEMNIFICATION. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or his or her testator or intestate is or was a director, officer or employee of the Corporation, or any predecessor of the Corporation, or serves or served at any other enterprise as a director, officer or employee at the request of the Corporation or any predecessor to the Corporation.

3. AMENDMENTS. Neither any amendment nor repeal of this Article VI, nor the adoption of any provision of the Corporation's Certificate of Incorporation inconsistent with this Article VI, shall eliminate or reduce the effect of this Article VI, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VI, would accrue or arise, prior to such amendment, repeal, or adoption of an inconsistent provision.

ARTICLE VII.

Unless otherwise required by law, special meetings of stockholders, for any purpose or purposes may be called by (i) the Chairman of the Board of Directors, if there be one, (ii) the Chief Executive Officer, or (iii) the Board of Directors. The ability of the stockholders to call a special meeting is hereby specifically denied.

ARTICLE VIII.

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied, provided, however, that the holders of Preferred Stock may act by written consent to the extent expressly provided in the applicable Preferred Stock Designation authorizing the issuance of particular series of Preferred Stock pursuant to Article IV of this Certificate of Incorporation.

ARTICLE IX.

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE X.

The Corporation is to have perpetual existence.

ARTICLE XI.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by this Amended and Restated Certificate of Incorporation, the

Corporation's Bylaws or by statute, and all rights conferred upon the stockholders herein are granted subject to this right; provided, however, that notwithstanding any other provision of this Amended and Restated Certificate of Incorporation (and in addition to any other vote that may be required by law or any Preferred Stock Designation filed pursuant to this Amended and Restated Certificate of Incorporation), the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation, voting together as a single class, shall be required to amend, alter, change or repeal Article V, Sections 1-5 and Articles VI, VII, VIII and XI of this Amended and Restated Certificate of Incorporation.

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IN WITNESS WHEREOF, said Stereotaxis, Inc., has caused this certificate to be signed by Bevil J. Hogg, its President, this ____ day of _____, 2004.

STEREOTAXIS, INC.

By: _____
Bevil J. Hogg, President

EXHIBIT 3.4

AMENDED AND RESTATED

BYLAWS

OF

STEREOTAXIS, INC.

(A DELAWARE CORPORATION)

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AMENDED AND RESTATED

BYLAWS

OF

STEREOTAXIS, INC.

(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

Section 3. Corporate Seal. The corporation may have a corporate seal, which may be adopted or altered at the pleasure of the Board of Directors, and the Corporation may use such seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the principal office of the corporation required to be maintained pursuant to Section 2 hereof.

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors.

Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the General Corporation Law of Delaware, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. In order to be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business

at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and on such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act or (ii) of the holders of any series of preferred stock to elect directors under specified circumstances pursuant to the Certificate of Incorporation, as amended or restated, of the corporation (the "Certificate of Incorporation").

(f) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, PR Newswire, Reuters or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 6. Special Meetings. Subject to the rights of the holders of any series of preferred stock under the Certificate of Incorporation, special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

Section 7. Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of shares present in person or represented by proxy duly authorized at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy duly authorized at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the outstanding shares of such class or classes or series present in person or represented by proxy duly authorized at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 13 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The following shall constitute a valid means by which a stockholder may grant such authority: (i) a stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy (which execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature); and (ii) a stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cable-gram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cable-gram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to (i) and (ii) of this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an

interest in the corporation generally. All proxies must be filed with the Secretary of the corporation at the beginning of each meeting in order to be counted in any vote at the meeting.

Section 12. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the Delaware General Corporation Law, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 13. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 14. No Action Without Meeting. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken only upon the vote of the stockholders at any annual or special meeting duly called and may not be taken by written consent of the stockholders.

Section 15. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation,

establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 16. Number and Term of Office. Subject to the rights of the holders of any series of preferred stock, the number of directors of the corporation may be fixed or changed from time to time by resolution of a majority of the Board of Directors; provided the number shall be no less than three (3) and no more than fifteen (15), or, if the number is not fixed, the number shall be ten (10). No reduction in the number of directors shall have the effect of shortening the term of any incumbent director, and when so fixed, such number shall continue to be the authorized number of directors until changed by the Board of Directors by vote as aforesaid. The directors shall be divided into three (3) classes, Class I, Class II and Class III, each class to be as nearly equal in number as possible. The term of office of each director shall be until the third annual meeting following his or her election and until the election and qualification of his or her successor; provided, however, the directors first serving as Class I directors shall serve for a term expiring at the annual meeting next following next following December 31, 2004, the directors first serving as Class II directors shall serve for a term expiring at the annual meeting next following December 31, 2005, and the directors first serving as Class III directors shall serve for a term expiring at the annual meeting next following December 31, 2006. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 17. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 18. Vacancies. Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in

the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

Section 19. Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal.

(a) Neither the Board of Directors nor any individual director may be removed without cause.

(b) Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the affirmative vote of a majority of the voting power of the Corporation entitled to vote at an election of directors.

Section 21. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for a regular meeting of the Board of Directors.

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the Chief Executive Officer or a majority of the directors then in office.

(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) Notice of Meetings. Notice of the time and place of all special meetings of the Board of Directors or any meeting of the Executive Committee or any other committee of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, postage prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing (including by electronic means) at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 43 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmission or electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by

resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no

further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, (if a director) or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may, in its discretion, designate one or more of the Vice Presidents of the Corporation, if any, to serve as officers of the corporation, but absent such designation, a vice president shall not be an officer of the corporation. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the

Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents, if any, that have been designated officers of the corporation, may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents, if any, that have been designated officers of the corporation, shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant

Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation. All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do. Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 33. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such

authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 34. Form and Execution of Certificates. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 36. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the Delaware General Corporation Law.

Section 37. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 38. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

Section 39. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Director, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 40. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 43. Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Officers. The corporation shall indemnify its directors and officers to the fullest extent not prohibited by the Delaware General Corporation Law or any other applicable law; provided, however, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Employees and Other Agents. The corporation shall have power to indemnify its employees and other agents as set forth in the Delaware General Corporation Law or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person or other persons as the Board of Directors shall determine.

(c) Advancement of Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses actually and reasonably incurred by any director or officer in defending such action, suit or proceeding, or in connection with an enforcement action pursuant to sub-section (d) herof, upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by

this Bylaw to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law or any other applicable law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law or any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the Delaware General Corporation Law, or any other applicable law, the corporation may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law. If this Bylaw shall be

invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and officer to the full extent under applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

ARTICLE XII

NOTICES

Section 44. Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) Notice to Directors. Any notice required to be given to any director may be given by any method stated in Section 21(e) hereof.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Time Notices Deemed Given. All notices given by mail or by overnight delivery service, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) Notice to Person with Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall

state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) Notice to Person with Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII

AMENDMENTS

Section 45. Amendments. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

Exhibit 4.2

SECOND AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This Second Amended and Restated Stockholders' Agreement (this "Agreement") is entered into as of the 17th day of December, 2002, by and among Stereotaxis, Inc., a Delaware corporation (the "Company"), persons under the Existing Stockholders' Agreement (as defined below) holding at least 50% of the Voting Securities (as such term is defined in the Existing Stockholders' Agreement), and the Series D-2 Preferred Holders (as defined below) (hereinafter sometimes referred to individually as a "Stockholder" and collectively as the "Stockholders"). Stockholders that own the Company's Series A Preferred Stock are referred to herein as the "Series A Preferred Holders"; Stockholders that own the Company's Series B Preferred Stock are referred to herein as the "Series B Preferred Holders"; Stockholders that own the Company's Series C Preferred Stock are referred to herein as the "Series C Preferred Holders"; Stockholders that own the Company's Series D Preferred Stock are referred to herein as the "Series D Preferred Holders"; Stockholders that own the Company's Series D-1 Preferred Stock are referred to herein as the "Series D-1 Preferred Holders"; Stockholders that own (or that have agreed to purchase) the Company's Series D-2 Preferred Stock are referred to herein as the "Series D-2 Preferred Holders."

WHEREAS, the Series D-2 Preferred Holders have agreed to purchase certain shares of the Company's Series D-2 Preferred Stock (together with the underlying shares of the Company's common stock issued upon conversion of such shares, the "Series D-2 Preferred Stock") pursuant to that certain Series D-2 Preferred Stock Purchase Agreement dated of even date herewith (the "Purchase Agreement") provided that the parties hereto enter into this Agreement.

WHEREAS, the Company, the Series A Preferred Holders, the Series B Preferred Holders, the Series C Preferred Holders, the Series D Preferred Holders and the Series D-1 Holders have previously entered into that certain Amended and Restated Stockholders' Agreement dated as of November 21, 2001 (the "Existing Stockholders' Agreement").

WHEREAS, in order to induce the Series D-2 Preferred Holders to purchase the Series D-2 Preferred Stock, the Company and the Stockholders deem it desirable to enter into this Stockholders' Agreement, which shall supersede the Existing Stockholders' Agreement and shall amend and restate certain obligations of the parties to such agreement as provided for herein.

1. Supersedes. Upon the execution and delivery hereof by holders of not less than 50% of the Voting Securities under the Existing Stockholders' Agreement, this Agreement shall supersede and replace such Existing Stockholders' Agreement.

2. Election of Directors. (a) Each Stockholder agrees to take all action necessary, including, without limitation, the voting of their shares of stock of the Company, the execution of written consents, the calling of special meetings, the removal of directors, the filling of vacancies on the Company's Board of Directors, the waiving of notice and the attending of meetings, so as to cause the authorized number of directors on the Board of Directors of the Company to be

established at ten (10) directors (each a "Director" and collectively, the "Directors"), and consisting of the following individuals:

(i) one (1) director who has been selected by the holders of a majority of the Series A Preferred Stock (the "Series A Director");

(ii) one (1) director who has been selected by the holders of a majority of the Series B Preferred Stock (the "Series B Director");

(iii) one (1) director who has been selected by Gateway Venture Partners III, L.P. so long as it owns shares of Series B Preferred or common stock issued upon conversion thereof (the "Gateway Director");

(iv) one (1) director who has been selected by CID so long as it owns shares of Series C Preferred or common stock issued upon conversion thereof (the "CID Director");

(v) one (1) director who has been selected by Advent International Corporation or a designee of Advent so long as it owns shares of Series D Preferred or common stock issued upon conversion thereof (the "Advent Director");

(vi) one (1) director who has been selected by Ampersand Ventures so long as it owns shares of Series D Preferred or common stock issued upon conversion thereof (the "Ampersand Director");

(vii) one (1) director who has been selected by the holders of a majority of the Series D-1 Preferred Stock (the "Series D-1 Director");

(viii) the Company's Chief Executive Officer; and

(ix) two individuals designated jointly by the foregoing directors; provided, however, that in the event the Company issues and sells not fewer than an aggregate of 9,200,000 shares of its Series D-2 Preferred, then one of such two individuals shall be selected by the holders of a majority of the Series D-2 Preferred Stock (such individual, the "Series D-2 Director").

(b) At the time of this Agreement, the Series A Director is Fred Middleton, the Series B Director is Randall D. Ledford, the Gateway Director is Gregory D. Johnson, the CID Director is John C. Aplin, the Advent Director is William C. Mills III, the Ampersand Director is David J. Parker, the Series D-1 Director is Christopher Alafi, the director who is the Company's Chief Executive Officer is Bevil J. Hogg, and the other two directors are Matthew Howard and William M. Kelley. Subject to Section 3, each director shall have the option to be appointed to any committees of the Board of Directors, whether now existing or hereinafter created, on an equal basis as each other member of the Board of Directors and otherwise consistent with the fiduciary duties of the members of the Board of Directors.

3. Committees of the Board. The Company shall take such actions as are reasonably necessary to cause, and the Stockholders shall cause their director-designees to vote in favor of,

the appointment of the Ampersand Director as a member of the Company's Compensation Committee and the appointment of the Advent Director as a member of the Company's Audit Committee.

4. Meetings of the Board of Directors; Director Expenses; Indemnification.

(a) The Company agrees to furnish to each Director written notice of and an agenda prior to each regularly scheduled meeting of the Board of Directors or any committee thereof. The Company shall provide each Director with a copy of all notices, agendas, and minutes of all meetings of the Board of Directors, including reports given to or prepared by the Board of Directors or any committee thereof. The Company shall pay all reasonable travel expenses of each Director related to attending meetings of the Board of Directors or committees thereof. The Board of Directors shall meet at least once every three months.

(b) Advent and Ampersand, and each Stockholder owning at least 300,000 shares of the Company's Voting Securities, shall have the right, from time to time, to designate one of their representatives to attend any meeting of the Board of Directors as an observer and at the expense of such Stockholder, upon reasonable advance notice to the Company. As used herein, "Voting Securities" shall mean the Company's: (i) Common Stock, $.001 par value; and (ii) Series A, Series B, Series C, Series D Series D-1 and/or Series D-2 Preferred Stock, $.001 par value, and any other security of the Company entitled to vote on the election of board of directors of the Company pursuant to the Company's Certificate of Incorporation or Delaware law.

(c) The Company shall indemnify each Director to the fullest extent permitted by law and shall enter into indemnification agreements with each Director reasonably acceptable to the Company and the Directors with respect thereto.

5. Representations and Warranties. Each Stockholder represents and warrants to the other Stockholders, and the Company represents to the Stockholders, the following with respect to himself, herself or itself, as the case may be:

(a) Authorization. The Company and each Stockholder has the right and legal capacity to execute, deliver and perform his, her or its obligations under this Agreement. This Agreement is a legal, valid and binding obligation of the Company and each such Stockholder, enforceable against the Company and such Stockholder in accordance with its terms.

(b) No Violation. The execution and delivery of this Agreement will not (with or without notice or passage of time or both) (i) conflict with or result in a breach of any provision of the certificate of incorporation or bylaws (or similar governing documents) of the Company or the Stockholder (if an entity), (ii) result in a default, give rise to any right of termination, cancellation or acceleration, or require any consent or approval, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, loan, factoring arrangement, license, agreement, lease or other instrument or obligation to which the Company or each such Stockholder is a party or by which it or any of its assets may be bound (other than the Existing Stockholders' Agreement (which agreement is being superseded hereby)) or (iii)

violate any law, judgment, order, writ, injunction, decree, statute, rule or regulation of any court, administrative agency, bureau, board, commission, office, authority, department or other governmental entity applicable to the Company or such Stockholder or any of its assets.

6. Term. This Agreement shall terminate and be of no further force or effect upon the earliest to occur of (a) the closing of a public offering of shares of the Company's capital stock pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended, which has become effective thereunder (other than a registration statement relating solely to employee benefit plans or a transaction covered by Rule 145 of the Securities and Exchange Commission), (b) the time that the Company becomes required to file reports with the Securities and Exchange Commission under Sections 12(g) or 15(d) of the Securities Exchange Act of 1934, as amended, or (c) upon any change in control of the Company as set forth in the following sentence. A "change of control" of the Company shall be deemed to occur upon (i) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization or any transaction or series of related transactions by the Company in which in excess of 50% of the Company's voting securities are transferred, or (ii) a sale, lease, license or other disposition of all or substantially all of the assets of the Company.

7. Consent to Amendments; Waivers. Any term of this Agreement may be modified, amended or waived only upon the written agreement of the Company, and Stockholders holding at least fifty percent (50%) of the Voting Securities held by the Stockholders at the time of such amendment or waiver. In addition, any modification, amendment or waiver which adversely affects any class of Voting Securities (including, without limitation, any modification, amendment or waiver of the provisions of Section 2 hereof adversely affecting such class of Voting Securities), or the specific rights of Gateway, CID, Advent or Ampersand as set forth herein, requires the written Agreement of 50% of the holders of the adversely affected class or Gateway, CID, Advent or Ampersand, as the case may be. Any waiver, permit, consent or approval of any kind or character on the part of any such Stockholder of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing.

8. Legend. The Corporation will stamp or imprint each certificate or other instrument representing Voting Securities, throughout the term of this Agreement, with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS' AGREEMENT, AS AMENDED OR RESTATED FROM TIME TO TIME, BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION."

9. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to its choice of law provisions.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

12. Notices. Any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid, addressed to the Company at Stereotaxis, Inc., 4041 Forest Park Avenue, St. Louis, Missouri 63108, with a copy to James L. Nouss, Jr., Esq., Bryan Cave LLP, One Metropolitan Square, 211 N. Broadway, Ste. 3600, St. Louis, Missouri, 63102, and if to any Stockholder, at the respective addresses set forth in the stock records of the Company, or at such other address as any party may designate by 10 days' advance written notice to the other party.

13. Benefit of Parties; Assignability. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, including without limitation all subsequent holders of securities who become bound by the terms of this Agreement; provided, however, that neither the Company nor any Stockholder may delegate its responsibilities or assign or transfer its rights or obligations under this Agreement without the prior written consent of Advent and Ampersand.

14. Cooperation. The parties agree that after execution of this Agreement they will from time to time, upon the request of any other party and without further consideration, execute, acknowledge, and deliver in proper form any further instruments and take such other action as any other party may reasonably require to carry out effectively the intent of this Agreement.

* * * * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Stockholders' Agreement as of the date first above written.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Bevil J. Hogg, President

AMPERSAND 1999 LIMITED PARTNERSHIP
By: AMP-99 Management Company
Limited Liability Company, its
General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

AMPERSAND 1999 COMPANION FUND
LIMITED PARTNERSHIP
By: AMP-99 Management Company
Limited Liability Company, its
General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

ADVENT HEALTHCARE AND LIFE SCIENCES
II LIMITED PARTNERSHIP
By: Advent International Limited Partnership,
General Partner

By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT HEALTHCARE AND LIFE SCIENCES
II BETEILIGUNG GMBH & CO. KG
By: Advent International Limited
Partnership, Managing Limited
Partner

By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS HLS II LIMITED PARTNERSHIP

By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS LIMITED PARTNERSHIP
By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

EGS PRIVATE HEALTHCARE PARTNERSHIP, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS PRIVATE HEALTHCARE COUNTERPART, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

ADVANTAGE CAPITAL MISSOURI PARTNERS III, L.P.
By: Advantage Capital Company MO-GP-III, L.L.C., its general partner

By: /s/ SCOTT ZAJAC

Name:
Title:

ADVANTAGE CAPITAL MISSOURI PARTNERS I, L.P.

ADVANTAGE CAPITAL MISSOURI PARTNERS II, L.P.

By: /s/ SCOTT ZAJAC

Name:
Title:

A.G.E. INVESTMENTS, INC.

By: /s/ DOUGLAS L. KELLY

Name: Douglas L. Kelly
Title: Director

ALAFI CAPITAL COMPANY, LLC

By: /s/ MOSHA ALAFI

Name: Mosha Alafi
Title: Managing Partner

CHRISTOPHER ALAFI, an individual

/s/ CHRISTOPHER ALAFI

Christopher Alafi

ASCENSION HEALTH, as Fiscal Agent and
Nominee of certain of its wholly-owned
subsidiaries

By: /s/ DOUGLAS D. FRENCH

Name: Douglas D. French
Title: President & CEO

EMERSUB XXXVIII, INC.

By: /s/ HARLEY M. SMITH

Name: Harley M. Smith
Title: Vice President and Secretary

FERI TRUST GMBH

By: /s/ MICHAEL STAMMLER

Name: Michael Stammler
Title: Partner

BOME INVESTORS III, L.L.C.
By: GATEWAY CAPCO III, L.L.C.,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

NAME: Gregory R. Johnson
Title: Member

BOME INVESTORS II, LLC
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS, INC.
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GATEWAY VENTURE PARTNERS III, L.P.
By: Gateway Associates III, L.P.,
its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GRAYSTONE VENTURE DIRECT EQUITY, L.P.
By: Graystone Venture Partners,
LLC, its general partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

PORTAGE FOUNDERS, L.P.
By: Portage Venture Partners,
L.L.C., its General Partner

By:

Judith Bultman Meyer
Managing Director

PORTAGE VENTURE FUND, L.P.
By: Portage Venture Partners,
L.L.C., its General Partner

By:

Judith Bultman Meyer
Managing Director

SANDERLING VENTURES LIMITED, L.P.
SANDERLING VENTURE PARTNERS II, L.P.
SANDERLING VENTURE PARTNERS IV CO-
INVESTMENT FUND, L.P.
SANDERLING IV BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING II LIMITED PARTNERSHIP
SANDERLING VENTURE PARTNERS V CO-INVESTMENT
FUND, L.P.
SANDERLING V BETEILIGUNGS GMBH & CO. KG
SANDERLING V LIMITED PARTNERSHIP
SANDERLING V BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING VENTURES MANAGEMENT V

By:

Name: Fred A. Middleton
Title: General Partner

/s/ FRED A. MIDDLETON

Fred A. Middleton

/s/ ROBERT G. MCNEIL

Robert G. McNeil

/s/ PAULETTE J. TAYLOR

Paulette J. Taylor

CID EQUITY CAPITAL V, L.P.
By: CID Equity Partners V,
Its general partner

By: /s/ JOHN C. APLIN

John C. Aplin, General Partner

MITSUBISHI INTERNATIONAL CORPORATION

By: /s/ MOTOATSU SAKURAI

Name: Motoatsu Sakurai
Title: Executive Vice President & COO

MIC CAPITAL LLC
By: MC Financial Services Ltd., as Manager

By: /s/ SHUNICHI MAEDA

Name: SHUNICHI MAEDA
Title: President

STIFEL CAPCO II, L.L.C.

By: /s/ J. JOSEPH SCHLAFLY

Name: J. Joseph Schlafly
Title: President

EDWIN B. MONROE AND CAROLE S. MONROE,
JOINT TENANTS WITH RIGHT OF
SURVIVORSHIP

By: /s/ EDWIN B. MONROE

Name: Edwin B. Monroe

By: /s/ CAROLE S. MONROE

Name: Carole S. Monroe

DAVID T. ERICKSON AND NANCY V.
ERICKSON, JOINT TENANTS WITH RIGHT OF
SURVIVORSHIP

By: /s/ DAVID T. ERICKSON

Name: David T. Erickson

By: /s/ NANCY V. ERICKSON

Name: Nancy V. Erickson

PROLOG CAPITAL A, L.P.
By: Prolog Ventures A, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

PROLOG CAPITAL B, L.P.
By: Prolog Ventures B, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

MITSUBISHI CORPORATION

By: /s/ TERUYUKI NAKAZAWA

Name: Teruyuki Nakazawa
Title: General Manager
Technology & Business Development

Exhibit 4.3

FOURTH AMENDED AND RESTATED

INVESTOR RIGHTS AGREEMENT

STEREOTAXIS, INC.

FOURTH AMENDED AND RESTATED

INVESTOR RIGHTS AGREEMENT

This Fourth Amended and Restated Investor Rights Agreement (the "Agreement") is entered into as of the 17th day of December, 2002, by and among Stereotaxis, Inc., a Delaware corporation (the "Company"), persons holding at least two-thirds of the Registrable Securities under the Third Amended and Restated Investor Rights Agreement (as defined below), and the D-2 Purchasers (as defined below).

RECITALS

WHEREAS, the Company is issuing shares of its Series D-2 Preferred Stock pursuant to that certain Series D-2 Preferred Stock Purchase Agreement as of the date hereof (the "Purchase Agreement") and in connection with the offer, sale and issuance of the Series D-2 Preferred Stock is issuing Warrants to purchase shares of Common Stock;

WHEREAS, as a condition of entering into the Purchase Agreement, the purchasers thereunder (the "D-2 Purchasers") have requested that the Company extend to them registration rights and other rights and the Company desires to grant such rights to the D-2 Purchasers; and

WHEREAS, the Company has previously extended registration rights and other rights to certain of its stockholders pursuant to that certain Third Amended and Restated Investor Rights Agreement among the Company and certain of the Company's stockholders party thereto (the "Third Amended and Restated Investor Rights Agreement"), and wishes to set forth the rights of such stockholders and of the D-2 Purchasers (collectively, the "Investors") in a single integrated agreement as set forth below;

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and in the Purchase Agreement, the Investors and the Company hereby agree as follows:

SECTION 1. REGISTRATION RIGHTS

1.1 DEFINITIONS. As used in this Agreement the following terms shall have the following respective meanings:

(a) The term "Holder" shall mean (i) each Investor, for so long as it holds or has the right to acquire Registrable Securities; and (ii) any other person holding or having the right to acquire Registrable Securities to whom these registration rights have been transferred pursuant to paragraph 1.8 hereof.

(b) The terms "register," "registered," and "registration" refer to a registration effected by filing with the Securities and Exchange Commission (the "SEC") a registration

statement (the "registration statement") in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and the declaration or ordering by the SEC of the effectiveness of such registration statement.

(c) The term "Registrable Securities" means (i) Common Stock issued or issuable upon conversion of shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series D-1 Preferred Stock and Series D-2 Preferred Stock held by Investors; (ii) any Common Stock held by Investors; (iii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, Registrable Securities; and (iv) any Common Stock issued or issuable to the Investors upon the exercise of warrants issued in connection with the offer, sale and issuance of the Series D-1 Preferred Stock and Series D-2 Preferred Stock. In the event of any recapitalization by the Company, whether by stock split, reverse stock split, stock dividend or the like, the number of shares of Registrable Securities used throughout this Agreement for various purposes shall be proportionately increased or decreased.

(d) The term "Initiating Holders" means any Holder or Holders of not less than twenty percent (20%) of the Registrable Securities then outstanding and not registered at the time of any request for registration pursuant to paragraph 1.2 of this Agreement.

1.2 DEMAND REGISTRATION.

(a) DEMAND FOR REGISTRATION. If the Company shall receive from Initiating Holders a written demand (a "Demand Registration") that the Company effect any registration under the Securities Act of all or a portion of the Registrable Securities (other than a registration on Form S-3 or any related form of registration statement, such a request being provided for under paragraph 1.9 hereof) the Company will:

(i) promptly (but in any event within 10 days) give written notice of the proposed registration to all other Holders; and

(ii) use its diligent best efforts to effect such registration as soon as practicable and as soon as will permit or facilitate the sale and distribution of all or such portion of such Initiating Holders' Registrable Securities as are specified in such demand, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such demand as are specified in a written demand received by the Company within 30 days after such written notice is given, provided that the Company shall not be obligated to take any action to effect any such registration pursuant to this paragraph 1.2:

(A) Within 180 days immediately following the effective date of any registration statement pertaining to an underwritten public offering of securities of the Company for its own account (other than a registration relating solely to employee benefit plans);

(B) After the Company has effected one such registration pursuant to this paragraph 1.2 and the sale of the shares of Common Stock under such registration has closed;

(C) If the Company shall furnish to such Holders a certificate signed by the President of the Company, stating that in the good faith judgment of the Board of Directors of the Company it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed at the date on which filing would be required, in which case the Company shall have an additional period of not more than 120 days within which to file such registration statement; provided, however, that the Company shall not use this right more than once in any twelve-month period; or

(D) If more than 50% of the Registrable Securities requested to be registered by Initiating Holders are withdrawn from such registration.

(b) UNDERWRITING. If the Initiating Holders intend to distribute the Registrable Securities covered by their demand by means of an underwriting, they shall so advise the Company as part of their demand made pursuant to this paragraph 1.2; and the Company shall include such information in the written notice referred to in subparagraph 1.2(a)(i). In such event, the right of any Holder to registration pursuant to this paragraph 1.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein.

The Company shall, together with all Holders proposing to distribute their securities through such underwriting, enter into an underwriting agreement in customary form with the underwriter or underwriters selected by a majority in interest of the Initiating Holders and reasonably satisfactory to the Company. Notwithstanding any other provision of this paragraph 1.2, if the underwriter shall advise the Company in writing that marketing factors (including, without limitation, an adverse effect on the per share offering price) require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities that would otherwise be registered and underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated pro rata among such Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing the registration statement. No Registrable Securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration.

If any Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the underwriter, and the Initiating Holders. The Registrable Securities so withdrawn shall also be withdrawn from registration.

If the underwriter has not limited the number of Registrable Securities to be underwritten, the Company may include securities for its own account (or for the account of other stockholders) in such registration if the underwriter so agrees and if the number of Registrable

Securities that would otherwise have been included in such registration and underwriting will not thereby be limited.

1.3 COMPANY REGISTRATION.

(a) If at any time or from time to time the Company shall determine to register any of its securities, either for its own account or the account of security holders (other than the Holders), other than a registration relating solely to employee benefit plans, a registration on Form S-4, or a registration pursuant to paragraph 1.2 hereof, the Company will:

(i) promptly give to each Holder written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable blue sky or other state securities laws); and

(ii) include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 20 days after receipt of such written notice from the Company, by any Holder or Holders, except as set forth in subparagraph 1.3(b) below.

(b) UNDERWRITING. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to subparagraph 1.3(a)(i). In such event the right of any Holder to registration pursuant to this paragraph 1.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall, together with the Company and the other parties distributing their securities through such underwriting, enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this paragraph 1.3, if the underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the underwriter may limit the number of Registrable Securities to be included in the registration and underwriting, or may exclude Registrable Securities entirely from such registration and underwriting subject to the terms of this paragraph. The Company shall so advise all holders of the Company's securities that would otherwise be registered and underwritten pursuant hereto, and the number of shares of such securities, including Registrable Securities, that may be included in the registration and underwriting shall be allocated in the following manner: shares, other than Registrable Securities, requested to be included in such registration by stockholders shall be excluded, and if a limitation on the number of shares is still required, the number of Registrable Securities that may be included shall be allocated among the Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by each such Holder at the time of filing the registration statement. In the event of any underwriter cutback, any selling shareholder which is a Holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and shareholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the

benefit of any of the foregoing persons shall be deemed to be a single "selling Holder", and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling Holder", as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. If any Holder disapproves of the terms of the underwriting, it may elect to withdraw therefrom by written notice to the Company and the underwriter. The Registrable Securities so withdrawn shall also be withdrawn from registration.

1.4 EXPENSES OF REGISTRATION. All expenses incurred in connection with the registration effected pursuant to paragraph 1.2 and all expenses incurred in connection with the first two registrations effected pursuant to paragraphs 1.3 and 1.9, including without limitation all registration, filing, and qualification fees (including blue sky fees and expenses), printing expenses, escrow fees, fees and disbursements of counsel for the Company, reasonable fees and disbursements of one special counsel for the participating Holders, and expenses of any special audits incidental to or required by such registration (collectively, "Registration Expenses"), shall be borne by the Company; provided, however, that the term Registration Expenses shall not include, and in no event will the Company be obligated to pay, stock transfer taxes or underwriters' discounts, or commissions relating to Registrable Securities. Registration Expenses incurred in any further registration pursuant to paragraph 1.3 shall be paid by the Company and the Holders including Registrable Securities in such registration, pro rata according to the amount of securities included by such parties in such registration, and Registration Expenses incurred in any further registration pursuant to paragraph 1.9 shall be paid by the Holders including Registrable Securities in such registration pro rata according to the amount of securities so included. Notwithstanding anything to the contrary above, the Company shall not be required to pay any Registration Expenses of any registration pursuant to paragraph 1.2 in which more than 50% of the Registrable Securities requested to be included in such registration are withdrawn other than as a result of actions by the Company or a material adverse change in its condition (financial or otherwise), unless the Initiating Holders so requesting withdrawal of their Registrable Securities from such registration agree to forfeit their right to one demand registration pursuant to paragraph 1.2 (in which event such right shall be forfeited by all Holders). In the absence of such an agreement to forfeit, the Holders of Registrable Securities to have been registered shall bear all such expenses pro rata on the basis of the Registrable Securities to have been registered. Notwithstanding the foregoing, however, if at the time of the withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request, of which the Company had knowledge at the time of the request, then the Holders shall not be required to pay any of said expenses and shall retain their full rights pursuant to paragraph 1.2.

1.5 OBLIGATIONS OF THE COMPANY. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities (within ninety (90) days after a demand, if pursuant to Sections 1.2 or 1.9)

and use its diligent best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to ninety (90) days or until the Holder or Holders have completed the distribution relating thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, and on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent accountants of the Company, in form and substance as is customarily given by independent accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

1.6 INDEMNIFICATION.

(a) The Company will, and does hereby undertake to, indemnify and hold harmless each Holder of Registrable Securities, each of such Holder's officers, directors, partners and agents, and each person controlling such Holder, with respect to any registration, qualification, or compliance of the Registrable Securities held by or issuable to such Holder effected pursuant to this Section 1, and each underwriter of such registration, if any, and each person who controls any underwriter, against all claims, losses, damages, and liabilities (or actions in respect thereto) to which they may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or other federal or state law arising out of or based on (i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular, or other similar document (including any related registration statement, notification, or the like) incident to any such registration, qualification, or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any violation or alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company in connection with any such registration, qualification, or compliance, and will reimburse, as incurred, each such Holder, each such underwriter, and each such director, officer, partner, agent and controlling person, for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability, or action; provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense, arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by an instrument duly executed by such Holder or underwriter and stated to be specifically for use therein.

(b) Each Holder will, if Registrable Securities held by or issuable to such Holder are included in such registration, qualification, or compliance of the Company's securities, severally and not jointly, indemnify the Company, each of its directors, and each officer who signs a registration statement in connection therewith, and each person controlling the Company, each underwriter of such registration, if any, and each person who controls any such underwriter, and each other Holder, each of such other Holder's officers, partners, directors and agents and each person controlling such other Holder, against all claims, losses, damages, and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular, or other similar document (including any related registration statement, notification, or the like) incident to any such registration, qualification, or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse, as incurred, the Company, each such underwriter, each such other Holder, and each such director, officer, partner, and controlling person, for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability, or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) was made in such registration statement, prospectus, offering circular, or other document, in reliance upon and in conformity with written information furnished to the Company

by an instrument duly executed by such Holder and stated to be specifically for use therein. In no event will any Holder be required to enter into any agreement or undertaking in connection with any registration under this Section 1 providing for any indemnification or contribution obligations on the part of such Holder greater than such Holder's obligations under this paragraph 1.6. The liability of each Holder hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the public offering price of the shares sold by such Holder under such registration statement bears to the total public offering price of all securities sold thereunder, but not in any event to exceed the net proceeds received by such Holder from the sale of Registrable Securities covered by such registration statement.

(c) Each party entitled to indemnification under this paragraph 1.6 (the "Indemnified Party") shall give notice to the party required to provide such indemnification (the "Indemnifying Party") of any claim as to which indemnification may be sought promptly after such Indemnified Party has actual knowledge thereof, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be subject to approval by the Indemnified Party (whose approval shall not be unreasonably withheld) and the Indemnified Party may participate in such defense at the Indemnifying Party's expense if representation of such Indemnified Party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 1, except to the extent that such failure to give notice shall materially adversely affect the Indemnifying Party in the defense of any such claim or any such litigation. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff therein, to such Indemnified Party, of a release from all liability in respect to such claim or litigation.

1.7 INFORMATION BY HOLDER. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification, or compliance referred to in this Section 1.

1.8 TRANSFER OF REGISTRATION RIGHTS. The rights contained in paragraphs 1.2, 1.3 and 1.9 hereof, to cause the Company to register the Registrable Securities, may be assigned or otherwise conveyed to a transferee or assignee of Registrable Securities, who shall be considered a "Holder" for purposes of this Section 1, provided that (a) such transferee or assignee acquires at least 50,000 shares (as presently constituted) and (b) the Company is given written notice by such Holder at the time of or within a reasonable time after said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being assigned.

1.9 FORM S-3. If the Company's stock becomes publicly traded, the Company shall use its best efforts to qualify for registration on Form S-3 or any successor short-form registration statement. After the Company has qualified for the use of Form S-3, or any successor short-form registration statement, the Holders of Registrable Securities shall have the right to request an unlimited number of registrations on Form S-3, or any successor short-form registration statement, thereafter under this paragraph 1.9. The Company shall give notice to all Holders of Registrable Securities of the receipt of a request for registration pursuant to this paragraph 1.9 and shall provide a reasonable opportunity for other Holders to participate in the registration. Subject to the foregoing, the Company will use its best efforts to effect promptly the registration of all shares of Registrable Securities on Form S-3, to the extent requested by the Holder or Holders thereof for purposes of disposition; provided, however, that the Company shall not be obligated to effect any such registration if (a) the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $500,000 or (b) in the event that the conditions set forth in subparagraph 1.2(a)(ii)(C) occur (but subject to the limitations set forth therein).

1.10 DELAY OF REGISTRATION. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.11 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act ("Rule 144"), at all times commencing ninety (90) days after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Securities Act and Exchange Act;

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

1.12 "MARKET STAND OFF" AGREEMENT. Each Holder hereby agrees that during a period of up to 180 days (or such shorter period as the underwriter may permit) following the effective date of a registration statement of the Company filed under the Securities Act, it shall not, to the extent requested by the Company and any underwriter, sell or otherwise transfer or

dispose of (other than to transferees who agree to be similarly bound) any Common Stock of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(a) Such agreement shall be applicable only to: (i) the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and (ii) a Demand Registration with respect to an underwritten offering; and

(b) All officers and directors of the Company and all other persons with registration rights (whether or not pursuant to this Agreement) enter into similar agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

1.13 TERMINATION OF REGISTRATION RIGHTS. All rights and duties provided for in this Section 1 shall terminate (a) on the eighth anniversary of the closing of the sale of securities pursuant to a registration statement filed by the Company under the Securities Act in connection with the initial firm commitment underwritten offering of its securities to the general public, or (b) as to each individual Holder, at such time after the Company's initial registered offering as all of the Registrable Securities held by and issuable to such Holder may be sold in one ninety (90) day period under Rule 144 of the Securities Act and as long as such Holder holds less than 1% of the then outstanding Registrable Securities.

SECTION 2. COVENANTS OF THE COMPANY

Until such time as the earlier of (i) the Company becoming subject to all applicable reporting requirements arising under the Exchange Act or any successor statute and any applicable rules promulgated thereunder by the SEC, or (ii) the closing of the Company's first firm commitment underwritten public offering registered under the Securities Act, the Company hereby covenants and agrees as follows:

2.1 BASIC FINANCIAL INFORMATION AND INSPECTION RIGHTS.

(a) The Company shall furnish the following reports:

(i) To each Investor, within 120 days after the end of each fiscal year, consolidated and consolidating balance sheets of the Company and its subsidiaries, if any, as at the end of such fiscal year, and consolidated and consolidating statements of income and retained earnings and consolidated and consolidating statements of cash flows of the Company and its subsidiaries, if any, for such fiscal year, prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by a report and opinion thereon (except as to the consolidating balance sheets and statements of income and retained earnings and cash flows) by independent certified public accountants of recognized national standing

selected by the Company's board of directors and by a copy of such accountants' management letter prepared in connection therewith.

(ii) To each Investor holding at least 225,000 Registrable Securities, as soon as practicable after the end of each calendar quarter, the Company's unaudited consolidated and consolidating balance sheet as of the end of such quarter, and its unaudited consolidated and consolidating statements of income and retained earnings and cash flows for such quarter, all in reasonable detail and prepared in accordance with generally accepted accounting principles and certified by the principal financial or accounting officer of the Company.

(b) Each Investor holding at least 225,000 Registrable Securities shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested; provided, however, that the Company shall not be obligated under this Section 2.1(b) with respect to a competitor of the Company or with respect to information which the Board of Directors determines in good faith is confidential and should not, therefore, be disclosed.

(c) The rights granted pursuant to this paragraph 2.1 may not be assigned or otherwise conveyed by the Investors or by any subsequent transferee of any such rights without prior written notice to the Company; provided that the Company may edit the information made available to such subsequent transferee if the Company reasonably believes that it is necessary to protect its proprietary information of the Company.

2.2 CONFIDENTIALITY OF RECORDS. Each Investor agrees to use, and to use its best efforts to insure that its authorized representatives use, the same degree of care as such Investor uses to protect its own confidential information to keep confidential any information furnished to it, which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that such Investor may disclose such proprietary or confidential information to any partner, subsidiary or parent of such Investor for the purpose of evaluating its investment in the Company as long as such partner, subsidiary or parent is advised of the confidentiality provisions of this paragraph 2.3.

2.3 PROPRIETARY INFORMATION. The Company shall require all employees of and consultants to the Company who have access to proprietary information of the Company to enter into agreements in the Company's standard form providing for the protection of proprietary information and inventions.

2.4 RESERVATION OF COMMON STOCK The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

SECTION 3. MISCELLANEOUS

3.1 SUPERSEDES. Upon the execution of this Agreement by Holders of not less than two-thirds (2/3) of the Registrable Securities covered by the Third Amended and Restated Investor Rights Agreement, this Agreement shall supersede and replace the Third Amended and Restated Investor Rights Agreement.

3.2 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of Missouri without regard to the conflicts of law provisions therein.

3.3 ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof. This Agreement, or any provision thereof, may be amended, waived, discharged or terminated only by written consent of the Company and the Holders of not less than two-thirds (2/3) of the Registrable Securities then outstanding, provided that any amendment or waiver that adversely affects any Holder in a manner that is not uniformly applied to all Holders as a class shall require the written consent of such adversely affected Holder.

3.4 NOTICES. Any notice, request or other communication required or permitted hereunder shall be given in writing and shall be deemed to have been duly given if personally delivered or if telegraphed or mailed by registered or certified mail, postage prepaid, at the address of the Holders as reflected in the books and records of the Company as of the date of such notice. Any party hereto may by notice so given change its address for future notices hereunder. Notice shall conclusively be deemed to have been given when personally delivered or when deposited in the mail or telegraphed in the manner set forth above and shall be deemed to have been received when delivered.

3.5 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.6 SEVERABILITY. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

3.7 CAPTIONS. The captions and headings to Sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe the meaning or the interpretation of this Agreement.

3.8 REMEDIES. The Company hereby acknowledges that irreparable injury will result to the Investors in the event of a breach of this Agreement by the Company. It is therefore agreed that, subject to the provisions of paragraph 1.10, in the event that the Company breaches this Agreement, the Investors shall be entitled, in addition to any other remedies which may be available: (a) to an injunction to restrain the violation thereof by such party or partners, agents, servants, employers or employees of such party, and (b) to compel specific performance of the terms and conditions of this Agreement. Nothing herein shall be construed to prohibit the Investors from pursuing any other legal or equitable remedy available for such breach, including recovery of damages.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amended and Restated Investor Rights Agreement as of the date set forth in the first paragraph hereof.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Bevil J. Hogg, President

AMPERSAND 1999 LIMITED PARTNERSHIP
By: AMP-99 Management Company Limited Liability Company, its General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP
By: AMP-99 Management Company Limited Liability Company, its General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

ADVENT HEALTHCARE AND LIFE SCIENCES II LIMITED PARTNERSHIP
By: Advent International Limited Partnership, General Partner
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT HEALTHCARE AND LIFE SCIENCES II BETEILIGUNG GMBH & CO. KG
By: Advent International Limited Partnership, Managing Limited Partner
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS HLS II LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ASCENSION HEALTH, as Fiscal Agent and Nominee of certain of its wholly-owned subsidiaries

By: /s/ DOUGLAS D. FRENCH

Name: Douglas D. French
Title: President & CEO

EGS PRIVATE HEALTHCARE PARTNERSHIP, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS PRIVATE HEALTHCARE COUNTERPART, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

ADVANTAGE CAPITAL MISSOURI PARTNERS III, L.P.
By: Advantage Capital Company MO-GP-III, L.L.C., its general partner

By: /s/ SCOTT A. ZAJAC

Name:
Title:

ADVANTAGE CAPITAL MISSOURI PARTNERS I, L.P.
ADVANTAGE CAPITAL MISSOURI PARTNERS II, L.P.

By: /s SCOTT A. ZAJAC

Name:
Title:

A.G.E. INVESTMENTS, INC.

By: /s/ DOUGLAS L. KELLY

Name: Douglas L. Kelly
Title: Director

ALAFI CAPITAL COMPANY, LLC

By: /s/ MOSHE ALAFI

Name: Moshe Alafi
Title: Managing Partner

CHRISTOPHER ALAFI, an individual

/s/ CHRISTOPHER ALAFI

Christopher Alafi

CID EQUITY CAPITAL V, L.P.
By: CID Equity Partners V,
Its general partner

By: /s/ JOHN C. APLIN

John C. Aplin, General Partner

EMERSUB XXXVIII, INC.

By: /s/ HARLEY M. SMITH

Name: Harley M. Smith
Title: Vice President and Secretary

FERI TRUST GMBH

By: /s/ MICHAEL STAMMLER

Name: Michael Stammler
Title: Partner

BOME INVESTORS III, L.L.C.
By: GATEWAY CAPCO III, L.L.C.,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS II, LLC
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS, INC.
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GATEWAY VENTURE PARTNERS III, L.P.
By: Gateway Associates III, L.P.,
its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: General Partner

GRAYSTONE VENTURE DIRECT EQUITY, L.P.
By: Graystone Venture Partners, LLC,
its general partner

By: /s/ JUDITH BULTMAN MEYER

Name: Judith Bultman Meyer
Title: Managing Director

PORTAGE FOUNDERS, L.P.
By: Portage Venture Partners, L.L.C.,
its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

PORTAGE VENTURE FUND, L.P.
By: Portage Venture Partners, L.L.C.,
its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

SANDERLING VENTURES LIMITED, L.P.
SANDERLING VENTURE PARTNERS II, L.P.
SANDERLING VENTURE PARTNERS IV CO-
INVESTMENT FUND, L.P.
SANDERLING IV BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING II LIMITED PARTNERSHIP
SANDERLING VENTURE PARTNERS V CO-INVESTMENT
FUND, L.P.
SANDERLING V BETEILIGUNGS GMBH & CO. KG
SANDERLING V LIMITED PARTNERSHIP
SANDERLING V BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING VENTURES MANAGEMENT V

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: General Partner

MITSUBISHI INTERNATIONAL CORPORATION

By: /s/ MOTOATSU SAKURAI

Name: Motoatsu Sakurai
Title: Executive Vice President & COO

MIC CAPITAL LLC
By: MC Financial Services Ltd., as Manager

By: /s/ SHUNICHI MAEDA

Name: Shunichi Maeda
Title: President

STIFEL CAPCO II, L.L.C.

By: /s/ J. JOSEPH SCHLOFLY

Name: J. Joseph Schlofly
Title: President

EDWIN B. MONROE AND CAROLE S. MONROE, JOINT TENANTS WITH RIGHT OF SURVIVORSHIP

By: /s/ EDWIN B. MONROE

Name: Edwin B. Monroe

By: /s/ CAROLE S. MONROE

Name: Carole S. Monroe

/s/ FRED A. MIDDLETON

Fred A. Middleton

/s/ BEVIL J. HOGG

Bevil J. Hogg

/s/ RANDALL D. LEDFORD

Randall D. Ledford

Timothy Mills

Matthew A. Howard III, M.D.

DAVID T. ERICKSON AND NANCY V. ERICKSON,
JOINT TENANTS WITH RIGHT OF SURVIVORSHIP

By: /s/ DAVID T. ERICKSON

Name: David T. Erickson

By: /s/ NANCY V. ERICKSON

Name: Nancy V. Erickson

PROLOG CAPITAL A, L.P.
By: Prolog Ventures A, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

PROLOG CAPITAL B, L.P.
By: Prolog Ventures B, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

MITSUBISHI CORPORATION

By: /s/ TERUYUKI NAKAZAWA

Name: Teruyuki Nakazawa
Title: General Manager
Technology & Business Development
Dept.

Exhibit 4.4

JOINDER AGREEMENT

This Joinder Agreement (this "Joinder Agreement") to Series D-2 Preferred Stock Purchase Agreement, Fourth Amended and Restated Investor Rights Agreement and Second Amended and Restated Stockholders' Agreement referred to below, is dated as of January 21, 2003 and is made between STEREOTAXIS, INC., a Delaware corporation (the "Company"), and the undersigned purchasers ("New Investors").

WHEREAS, the Company and the several purchaser parties thereto (collectively, the "Investors") have entered into that certain Series D-2 Preferred Stock Purchase Agreement dated as of December 17, 2002 (the "Purchase Agreement"; all capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement);

WHEREAS, Section 1.2(b) of the Purchase Agreement provides that that the Company may have Additional Closings under the Purchase Agreement;

WHEREAS, the New Investors desire to purchase shares ("Shares") of the Company's Series D-2 Preferred Stock, par value $.001 per share, as provided herein, at an Additional Closing as of the date of this Agreement and the Board of Directors of the Company has approved the issuance and sale as provided in Section 1.2(d) of the Purchase Agreement;

WHEREAS, pursuant to the Purchase Agreement, the Company, the Investors and the Stockholders entered into that certain Fourth Amended and Restated Investor Rights Agreement (the "Investor Rights Agreement") and that certain Second Amended and Restated Stockholders' Agreement (the "Stockholders' Agreement"), each dated as of December 17, 2002;

WHEREAS, each of the New Investors, as an investor in Company, is required to become a party to the Investor Rights Agreement and the Stockholders' Agreement pursuant to the Purchase Agreement; and

WHEREAS, the parties now desire to enter into this Joinder Agreement to reflect the fact that the New Investors will become a party to the Purchase Agreement, the Investor Rights Agreement and the Stockholders' Agreement.

NOW THEREFORE, in consideration of the premises and the mutual terms and provisions set forth in this Joinder Agreement, the parties agree that the Purchase Agreement is amended as follows:

1. JOINDER TO THE PURCHASE AGREEMENT.

(a) The parties hereby agree to that upon execution of this Joinder Agreement, the New Investors shall become a party to the Purchase Agreement and shall be included within the meaning of Investor thereunder.

(b) Each of the New Investors severally agrees to purchase at the Additional Closing, and the Company agrees to sell and issue to each of the New Investors at the Additional Closing, the number of shares of Series D-2 Preferred Stock set forth opposite such New Investor's

name in the appropriate column on the Schedule attached hereto, which shall be added as Schedule 1.2-B to the Purchase Agreement as provided for therein, for a purchase price per share equal to the Share Purchase Price under the Purchase Agreement ($2.17 per Share). Each New Investor shall also be entitled to elect to purchase Warrants as provided in Section 1(a) of the Purchase Agreement by executing and delivering a notice of exercise form as provided in the Purchase Agreement.

(c) The Company hereby reaffirms the representations and warranties set forth in Article 2 of the Purchase Agreement to the New Investors, modified and supplemented to the extent set forth in the officer's certificate delivered to the New Investors as of the date hereof pursuant to Section 5.5(f) of the Purchase Agreement.

(d) Each of the New Investors hereby severally agrees to be bound by the Purchase Agreement and to be subject to all of the rights and obligations of a Investor contained therein, including, but not limited to the right of each of the New Investors to purchase the number of Warrants indicated in such New Investor's Election to Purchase Warrants delivered herewith. Without limiting the foregoing, each of the New Investors, severally but not jointly for the other New Investors, hereby makes the representations and warranties set forth in Section 4.1 of the Purchase Agreement to the Company as if set forth herein in full. In addition, each New Investor shall provide an Accredited Investor Questionnaire to the Company in the form attached to the Purchase Agreement.

2. JOINDER TO THE INVESTOR RIGHTS AGREEMENT.

(a) The parties hereby agree to that upon execution of this Joinder Agreement, the New Investors shall become a party to the Investor Rights Agreement and shall be included within the meaning of Holder thereunder.

(b) The New Investors hereby agree to be bound by the Investor Rights Agreement and to be subject to all of the rights and obligations of a Holder contained therein.

3. JOINDER TO THE STOCKHOLDERS' AGREEMENT.

(a) The parties hereby agree to that upon execution of this Joinder Agreement, each of the New Investors shall become a party to the Stockholders' Agreement and shall be included within the meaning of Stockholder thereunder.

(b) Each of the New Investors hereby severally agrees to be bound by the Stockholders' Agreement and to be subject to all of the rights and obligations of a Stockholder contained therein.

4. Except as modified by this Joinder Agreement (and the officer's certificate referenced in Section 1(c) hereof), all other provisions of the Purchase Agreement, the Investor Rights Agreement and the Stockholders' Agreement remain in full force and effect. This Joinder Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law of such state.

5. This Joinder Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same Joinder Agreement. This Joinder Agreement shall be effective upon the execution and delivery by the Company and by the New Investors.

6. For purposes of executing this Joinder Agreement, a copy (or signature page thereto) signed and transmitted by facsimile machine or telecopier is to be treated as an original document. The signature of any party thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or telecopy document is to be re-executed in original form by the parties who executed the facsimile or telecopy document. No party may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Joinder Agreement.

[Signature Pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Joinder Agreement as of the date first set forth above.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Name: Bevil J. Hogg
Title: President

EGS Private Healthcare Partnership II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Investors II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Canadian Partners, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Presidents Fund, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

SCHEDULE 1.2-B

(Closing as of January ___, 2003)

INVESTOR NAME	NUMBER OF SHARES	AGGREGATE SHARE PURCHASE PRICE
EGS Private Healthcare Partnership II, L.P.	1,745,882	$3,788,563.94
EGS Private Healthcare Investors II, L.P.	275,343	$597,494.31
EGS Private Healthcare Canadian Partners, L.P.	262,714	$570,089.38
EGS Private Healthcare Presidents Fund, L.P.	20,209	$43,853.53
TOTAL:	2,304,148	$5,000,001.16

Exhibit 4.5

JOINDER AND AMENDMENT AGREEMENT

This Joinder and Amendment Agreement (this "Agreement") is dated as of May 27, 2003, to that certain Fourth Amended and Restated Investor Rights Agreement and Second Amended and that certain Second Amended and Restated Stockholders' Agreement referred to below, is made between STEREOTAXIS, INC., a Delaware corporation (the "Company"), and the undersigned purchaser ("New Investor").

WHEREAS, the Company and the New Investor have entered into that certain Series E Stock Purchase Agreement dated as of the date hereof (the "Series E Series E Purchase Agreement"; all capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Series E Purchase Agreement) relating to the purchase and sale of shares of the Company's Series E Preferred Stock, par value $.001 per share (the "Series E Preferred") to the New Investor;

WHEREAS, the Company, certain of its existing stockholders (the "Existing Stockholders") are parties that certain Fourth Amended and Restated Investor Rights Agreement dated as of December 17, 2002 (the "Investor Rights Agreement") and that certain Second Amended and Restated Stockholders' Agreement dated as of December 17, 2002, as supplemented by that certain Series D-1 Director Designation dated as of January 29, 2003 (the "Stockholders' Agreement");

WHEREAS, it is a condition to the closing of the Series E Purchase Agreement that the New Investor, as an investor in Company, and the Company, shall enter into this Agreement so that the New Investor shall become a party to the Investor Rights Agreement and the Stockholders' Agreement; and

WHEREAS, the Existing Stockholders have approved and consented to the Company entering into this Agreements to effect the same, so that the Investor Rights Agreement and the Stockholders' Agreement shall be deemed amended to add the New Investor as a party thereto, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual terms and provisions set forth in this Agreement, the parties agree that as follows:

1. JOINDER TO THE INVESTOR RIGHTS AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, the New Investor shall become a party to the Investor Rights Agreement and shall be included within the meaning of "Holder" thereunder. The shares of Common Stock issued upon conversion of the Series E Preferred shall be included within the meaning of "Registrable Securities" thereunder.

(b) The New Investor hereby agrees to be bound by the Investor Rights Agreement and to be subject to all of the rights and obligations of a Holder contained therein, provided that the New Investor shall not be entitled to the inspection rights set forth in Section 2.1(b) of the Investor Rights Agreement.

2. JOINDER TO THE STOCKHOLDERS' AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, the New Investor shall become a party to the Stockholders' Agreement and shall be included within the meaning of Stockholder thereunder; provided, however, that in connection with administering the board observer rights in Section 4(b) of the Stockholders' Agreement, the Company reserves the right to exclude such observer from access to any material or meeting or portion thereof if the Company believes that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect confidential proprietary information, or for other similar reasons.

(b) The New Investor hereby agrees to be bound by the Stockholders' Agreement and to be subject to all of the rights and obligations of a Stockholder contained therein.

3. Except as modified by this Agreement, all other provisions of the Investor Rights Agreement and the Stockholders' Agreement remain in full force and effect. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard the principles of conflicts of law of such state.

4. This Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same Agreement. This Agreement shall be effective upon the execution and delivery by the Company, the New Investor and a sufficient number of Existing Stockholders sufficient to amend each of the Investor Rights Agreement and the Stockholders' Agreement.

5. For purposes of executing this Agreement, a copy (or signature page thereto) signed and transmitted by facsimile machine or telecopier is to be treated as an original document. The signature of any party thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or telecopy document is to be re-executed in original form by the parties who executed the facsimile or telecopy document. No party may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Agreement.

[Signature Pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

STEREOTAXIS, INC.

By: _____

Name: Bevil J. Hogg
Title: President and Chief Executive Officer

SIEMENS AKTIENGESELLSCHAFT

By: _____

Name:
Title:

[Balance of page intentionally left blank]

AMPERSAND 1999 LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, its General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP

By: AMP-99 Management Company Limited Liability Company, its General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

ADVENT HEALTHCARE AND LIFE SCIENCES II LIMITED PARTNERSHIP

By: Advent International Limited Partnership, General Partner

By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT HEALTHCARE AND LIFE SCIENCES II BETEILIGUNG GMBH & CO. KG

By: Advent International Limited Partnership, Managing Limited Partner

By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS HLS II LIMITED PARTNERSHIP

By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ASCENSION HEALTH, as Fiscal Agent and Nominee of certain of its wholly-owned subsidiaries

By: /s/ DOUGLAS D. FRENCH

Name: Douglas D. French
Title: Chief Executive Officer

EGS Private Healthcare Partnership, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Counterpart, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Partnership II, L.P.

By: EGS Private Healthcare Associates, LLC its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Investors II, L.P.

By: EGS Private Healthcare Associates, LLC its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Canadian Partners, L.P.

By: EGS Private Healthcare Associates, LLC its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Presidents Fund, L.P.

By: EGS Private Healthcare Associates, LLC its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

ADVANTAGE CAPITAL MISSOURI PARTNERS III, L.P.

By: Advantage Capital Company MO-GP-III, L.L.C., its general partner

By: /s/ SCOTT A. ZAJAC

Name:
Title:

ADVANTAGE CAPITAL MISSOURI PARTNERS I, L.P.

ADVANTAGE CAPITAL MISSOURI PARTNERS II, L.P.

By: /s/ SCOTT A. ZAJAC

Name:
Title:

A.G.E. INVESTMENTS, INC.

By: /s/ DOUGLAS L. KELLY

Name: Douglas L. Kelly
Title: Director

ALAFI CAPITAL COMPANY, LLC

By: /s/ CHRISTOPHER ALAFI

Name: Christopher Alafi
Title: General Partner

CHRISTOPHER ALAFI, an individual

/s/ CHRISTOPHER ALAFI

Christopher Alafi

CID EQUITY CAPITAL V, L.P.

By: CID Equity Partners V,
Its general partner

By: /s/ JOHN C. APLIN

John C. Aplin, General Partner

EMERSUB XXXVIII, INC.

By: /s/ HARLEY M. SMITH

Name: Harley M. Smith
Title: Vice President and Secretary

FERI TRUST GMBH

By:

Name:
Title:

BOME INVESTORS III, L.L.C.
By: GATEWAY CAPCO III, L.L.C.,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS II, LLC
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS, INC.
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GATEWAY VENTURE PARTNERS III, L.P.

By: Gateway Associates III, L.P., its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GRAYSTONE VENTURE DIRECT EQUITY, L.P.

By: Graystone Venture Partners, LLC, its general partner

By: /s/ JUDITH BULTMAN MEYER

Name: Judith Bultman Meyer
Title: Managing Director

PORTAGE FOUNDERS, L.P.

By: Portage Venture Partners, L.L.C., its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

PORTAGE VENTURE FUND, L.P.

By: Portage Venture Partners, L.L.C., its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

SANDERLING VENTURES LIMITED, L.P.

SANDERLING VENTURE PARTNERS II, L.P.

SANDERLING VENTURE PARTNERS IV
CO-INVESTMENT FUND, L.P.

SANDERLING IV BIOMEDICAL CO-INVESTMENT
FUND, L.P.

SANDERLING II LIMITED PARTNERSHIP

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: General Partner

SANDERLING VENTURE PARTNERS V
CO-INVESTMENT FUND, L.P.

SANDERLING V BETEILIGUNGS GMBH & CO. KG

SANDERLING V LIMITED PARTNERSHIP

SANDERLING V BIOMEDICAL CO-INVESTMENT
FUND, L.P.

By: Middleton, McNeil & Mills
Associates V, LLC

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: Managing Director

SANDERLING VENTURE MANAGEMENT V

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: Owner

MITSUBISHI INTERNATIONAL CORPORATION

By: /s/ MOTOATSU SAKURAI

Name: MOTOATSU SAKURAI
Title: President & CEO

MIC CAPITAL LLC

By: MC Financial Services Ltd., as
Manager

By:

Name:
Title:

STIFEL CAPCO II, L.L.C.

By: /s/ J. JOSEPH SCHLAFLY

Name: J. Joseph Schlafly
Title: President and Manager

/s/ FRED A. MIDDLETON

Fred A. Middleton

/s/ BEVIL J. HOGG

Bevil J. Hogg

/s/ RANDALL D. LEDFORD

Randall D. Ledford

/s/ TIMOTHY MILLS

Timothy Mills

/s/ MATTHEW A. HOWARD III

Matthew A. Howard III, M.D.

PROLOG CAPITAL A, L.P.

By: Prolog Ventures A, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

PROLOG CAPITAL B, L.P.

By: Prolog Ventures B, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

MITSUBISHI CORPORATION

By: _____

Name:
Title:

MAYO FOUNDATION FOR MEDICAL EDUCATION
AND RESEARCH

By: /s/ RICK F. COLVIN

Name: Rick F. Colvin
Title: Assistant Treasurer

SECOND JOINDER AND AMENDMENT AGREEMENT

This Second Joinder and Amendment Agreement (this "Agreement"), dated as of December 22, 2003, to that certain Fourth Amended and Restated Investor Rights Agreement and Second Amended and that certain Second Amended and Restated Stockholders' Agreement referred to below, is made between STEREOTAXIS, INC., a Delaware corporation (the "Company"), and the undersigned purchaser ("New Investor").

WHEREAS, the Company and the New Investor have entered into that certain Series E-1 Stock Purchase Agreement dated as of the date hereof (the "Series E-1 Purchase Agreement"; all capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Series E-1 Purchase Agreement) relating to the purchase and sale of shares of the Company's Series E-1 Preferred Stock, par value $.001 per share (the "Series E Preferred"), to the New Investor;

WHEREAS, the Company and certain of its existing stockholders (the "Existing Stockholders") are parties that certain Fourth Amended and Restated Investor Rights Agreement, dated as of December 17, 2002 (as thereafter supplemented and amended, the "Investor Rights Agreement"), and that certain Second Amended and Restated Stockholders' Agreement, dated as of December 17, 2002, as supplemented by that certain Series D-1 Director Designation dated as of January 29, 2003 (as thereafter supplemented and amended, the "Stockholders' Agreement"), in each case as amended by that certain Joinder and Amendment Agreement dated as of May 27, 2003 with respect to the issuance of the Company's Series E Preferred Stock;

WHEREAS, it is a condition to the closing of the Series E-1 Purchase Agreement that the New Investor, as an investor in Company, and the Company, enter into this Agreement so that the New Investor shall become a party to the Investor Rights Agreement and the Stockholders' Agreement; and

WHEREAS, the Existing Stockholders have approved and consented to the Company entering into this Agreement to effect the same, so that the Investor Rights Agreement and the Stockholders' Agreement shall be deemed amended to add the New Investor as a party thereto, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual terms and provisions set forth in this Agreement, the parties agree as follows:

1. JOINDER TO THE INVESTOR RIGHTS AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, the New Investor shall become a party to the Investor Rights Agreement and shall be included within the meaning of "Holder" thereunder. The shares of Common Stock issued upon conversion of the Series E-1 Preferred shall be included within the meaning of "Registrable Securities" thereunder.

(b) The New Investor hereby agrees to be bound by the Investor Rights Agreement and to be subject to all of the rights and obligations of a Holder contained therein and herein, provided that the New Investor shall not be entitled to the inspection rights set forth in Section 2.1(b) of the Investor Rights Agreement.

2. JOINDER TO THE STOCKHOLDERS' AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, the New Investor shall become a party to the Stockholders' Agreement and shall be included within the meaning of Stockholder thereunder; provided, however, that in connection with administering the board observer rights in Section 4(b) of the Stockholders' Agreement, the Company reserves the right to exclude such observer from access to any material or meeting or portion thereof if the Company believes that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect confidential proprietary information, or for other similar reasons.

(b) The New Investor hereby agrees to be bound by the Stockholders' Agreement and to be subject to all of the rights and obligations of a Stockholder contained therein and herein.

3. Except as modified by this Agreement, all other provisions of the Investor Rights Agreement and the Stockholders' Agreement remain in full force and effect. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard the principles of conflicts of law of such state.

4. This Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same Agreement. This Agreement shall be effective upon the execution and delivery by the Company, the New Investor and a sufficient number of Existing Stockholders sufficient to amend each of the Investor Rights Agreement and the Stockholders' Agreement.

5. For purposes of executing this Agreement, a copy (or signature page thereto) signed and transmitted by facsimile machine or telecopier is to be treated as an original document. The signature of any party thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or telecopy document is to be re-executed in original form by the parties who executed the facsimile or telecopy document. No party may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Agreement.

[Signature Pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Name: Bevil J. Hogg
Title: President and Chief Executive Officer

JOHNSON & JOHNSON DEVELOPMENT CORPORATION

By: /s/ ROGER J. GUIDI

Name: Roger J. Guidi
Title: Vice President

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AMPERSAND 1999 LIMITED PARTNERSHIP
By: AMP-99 Management Company Limited
Liability Company, its General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

AMPERSAND 1999 COMPANION FUND
LIMITED PARTNERSHIP
By: AMP-99 Management Company
Limited Liability Company, its
General Partner

By: /s/ DAVID J. PARKER

David J. Parker
Managing Member

ADVENT HEALTHCARE AND LIFE SCIENCES
II LIMITED PARTNERSHIP
By: Advent International Limited Partnership,
General Partner

By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT HEALTHCARE AND LIFE SCIENCES
II BETEILIGUNG GMBH & CO. KG
By: Advent International Limited Partnership,
Managing Limited Partner
By: Advent International Corporation,
General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS HLS II LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: WILLIAM C. MILLS III

William C. Mills III
Vice President

ASCENSION HEALTH, as Fiscal Agent and Nominee of certain of its wholly-owned subsidiaries

By: /s/ DOUGLAS D. FRENCH

Name: Douglas D. French
Title: President and CEO

EGS Private Healthcare Partnership, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Counterpart, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Partnership II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Investors II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Canadian Partners, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Presidents Fund, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

ADVANTAGE CAPITAL MISSOURI
PARTNERS III, L.P.
By: Advantage Capital Company
MO-GP-III, L.L.C., its general
partner

By: /s/ DAVID W. BERGMAN

Name: David W. Bergman
Title: VP

ADVANTAGE CAPITAL MISSOURI
PARTNERS I, L.P.
ADVANTAGE CAPITAL MISSOURI
PARTNERS II, L.P.

By: /s/ DAVID W. BERGMAN

Name: David W. Bergman
Title: VP

A.G.E. INVESTMENTS, INC.

By:

Name:
Title:

ALAFI CAPITAL COMPANY, LLC

By: /s/ CHRISTOPHER ALAFI

Name: Christopher Alafi
Title: Managing Partner

CHRISTOPHER ALAFI, an individual

/s/ CHRISTOPHER ALAFI

Christopher Alafi

CID EQUITY CAPITAL V, L.P.
By: CID Equity Partners V,
Its general partner

By: /s/ JOHN C. APLIN

John C. Aplin, General Partner

EMERSUB XXXVIII, INC.

By: /s/ HARLEY M. SMITH

Name: Harley M. Smith
Title: Vice President and Secretary

FERI TRUST GMBH

By:

Name:
Title:

BOME INVESTORS III, L.L.C.
By: GATEWAY CAPCO, L.L.C.,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS II, LLC
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS, INC.
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GATEWAY VENTURE PARTNERS III, L.P.
By: Gateway Associates III, L.P.,
its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GRAYSTONE VENTURE DIRECT EQUITY, L.P.
By: Graystone Venture Partners, LLC,
its general partner

By: /s/ JUDITH BULTMAN MEYER

Name: Judith Bultman Meyer
Title: Managing Director

PORTAGE FOUNDERS, L.P.
By: Portage Venture Partners,
L.L.C., its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

PORTAGE VENTURE FUND, L.P.
By: Portage Venture Partners,
L.L.C., its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

SANDERLING VENTURES LIMITED, L.P.
SANDERLING VENTURE PARTNERS II, L.P.
SANDERLING VENTURE PARTNERS IV
CO-INVESTMENT FUND, L.P.
SANDERLING IV BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING II LIMITED PARTNERSHIP
SANDERLING VENTURE PARTNERS V
CO-INVESTMENT FUND, L.P.
SANDERLING V BETEILIGUNGS GMBH & CO. KG
SANDERLING V LIMITED PARTNERSHIP
SANDERLING V BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING VENTURES MANAGEMENT V

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: General Partner

MITSUBISHI INTERNATIONAL CORPORATION

By:

Name:
Title:

MIC CAPITAL LLC
By: MC Financial Services Ltd., as
Manager

By:

Name:
Title:

STIFEL CAPCO II, L.L.C.

By: /s/ J. JOSEPH SCHLAFLY

Name: J.J. Schlafly
Title: President

/s/ FRED A. MIDDLETON

Fred A. Middleton

Bevil J. Hogg

Randall D. Ledford

Timothy Mills

Matthew A. Howard III, M.D.

PROLOG CAPITAL A, L.P.
By: Prolog Ventures A, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

PROLOG CAPITAL B, L.P.
By: Prolog Ventures B, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

MITSUBISHI CORPORATION

By:

Name:
Title:

MAYO FOUNDATION FOR MEDICAL
EDUCATION AND RESEARCH

By:

Name:
Title:

SIEMENS AKTIENGESELLSCHAFT

By:

Name:
Title:

Exhibit 4.7

THIRD JOINDER AND AMENDMENT AGREEMENT

This Third Joinder and Amendment Agreement (this "Agreement"), dated as of January 28, 2004, to that certain Fourth Amended and Restated Investor Rights Agreement and Second Amended and that certain Second Amended and Restated Stockholders' Agreement referred to below, is made between Stereotaxis, Inc., a Delaware corporation (the "Company"), and the undersigned investors.

WHEREAS, the Company and certain new and existing investors (the "E-2 Investors") have entered into that certain Series E-2 Stock Purchase Agreement dated as of the date hereof (the "Series E-2 Purchase Agreement"; all capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Series E-2 Purchase Agreement) relating to the purchase and sale of shares of the Company's Series E-2 Preferred Stock, par value $.001 per share (the "Series E Preferred"), to the E-2 Investors;

WHEREAS, the Company and certain of its existing stockholders (the "Existing Stockholders") are parties that certain Fourth Amended and Restated Investor Rights Agreement, dated as of December 17, 2002 (as thereafter supplemented and amended, the "Investor Rights Agreement"), and that certain Second Amended and Restated Stockholders' Agreement, dated as of December 17, 2002, as supplemented by that certain Series D-1 Director Designation dated as of January 29, 2003 (as thereafter supplemented and amended, the "Stockholders' Agreement"), in each case as amended by (i) that certain Joinder and Amendment Agreement dated as of May 27, 2003 and (ii) that certain Second Joinder and Amendment Agreement dated as of December 22, 2003;

WHEREAS, it is a condition to the closing of the Series E-2 Purchase Agreement that the Company, the E-2 Investors, and the Existing Investors holding a sufficient number of shares to amend the Investor Rights Agreement and the Stockholders' Agreement enter into this Agreement on the terms and conditions set forth herein; and

WHEREAS, the Existing Stockholders have approved and consented to the Company entering into this Agreement to effect the same, so that the Investor Rights Agreement and the Stockholders' Agreement shall be deemed amended as herein provided.

NOW THEREFORE, in consideration of the premises and the mutual terms and provisions set forth in this Agreement, the parties agree as follows:

1. JOINDER TO THE INVESTOR RIGHTS AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, each of the E-2 Investors shall become (or shall continue to be) a party to the Investor Rights Agreement and shall be included within the meaning of "Holder" thereunder. The shares of Common Stock issued upon conversion of the Series E-2 Preferred and upon exercise of the common stock

warrants issued in connection with the Series E-2 Preferred shall be included within the meaning of "Registrable Securities" thereunder.

(b) The E-2 Investors hereby agree to be bound by the Investor Rights Agreement and to be subject to all of the rights and obligations of a Holder contained therein and herein.

2. JOINDER AND AMENDMENT TO THE STOCKHOLDERS' AGREEMENT.

(a) The parties hereby agree to that upon execution of this Agreement, each E-2 Investor shall become (or shall continue to be) a party to the Stockholders' Agreement and shall be included within the meaning of Stockholder thereunder; provided, however, that in connection with administering the board observer rights in Section 4(b) of the Stockholders' Agreement, the Company reserves the right to exclude such observer from access to any material or meeting or portion thereof if the Company believes that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect confidential proprietary information, or for other similar reasons.

(b) The E-2 Investors hereby agree to be bound by the Stockholders' Agreement and to be subject to all of the rights and obligations of a Stockholder contained therein and herein.

(c) The Stockholders' Agreement is hereby amended to provide that each Stockholder shall agree to take all action necessary, including, without limitation, the voting of his, her or its shares of stock of the Company, the execution of written consents, the calling of special meetings, the removal of directors, the filling of vacancies on the Company's Board of Directors, the waiving of notice and the attending of meetings, so as to cause the authorized number Directors to be established at no fewer than ten (10) and no more than eleven (11), with the size initially established at ten (10) Directors, and to elect the EGS Designee, subject to the terms described below. From and after June 30, 2004, EGS Private Healthcare Partnership II, L.P. (or one of its affiliates) collectively and individually, "EGS"), so long as EGS holds shares of Series D-2 Preferred Stock or Series E-2 Preferred Stock, shall have the right to select, designate and have elected a Director (the "EGS Designee") who shall be the additional, eleventh (11th) Director, provided such right shall exist only if the Company has not closed a Senior Preferred Qualifying IPO on or prior to June 30, 2004. Such person shall initially be Abhijeet Lele, unless EGS provides advance notice that another designee shall be so appointed. In the event EGS is entitled to select and designate a director pursuant to this Section 2(c), the Stockholders shall take, or cause to be taken, all action necessary as described above to cause (i) the authorized number of Directors to be increased from ten (10) to eleven (11) and (ii) the EGS Designee to (A) be elected as a Director in accordance with the terms hereof, in each case within ten (10) business days of the EGS's written request to the Company therefore and (B) continue to serve so long as EGS owns shares of Series D-2 Preferred Stock, Series E-2 Preferred Stock or Common Stock issued upon the conversion thereof.

(d) In order to implement the foregoing, the parties acknowledge that immediately prior to or concurrently herewith, the Bylaws of the Company shall have been amended to provide that the number of Directors of the Company shall be established at no fewer than ten (10) and no more than eleven (11) Directors, and that the initial size of the Board shall have been set at 10 by the stockholders of the Company, subject to Section 2(c) above. The Board of Directors shall re-nominate each of the then-current Directors for election to the Board at each subsequent annual meeting of stockholders unless it receives written notice from the person or persons entitled to name a Director pursuant to the Stockholders' Agreement prior to the mailing of any notice of annual meeting that such Director is no longer such party's nominee.

3. Except as modified by this Agreement, all other provisions of the Investor Rights Agreement and the Stockholders' Agreement remain in full force and effect. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard the principles of conflicts of law of such state.

4. This Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same agreement. This Agreement shall be effective upon the execution and delivery by (i) the Company, (ii) the E-2 Investors, and (iii) Existing Stockholders (including any E-2 Investors who are also Existing Stockholders holding at least (A) fifty percent (50%) of the Voting Securities under the Stockholders' Agreement as of the date hereof, and (B) two-thirds (2/3) of the Registrable Securities under the Investor Rights Agreement as of the date hereof.

5. For purposes of executing this Agreement, a copy (or signature page thereto) signed and transmitted by facsimile machine or telecopier is to be treated as an original document. The signature of any party thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or telecopy document is to be re-executed in original form by the parties who executed the facsimile or telecopy document. No party may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Agreement.

[Signature Pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Name: Bevil J. Hogg
Title: President and Chief Executive Officer

AMPERSAND 1999 LIMITED PARTNERSHIP
By: AMP-99 Management Company Limited Liability Company, its General Partner

By:

David J. Parker
Managing Member

AMPERSAND 1999 COMPANION FUND LIMITED PARTNERSHIP
By: AMP-99 Management Company Limited Liability Company, its General Partner

By:

David J. Parker
Managing Member

ADVENT HEALTHCARE AND LIFE SCIENCES II LIMITED PARTNERSHIP
By: Advent International Limited Partnership, General Partner
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT HEALTHCARE AND LIFE SCIENCES II BETEILIGUNG GMBH & CO. KG
By: Advent International Limited Partnership, Managing Limited Partner
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS HLS II LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ADVENT PARTNERS LIMITED PARTNERSHIP
By: Advent International Corporation, General Partner

By: /s/ WILLIAM C. MILLS III

William C. Mills III
Vice President

ASCENSION HEALTH, as Fiscal Agent and Nominee of certain of its wholly-owned subsidiaries

By: /s/ ANTHONY R. TERSIGNI

Anthony R. Tersigni, Ed.D., FACHE
Chief Operating Officer and Interim CEO

EGS Private Healthcare Partnership, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Counterpart, L.P.

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Director

EGS Private Healthcare Partnership II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Investors II, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Canadian Partners, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

EGS Private Healthcare Presidents Fund, L.P.
By: EGS Private Healthcare Associates, LLC
its General Partner

By: /s/ ABHIJEET LELE

Name: Abhijeet Lele
Title: Managing Member

ADVANTAGE CAPITAL MISSOURI PARTNERS III, L.P.
By: Advantage Capital Company MO-GP-III,
L.L.C., its general partner

By: /s/ SCOTT A. ZAJAC

Name:
Title:

ADVANTAGE CAPITAL MISSOURI PARTNERS I, L.P.
ADVANTAGE CAPITAL MISSOURI PARTNERS II, L.P.

By: /s/ SCOTT A. ZAJAC

Name:
Title:

A.G.E. INVESTMENTS, INC.

By: /s/ DOUGLAS L. KELLY

Name: Douglas L. Kelly
Title: Director

ALAFI CAPITAL COMPANY, LLC

By: /s/ CHRIS ALAFI

Name: Chris Alafi
Title: Managing Partner

CHRISTOPHER ALAFI, an individual

/s/ CHRISTOPHER ALAFI

Christopher Alafi

CID EQUITY CAPITAL V, L.P.
By: CID Equity Partners V,
Its general partner

By: /s/ JOHN C. ALPLIN

John C. Aplin, General Partner

CID EQUITY CAPITAL VIII, L.P.
By: CID Equity Partners VIII,
Its general partner

By: /s/ JOHN C. ALPLIN

John C. Aplin, General Partner

EMERSUB XXXVIII, INC.

By: /s/ HARLEY M. SMITH

Name: Harley M. Smith
Title: Vice President and Secretary

FERI WEALTH MANAGEMENT GMBH (formerly FERI TRUST GMBH)

By: /s/ M. STAMMLER /s/ M. ULOEPPER

Name: M. Stammler Dr. M. Uloepper
Title: Partner Partner

BOME INVESTORS III, L.L.C. III
By: GATEWAY CAPCO, L.L.C.,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS II, LLC
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

BOME INVESTORS, INC.
By: GATEWAY CAPCO, LLC,
its Attorney-in-Fact

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GATEWAY VENTURE PARTNERS III, L.P.
By: Gateway Associates III, L.P.,
its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: Member

GRAYSTONE VENTURE DIRECT EQUITY, L.P.
By: Graystone Venture Partners, LLC,
its general partner

By: /s/ JUDITH BULTMAN MEYER

Name: Judith Bultman Meyer
Title: Managing Director

PORTAGE FOUNDERS, L.P.
By: Portage Venture Partners, L.L.C.,
its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

PORTAGE VENTURE FUND, L.P.
By: Portage Venture Partners, L.L.C.,
its General Partner

By: /s/ JUDITH BULTMAN MEYER

Judith Bultman Meyer
Managing Director

SANDERLING VENTURES LIMITED, L.P.
SANDERLING VENTURE PARTNERS II, L.P.
SANDERLING VENTURE PARTNERS IV CO-
INVESTMENT FUND, L.P.
SANDERLING IV BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING II LIMITED PARTNERSHIP
SANDERLING VENTURE PARTNERS V CO-INVESTMENT
FUND, L.P.
SANDERLING V BETEILIGUNGS GMBH & CO. KG
SANDERLING V LIMITED PARTNERSHIP
SANDERLING V BIOMEDICAL CO-INVESTMENT
FUND, L.P.
SANDERLING VENTURES MANAGEMENT V

By: /s/ FRED A. MIDDLETON

Name: Fred A. Middleton
Title: General Partner

MITSUBISHI INTERNATIONAL CORPORATION

By: /s/ MOTOATSU SAKUROI

Name: Motoatsu Sakuroi
Title: President and CEO

MIC CAPITAL LLC
By: MC Financial Services Ltd.,
as Manager

By: /s/ T. ISHIKAWA

Name: T. Ishikawa
Title: President and CEO

STIFEL CAPCO II, L.L.C.

By: /s/ RONALD KRUSZEWSKI

Name: Ronald Kruszewski
Title: Manager

/s/ FRED A. MIDDLETON

Fred A. Middleton

Bevil J. Hogg

/s/ RANDALL D. LEDFORD

Randall D. Ledford

Timothy Mills

Matthew A. Howard III, M.D.

PROLOG CAPITAL A, L.P.
By: Prolog Ventures A, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

PROLOG CAPITAL B, L.P.
By: Prolog Ventures B, LLC
Its General Partner

By: /s/ GREGORY R. JOHNSON

Name: Gregory R. Johnson
Title: A Managing Director

MITSUBISHI CORPORATION

By: /s/ TSUNECHIKO YANAGIHARA

Name: Tsunechiko Yanagihara
Title: General Manager
Life Sciences Business Unit

MAYO FOUNDATION FOR MEDICAL EDUCATION
AND RESEARCH

By:

Name:
Title:

SIEMENS AKTIENGESELLSCHAFT

By: /s/ HAMBUECHEN

Name: Hambuechen
Title: President

JOHNSON & JOHNSON DEVELOPMENT CORPORATION

By:

Name:
Title:

SANDERLING MANAGEMENT LIMITED,
CUSTODIAN, FBO THE INVESTORS OF
SANDERLING VENTURES LIMITED

By: /s/ FRED A. MIDDLETON

Name:
Title:

MIDDLETON-MCNEIL L.P.

By: /s/ FRED A. MIDDLETON

Name:
Title:

STIFEL FINANCIAL CORP.

By: /s/ RONALD KRUSZEWSKI

Name: Ronald Kruszewski
Title: Chairman, CEO

EXHIBIT 4.8

WARRANT

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THIS WARRANT NOR SUCH SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

STEREOTAXIS, INC.

COMMON STOCK WARRANT

VOID AFTER _____, 2006

ISSUED: _____, 2001 CSW-_____

1. Warrant; Period of Exercise. Subject to the terms and conditions herein set forth, _____ or its assigns (the "Holder") is hereby entitled to subscribe for and purchase _____ shares of the fully paid and nonassessable shares of the Common Stock, par value $0.001 per share (the "Common Stock") of the Company, at a price per share of $2.17 (as the same may be adjusted pursuant to the terms and conditions set forth herein, the "Warrant Price"). The Common Stock issuable upon exercise of this Warrant (the "Shares") shall be entitled to registration rights pursuant to that certain Third Amended and Restated Investor Rights Agreement, dated as of November 21, 2001 among the Company and certain securityholders of the Company named therein, as the same may be hereafter amended, restated or otherwise modified. The Warrants are exercisable at a price equal to the Warrant Price at any time from and after _____, 2001 but no later than the earlier of (i) _____, 2006 and (ii) the date on which the Company consummates a Senior Preferred Qualified IPO, as defined in Section 4(d)(ii) of Article V of the Company's Amended and Restated Certificate of Incorporation, provided that if this Warrant has not been exercised as of the date of any such Senior Preferred Qualified IPO, then the Holder of this Warrant shall be deemed to have made an election to effect a cashless exercise as of such date for all Shares issuable hereunder pursuant to Section 5.B hereof. In the event of such a deemed exercise, the Fair Market Value shall be equal to the net per share proceeds to the Company of the Common Stock in such Senior Preferred Qualified IPO, after deduction of underwriting commissions and discounts.

II. Fractional Shares. No fractional Shares will be issued in connection with any exercise hereunder. In lieu of any fractional Shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the Fair Market Value less the exercise price of one share of the Common Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

III. No Stockholder Rights. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant.

IV. Reservation of Stock. The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized but unissued shares of Common Stock, a sufficient number of shares to provide for the issuance of the Shares upon the exercise of this Warrant. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Shares.

V. Exercise of Warrant.

A. Without limiting Section 5.B below, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as EXHIBIT A duly executed) at the principal executive offices of the Company, and by the payment in full to the Company, by check or other form of immediately available funds, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing Shares shall be issuable upon exercise of this Warrant shall be deemed to have become, and shall be treated for all purposes as, the record Holder(s) of the Shares represented thereby (and such Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the Shares so purchased shall be delivered to the Holder hereof as promptly as practicable following such exercise, and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder hereof as promptly as practicable.

B. Cashless Exercise. Notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company at its principal executive offices with a written notice of the Holder's intention to effect a cashless exercise, including a calculation of the number of Shares to be issued upon such exercise in accordance with the terms hereof. In the event of a cashless exercise at the Holder's election (including a deemed election pursuant to Section 1.B hereof), in lieu of paying the Warrant Price in cash, the Holder shall surrender this Warrant for that number of Shares of Common Stock determined by multiplying the number of Shares to which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Fair Market Value per share of Common Stock and the then applicable Warrant Price and the denominator of which shall be the then current Fair Market Value per share of the Common Stock. The "Fair Market Value" shall mean (1) if the Shares are traded on an exchange or quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the closing price on the day before the exercise date, (2) if the Shares are not traded on an exchange or on the NASDAQ National Market but are traded in the over-the-counter market, the closing price on the day before the exercise date, or (3) if the Shares are not traded on an exchange or on the NASDAQ National Market or in the over-the-counter market, the Fair Market Value as determined in good faith by the Board of Directors of the Company.

VI. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of the Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

A. Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall execute a new Warrant providing that the Holder of this Warrant shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each Share theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of one share of stock issuable upon the exercise hereof. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6. The provisions of this paragraph 6.A shall similarly apply to successive reclassifications, changes, mergers and transfers.

B. Subdivisions or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price and the number of Shares issuable upon exercise hereof shall be proportionately adjusted.

C. Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend payable in shares of stock (except any distribution specifically provided for in the foregoing paragraphs 6.A and 6.B), then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (a) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock and (b) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock, and the number of Shares subject to this Warrant shall be proportionately adjusted.

D. No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying

out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against impairment.

E. Notices of Record Date. In the event of any taking by the Company of a record of its stockholders for the purpose of determining stockholders who are entitled to receive payment of any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining stockholders who are entitled to vote in connection with any proposed merger or consolidation of the Company with or into any other corporation, or any proposed sale, lease or conveyance of all or substantially all of the assets of the Company, or any proposed liquidation, dissolution or winding up of the Company, the Company shall mail to the registered Holder, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

VII. Notice of Adjustments. Whenever the Warrant Price shall be adjusted pursuant to the provisions hereof, the Company shall within thirty (30) days of such adjustment deliver a certificate signed by an executive officer to the registered Holder(s) hereof setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price after giving effect to such adjustment.

VIII. Compliance with Securities Laws.

A. The Holder represents and agrees that this Warrant (and the Shares, if the Warrant is exercised), are purchased only for investment, for the Holder's own account, and without any present intention to sell or distribute the Warrant or the Shares. The Holder further acknowledges that the Shares will not be issued pursuant to the exercise of this Warrant unless the exercise of the Warrant and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "1933 Act"), and other federal and state securities laws and regulations and the requirements of any stock exchange upon which the securities may then be listed.

B. The Holder of this Warrant acknowledges and agrees that this Warrant and the Shares have not been registered under the 1933 Act and accordingly will not be transferable except as permitted under the various exemptions contained in the 1933 Act, or upon satisfaction of the registration and prospectus delivery requirements of the 1933 Act. Therefore, the Warrant and Shares must be held indefinitely unless they are subsequently registered under the 1933 Act, or an exemption from such registration is available. The Holder understands that the certificate evidencing the Shares will be imprinted with a legend which prohibits the transfer of the Shares unless they are registered or unless the Company receives an opinion of counsel reasonably satisfactory to the Company that such registration is not required. The Holder is aware of the adoption of Rule 144 by the Securities and Exchange Commission and that the Company is not now and, at the time such Holder wishes to sell the Shares, may not be satisfying the current public information requirements of Rule 144 and, in such case, the Holder would be precluded

from selling the Shares under Rule 144. The Holder understands that a stop transfer instruction will be in effect with respect to transfer of Shares consistent with the requirements of applicable securities laws.

C. All Shares issued upon exercise of this Warrant (unless registered under the 1933 Act) shall be stamped or imprinted with legends in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL SUCH SECURITIES ARE REGISTERED UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY IS OBTAINED TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTOR RIGHTS AGREEMENT BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN PROVISIONS, INCLUDING, AMONG OTHERS, RESTRICTIONS ON VOTING SET FORTH IN A CERTAIN AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS AVAILABLE AT THE PRINCIPAL OFFICE OF STEREOTAXIS, INC."

IX. Miscellaneous. This Warrant shall be governed by the internal laws of the State of Missouri. The headings in this Warrant are for purposes of convenience of reference only and shall not be deemed to constitute a part hereof. Neither this Warrant nor any term hereof may be change, waived, discharged or terminated orally but only by an instrument in writing signed by the Company and the registered Holder hereof. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the last Holder of this Warrant who shall have furnished an address to the Company in writing.

This Common Stock Warrant is issued this _____ day of _____, 2001.

STEREOTAXIS, INC.

BY: _____
Bevil J. Hogg
President and Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

To: Stereotaxis, Inc.

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of Stereotaxis, Inc. pursuant to the terms of the attached Common Stock Warrant No CSW-_____, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

Name	Address
_____	_____
_____	_____
_____	_____

_____
(Signature)

_____
(Date)

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY APPLICABLE STATE SECURITIES LAW, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 AND REGISTRATION UNDER OR AN EXEMPTION FROM APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS WARRANT ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING AGREEMENTS CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

WARRANT TO PURCHASE PREFERRED STOCK

Corporation: Stereotaxis, Inc., a Delaware corporation
Number of Shares: 50,692
Class of Stock: Series D-1 Preferred
Initial Exercise Price: $2.17 per share
Issue Date: January 31, 2002
Expiration Date: January 30, 2007

THIS WARRANT CERTIFIES THAT, for the agreed upon value of $1.00 and for other good and valuable consideration, SILICON VALLEY BANK ("Holder") is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of the corporation (the "Company") at the initial exercise price per Share (the "Warrant Price") all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 1.2, Holder shall also deliver to the Company a cashier's check for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Section 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Section 1.3.

1.3 Fair Market Value. If the Shares are traded in a public market, the fair market value of the Shares shall be the closing price of the Shares (or the closing price of the Company's stock into which the Shares are convertible) reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Shares are not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, or surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Assumption on Sale, Merger, or Consolidation of the Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Assumption of Warrant. Upon the closing of any Acquisition, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Initial Exercise Price and/or number of Shares shall be adjusted accordingly.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on its common stock (or the Shares if the Shares are securities other than common stock) payable in common stock, or other securities, subdivides the outstanding common stock into a greater amount of common stock, or, if the Shares are securities other than common stock, subdivides the Shares in a transaction that increases the amount of common stock into which the Shares are convertible, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Initial Exercise Price shall be proportionately increased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Certificate of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Initial Exercise Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.4 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.5 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares (or such preferred stock) as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance against full payment of the Warrant Price therefor, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein, placed thereon by Holder or arising under applicable federal and state securities laws.

(c) The Capitalization Table previously provided to Holder remains substantially true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of common stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall be subject to the so-called "S-3" registration rights set forth in Section 4 1.9 of the Company's Third Amended and Restated Investor Rights Agreement dated November 21, 2001 (the "Registration Rights Agreement"), so long as the Company shall be eligible to utilize Form S-3 under the 1933 Act. The provisions set forth in the Registration Rights Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects Holder in the same manner as they affect all other shareholders with S-3 registration rights of the same type granted to the Holder.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. Except for transfers to Holder's affiliates, this Warrant and the securities to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the 1933 Act, and the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. If not an individual, the Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder: (i) has experience as an investor in securities of companies in the development stage and acknowledges that the Holder is able to fend for itself, can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or (ii) has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act.

4.5 Stockholders Agreement. The Holder acknowledges and agrees that upon exercise or conversion of this Warrant into Shares, that the Holder shall be subject to the terms and conditions of the Amended and Restated Stockholders' Agreement dated November 21, 2001, as such agreement may be amended from time to time, and as such agreement applies to holders of common stock of the Company.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS SECURITY AND ANY SECURITY ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR UNDER ANY APPLICABLE STATE LAWS, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT, AN EXEMPTION UNDER SUCH ACT OR PURSUANT TO RULE 144 AND REGISTRATION UNDER OR AN EXEMPTION FROM APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

THIS SECURITY IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING, INCLUDING THOSE CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Subject to the provisions of Section 5.3, Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) to Silicon Valley Bancshares or The Silicon Valley Bank Foundation, or to any affiliate of Holder at any time without prior notice to Company; provided, however, if Holder transfers this warrant to any other transferee, Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) (a) to any person who competes with the Company unless the Company's stock is publicly traded and (b) in any manner or under any circumstances where a transfer of Series D Preferred Stock by the existing holders of such Stock would be prohibited or restricted under existing agreements with the Company.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, or by nationally-recognized overnight carrier, at such address as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such holder from time to time. All notices to the Holder shall be addressed as follows:

Silicon Valley Bank
Attn: Treasury Department
3003 Tasman Drive, HG 110
Santa Clara, CA 95054

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one share of the Shares (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all applicable Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or other such securities) issued upon such conversion to the Holder.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

5.10. No Stockholder Rights. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant.

"COMPANY"
STEREOTAXIS, INC.

By: /s/ Nicola Young

Name: Nicola Young

Title: CFO

"HOLDER"
Silicon Valley Bank

By: /s/ Daniel Wallace

Name: Daniel Wallace

Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE:

1. The undersigned hereby elects to purchase shares of the Series D-1 Preferred Stock of Stereotaxis Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

or

I. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in the Warrant. This conversion is exercised with respect to of the Shares covered by the Warrant.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____

_____
(Address)

3. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws and that all representations and warranties made by it in Article 4 of the Warrant are true as if made on the date hereof.

_____
(Signature)

_____
(Date)

441693v2

EXHIBIT 4.10

WARRANT

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THIS WARRANT NOR SUCH SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

STEREOTAXIS, INC.

COMMON STOCK WARRANT

VOID AFTER DECEMBER 31, 2007

ISSUED: _____, 2002 CSW-_____

1. Warrant; Period of Exercise. Subject to the terms and conditions herein set forth, _____ or its assigns (the "Holder") is hereby entitled to subscribe for and purchase _____ shares of the fully paid and nonassessable shares of the Common Stock, par value $0.001 per share (the "Common Stock") of the Company, at a price per share of $2.17 (as the same may be adjusted pursuant to the terms and conditions set forth herein, the "Warrant Price"). The Common Stock issuable upon exercise of this Warrant (the "Shares") shall be entitled to registration rights pursuant to that certain Fourth Amended and Restated Investor Rights Agreement, dated as of December ___, 2002 among the Company and certain securityholders of the Company named therein, as the same may be hereafter amended, restated or otherwise modified. The Warrants are exercisable at a price equal to the Warrant Price at any time from and after _____, 2002 but no later than the earlier of (i) December 31, 2007 and (ii) the date on which the Company consummates a Senior Preferred Qualified IPO, as defined in Section 4(d)(ii) of Article V of the Company's Amended and Restated Certificate of Incorporation, provided that if this Warrant has not been exercised as of the date of any such Senior Preferred Qualified IPO, then the Holder of this Warrant shall be deemed to have made an election to effect a cashless exercise as of such date for all Shares issuable hereunder pursuant to Section 5.B hereof. In the event of such a deemed exercise, the Fair Market Value shall be equal to the net per share proceeds to the Company of the Common Stock in such Senior Preferred Qualified IPO, after deduction of underwriting commissions and discounts.

2. Fractional Shares. No fractional Shares will be issued in connection with any exercise hereunder. In lieu of any fractional Shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the Fair Market Value less the exercise price of one share of the Common Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

3. No Stockholder Rights. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant.

4. Reservation of Stock. The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized but unissued shares of Common Stock, a sufficient number of shares to provide for the issuance of the Shares upon the exercise of this Warrant. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Shares.

5. Exercise of Warrant.

A. Without limiting Section 5.B below, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as EXHIBIT A duly executed) at the principal executive offices of the Company, and by the payment in full to the Company, by check or other form of immediately available funds, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing Shares shall be issuable upon exercise of this Warrant shall be deemed to have become, and shall be treated for all purposes as, the record Holder(s) of the Shares represented thereby (and such Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the Shares so purchased shall be delivered to the Holder hereof as promptly as practicable following such exercise, and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder hereof as promptly as practicable.

B. Cashless Exercise. Notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company at its principal executive offices with a written notice of the Holder's intention to effect a cashless exercise, including a calculation of the number of Shares to be issued upon such exercise in accordance with the terms hereof. In the event of a cashless exercise at the Holder's election (including a deemed election pursuant to Section 1 hereof), in lieu of paying the Warrant Price in cash, the Holder shall surrender this Warrant for that number of Shares of Common Stock determined by multiplying the number of Shares to which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Fair Market Value per share of Common Stock and the then applicable Warrant Price and the denominator of which shall be the then current Fair Market Value per share of the Common Stock. The "Fair Market Value" shall mean (1) if the Shares are traded on an exchange or quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the closing price on the day before the exercise date, (2) if the Shares are not traded on an exchange or on the NASDAQ National Market but are traded in the over-the-counter market, the closing price on the day before the exercise date, or (3) if the Shares are not traded on an exchange or on the NASDAQ National Market or in the over-the-counter market, the Fair Market Value as determined in good faith by the Board of Directors of the Company.

6. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of the Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

A. Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall execute a new Warrant providing that the Holder of this Warrant shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each Share theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of one share of stock issuable upon the exercise hereof. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6. The provisions of this paragraph 6.A shall similarly apply to successive reclassifications, changes, mergers and transfers.

B. Subdivisions or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price and the number of Shares issuable upon exercise hereof shall be proportionately adjusted.

C. Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend payable in shares of stock (except any distribution specifically provided for in the foregoing paragraphs 6.A and 6.B), then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (a) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock and (b) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock, and the number of Shares subject to this Warrant shall be proportionately adjusted.

D. No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying

out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against impairment.

E. Notices of Record Date. In the event of any taking by the Company of a record of its stockholders for the purpose of determining stockholders who are entitled to receive payment of any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining stockholders who are entitled to vote in connection with any proposed merger or consolidation of the Company with or into any other corporation, or any proposed sale, lease or conveyance of all or substantially all of the assets of the Company, or any proposed liquidation, dissolution or winding up of the Company, the Company shall mail to the registered Holder, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

7. Notice of Adjustments. Whenever the Warrant Price shall be adjusted pursuant to the provisions hereof, the Company shall within thirty (30) days of such adjustment deliver a certificate signed by an executive officer to the registered Holder(s) hereof setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price after giving effect to such adjustment.

8. Compliance with Securities Laws.

A. The Holder represents and agrees that this Warrant (and the Shares, if the Warrant is exercised), are purchased only for investment, for the Holder's own account, and without any present intention to sell or distribute the Warrant or the Shares. The Holder further acknowledges that the Shares will not be issued pursuant to the exercise of this Warrant unless the exercise of the Warrant and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "1933 Act"), and other federal and state securities laws and regulations and the requirements of any stock exchange upon which the securities may then be listed.

B. The Holder of this Warrant acknowledges and agrees that this Warrant and the Shares have not been registered under the 1933 Act and accordingly will not be transferable except as permitted under the various exemptions contained in the 1933 Act, or upon satisfaction of the registration and prospectus delivery requirements of the 1933 Act. Therefore, the Warrant and Shares must be held indefinitely unless they are subsequently registered under the 1933 Act, or an exemption from such registration is available. The Holder understands that the certificate evidencing the Shares will be imprinted with a legend which prohibits the transfer of the Shares unless they are registered or unless the Company receives an opinion of counsel reasonably satisfactory to the Company that such registration is not required. The Holder is aware of the adoption of Rule 144 by the Securities and Exchange Commission and that the Company is not now and, at the time such Holder wishes to sell the Shares, may not be satisfying the current public information requirements of Rule 144 and, in such case, the Holder would be precluded

from selling the Shares under Rule 144. The Holder understands that a stop transfer instruction will be in effect with respect to transfer of Shares consistent with the requirements of applicable securities laws.

C. All Shares issued upon exercise of this Warrant (unless registered under the 1933 Act) shall be stamped or imprinted with legends in substantially the following form:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTOR RIGHTS AGREEMENT, AS AMENDED OR RESTATED FROM TIME TO TIME, BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS' AGREEMENT, AS AMENDED OR RESTATED FROM TIME TO TIME, BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION."

9. Miscellaneous. This Warrant shall be governed by the internal laws of the State of Missouri. The headings in this Warrant are for purposes of convenience of reference only and shall not be deemed to constitute a part hereof. Neither this Warrant nor any term hereof may be change, waived, discharged or terminated orally but only by an instrument in writing signed by the Company and the registered Holder hereof. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the last Holder of this Warrant who shall have furnished an address to the Company in writing.

This Common Stock Warrant is issued this _____ day of _____, 2002.

STEREOTAXIS, INC.

BY:_____
Bevil J. Hogg
President and Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

To: Stereotaxis, Inc.

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of Stereotaxis, Inc. pursuant to the terms of the attached Common Stock Warrant No CSW-_____, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

Name	Address
_____	_____
_____	_____
_____	_____

_____
(Signature)

_____
(Date)

Exhibit 4.11

WARRANT

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THIS WARRANT NOR SUCH SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

STEREOTAXIS, INC.

COMMON STOCK WARRANT

VOID AFTER _____, 2009

ISSUED: _____, 2004 CSW-<>

1. Warrant; Period of Exercise. Subject to the terms and conditions herein set forth, <> or its assigns (the "Holder") is hereby entitled to subscribe for and purchase <> shares of the fully paid and nonassessable shares of the Common Stock, par value $0.001 per share (the "Common Stock") of the Company, at a price per share of $2.93 (as the same may be adjusted pursuant to the terms and conditions set forth herein, the "Warrant Price"). The Common Stock issuable upon exercise of this Warrant (the "Shares") shall be entitled to registration rights pursuant to that certain Fourth Amended and Restated Investor Rights Agreement, dated as of December 17, 2002, among the Company and certain securityholders of the Company named therein, as amended, as the same may be hereafter amended, restated or otherwise modified. The Warrants are exercisable at a price equal to the Warrant Price at any time from and after _____, 2004 but no later than the earlier of (i) _____, 2009 and (ii) the date on which the Company consummates a Senior Preferred Qualified IPO, as defined in Section 4(d)(ii) of Article V of the Company's Amended and Restated Certificate of Incorporation, provided that if this Warrant has not been exercised as of the date of any such Senior Preferred Qualified IPO, then the Holder of this Warrant shall be deemed to have made an election to effect a cashless exercise as of such date for all Shares issuable hereunder pursuant to Section 5.B hereof. In the event of such a deemed exercise, the Fair Market Value shall be equal to the net per share proceeds to the Company of the Common Stock in such Senior Preferred Qualified IPO, after deduction of underwriting commissions and discounts.

2. Fractional Shares. No fractional Shares will be issued in connection with any exercise hereunder. In lieu of any fractional Shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the Fair Market Value less the exercise price of one share of the Common Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

3. No Stockholder Rights. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant (or shall have been deemed to exercise this Warrant pursuant to Section 1 hereof).

4. Reservation of Stock. The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized but unissued shares of Common Stock, a sufficient number of shares to provide for the issuance of the Shares upon the exercise of this Warrant. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Shares.

5. Exercise of Warrant.

A. Without limiting Section 5.B below, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as EXHIBIT A duly executed) at the principal executive offices of the Company, and by the payment in full to the Company, by check or other form of immediately available funds, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing Shares shall be issuable upon exercise of this Warrant shall be deemed to have become, and shall be treated for all purposes as, the record Holder(s) of the Shares represented thereby (and such Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the Shares so purchased shall be delivered to the Holder hereof as promptly as practicable following such exercise, and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder hereof as promptly as practicable.

B. Cashless Exercise. Notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company at its principal executive offices with a written notice of the Holder's intention to effect a cashless exercise, including a calculation of the number of Shares to be issued upon such exercise in accordance with the terms hereof. In the event of a cashless exercise at the Holder's election (including a deemed election pursuant to Section 1 hereof), in lieu of paying the Warrant Price in cash, the Holder shall surrender this Warrant for that number of Shares of Common Stock determined by multiplying the number of Shares to which it would otherwise be entitled by a fraction, the numerator of which shall be the difference between the then current Fair Market Value per share of Common Stock and the then applicable Warrant Price and the denominator of which shall be the then current Fair Market Value per share of the Common Stock. The "Fair Market Value" shall mean (1) if the Shares are traded on an exchange or quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the closing price on the day before the exercise date, (2) if the Shares are not traded on an exchange or on the NASDAQ National Market but are traded in the over-the-counter market, the closing price on the day before the exercise date, or (3) if the Shares are not traded on an exchange or on the

NASDAQ National Market or in the over-the-counter market, the Fair Market Value as determined in good faith by the Board of Directors of the Company.

6. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of the Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

A. Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall execute a new Warrant providing that the Holder of this Warrant shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each Share theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of one share of stock issuable upon the exercise hereof. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6. The provisions of this paragraph 6.A shall similarly apply to successive reclassifications, changes, mergers and transfers.

B. Subdivisions or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price and the number of Shares issuable upon exercise hereof shall be proportionately adjusted.

C. Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend payable in shares of stock (except any distribution specifically provided for in the foregoing paragraphs 6.A and 6.B), then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (a) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock and (b) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution, assuming that all convertible securities of the Company have been converted into shares of Common Stock, and the number of Shares subject to this Warrant shall be proportionately adjusted.

D. No Impairment. The Company will not, by amendment of its Amended and Restated Certificate of Incorporation or through any reorganization, recapitalization, transfer

of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against impairment.

E. Notices of Record Date. In the event of any taking by the Company of a record of its stockholders for the purpose of determining stockholders who are entitled to receive payment of any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining stockholders who are entitled to vote in connection with any proposed merger or consolidation of the Company with or into any other corporation, or any proposed sale, lease or conveyance of all or substantially all of the assets of the Company, or any proposed liquidation, dissolution or winding up of the Company, the Company shall mail to the registered Holder, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

7. Notice of Adjustments. Whenever the Warrant Price shall be adjusted pursuant to the provisions hereof, the Company shall within thirty (30) days of such adjustment deliver a certificate signed by an executive officer to the registered Holder(s) hereof setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price after giving effect to such adjustment.

8. Compliance with Securities Laws.

A. The Holder represents and agrees that this Warrant (and the Shares, if the Warrant is exercised), are purchased only for investment, for the Holder's own account, and without any present intention to sell or distribute the Warrant or the Shares. The Holder further acknowledges that the Shares will not be issued pursuant to the exercise of this Warrant unless the exercise of the Warrant and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "1933 Act"), and other federal and state securities laws and regulations and the requirements of any stock exchange upon which the securities may then be listed.

B. The Holder of this Warrant acknowledges and agrees that this Warrant and the Shares have not been registered under the 1933 Act and accordingly will not be transferable except as permitted under the various exemptions contained in the 1933 Act, or upon satisfaction of the registration and prospectus delivery requirements of the 1933 Act. Therefore, the Warrant and Shares must be held indefinitely unless they are subsequently registered under the 1933 Act, or an exemption from such registration is available. The Holder understands that the certificate evidencing the Shares will be imprinted with a legend which prohibits the transfer of the Shares unless they are registered or unless the Company receives an opinion of counsel reasonably

satisfactory to the Company that such registration is not required. The Holder is aware of the adoption of Rule 144 by the Securities and Exchange Commission and that the Company is not now and, at the time such Holder wishes to sell the Shares, may not be satisfying the current public information requirements of Rule 144 and, in such case, the Holder would be precluded from selling the Shares under Rule 144. The Holder understands that a stop transfer instruction will be in effect with respect to transfer of Shares consistent with the requirements of applicable securities laws.

C. All Shares issued upon exercise of this Warrant (unless registered under the 1933 Act) shall be stamped or imprinted with legends in substantially the following form:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTOR RIGHTS AGREEMENT, AS AMENDED OR RESTATED FROM TIME TO TIME, BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS' AGREEMENT, AS AMENDED OR RESTATED FROM TIME TO TIME, BETWEEN THE HOLDER AND THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF THE CORPORATION."

9. Miscellaneous. This Warrant shall be governed by the internal laws of the State of Missouri. The headings in this Warrant are for purposes of convenience of reference only and shall not be deemed to constitute a part hereof. Neither this Warrant nor any term hereof may be change, waived, discharged or terminated orally but only by an instrument in writing signed by the Company and the registered Holder hereof. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the last Holder of this Warrant who shall have furnished an address to the Company in writing.

This Common Stock Warrant is issued this 28th day of January, 2004.

STEREOTAXIS, INC.

BY: _____
Bevil J. Hogg, President
and Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

To: Stereotaxis, Inc.

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of Stereotaxis, Inc. pursuant to the terms of the attached Common Stock Warrant No CSW-_____, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

Name	Address
_____	_____
_____	_____
_____	_____
_____	_____

_____
(Signature)

_____
(Date)

NEITHER THIS SECURITY NOR THE SHARES OF STOCK ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. NEITHER THIS SECURITY NOR THE SHARES OF STOCK ISSUED UPON CONVERSION HEREOF MAY BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, (B) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS OR (C) DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY OR SUCH SHARES IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

PURSUANT TO THE NOTE AGREEMENT PURSUANT TO WHICH THIS SECURITY WAS ISSUED (THE "AGREEMENT"), INDEBTEDNESS UNDER THIS SECURITY IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR OBLIGATIONS (AS DEFINED IN THE AGREEMENT) OF THE COMPANY ON THE TERMS SET FORTH IN THE AGREEMENT, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY UPON REQUEST OF THE HOLDER HEREOF.

STEREOTAXIS, INC.

8% CONVERTIBLE NOTE
Due August 1, 2006

$2,000,000 August 1,2003
St. Louis, Missouri

1. General. Stereotaxis, Inc., a Delaware corporation (the "Company"), for value received, hereby promises to pay to the order of Siemens Aktiengesellschaft (the "Holder") the principal sum of Two Million Dollars ($2,000,000), on the date that is three years from the date hereof (the "Maturity Date"), in such coin or currency of the United States of America as at the time of payment shall be legal tender therein for the payment of public and private debts, and to pay interest on the unpaid balance of the principal hereof from the date hereof, at the rate of eight percent (8%) per annum, in like coin or currency, on the Maturity Date (subject to Section 5 below); all payments of principal and interest on this Note to be made at the offices of the attorneys of the Company, Bryan Cave LLP, One Metropolitan Square, St. Louis, Missouri 63102. In the event that the principal amount of this Note is not paid in full when such amount becomes due and payable, interest at the rate of ten percent (10%) (the "Default Rate") shall continue to accrue on the balance of any unpaid principal until such balance is paid.

This Note is issued in connection with that certain Open Architecture Letter Agreement between the Company and the Holder, dated as of May 28, 2003, as the same may from time to time be amended, modified or supplemented (the "Agreement"). The holder of this Note is subject to certain restrictions set forth in the Agreement and shall be entitled to certain rights and privileges set forth in the Agreement

2. Optional Prepayment. The Company may at any time, prepay the unpaid principal amount of this Note, or any part thereof, without penalty or premium, but with interest accrued to the date fixed for prepayment. Notice of prepayment shall be given by the Company by mail and shall be mailed to the holder of this Note not less than 30 days prior to the date fixed for prepayment. Upon giving of notice of prepayment as aforesaid, this Note (or the portion thereof to be prepaid, as the case may be) shall on the prepayment date specified in such notice become due and payable; and from and after the prepayment date so specified (unless the Company shall default in making such prepayment) interest on this Note (or the portion thereof to be prepaid, as the case may be) shall cease to accrue and, on presentation and surrender hereof to the Company for cancellation, this Note (or the portion thereof to be prepaid as the case may be) shall be paid by the Company at the prepayment price aforesaid.

3. Events of Default. If any of the events specified in this Section 3 shall occur (herein individually referred to as an "Event of Default"), the Holder of the Note may, so long as such condition exists, declare the entire principal and unpaid accrued interest hereon immediately due and payable, by notice in writing to the Company:

(i) Default in the payment of the principal and unpaid accrued interest of this Note when due and payable if such default is not cured by the Company within ten (10) days after the Holder has given the Company written notice of such default; or

(ii) The institution by the Company of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to institution of bankruptcy or insolvency proceedings against it or the filing by it of a petition or answer or consent seeking reorganization or release under the federal Bankruptcy Act, or any other applicable federal or state law, or the consent by it to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action; or

(iii) If, within sixty (60) days after the commencement of an action against the Company (and service of process in connection therewith on the Company) seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been resolved in favor of the Company or all orders or proceedings thereunder affecting the operations or the business of the Company stayed, or if the stay of any such order or proceeding shall thereafter be set aside, or if, within sixty (60) days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated.

At any time that the unpaid principal balance of this Note, together with all accrued and unpaid interest owing thereon, shall have become due and payable in full pursuant to this Section 3, the aggregate of all such sums shall thereafter bear interest, both before and after judgment, at the Default Rate until such sums have been paid. In such event, all payments made thereafter shall be applied first to unpaid interest hereon, then to the principal of this Note.

4. Subordination. The indebtedness evidenced by this Note is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all the Company's Senior Indebtedness, as hereinafter defined.

4.1 Senior Indebtedness. As used in this Note, the term "Senior Indebtedness" shall mean the principal of and unpaid accrued interest on: (i) all indebtedness of the Company to banks, commercial finance lenders, insurance companies or other financial institutions regularly engaged in the business of lending money, which is for money borrowed by the Company (whether or not secured), and (ii) any such indebtedness or any debentures, notes or other evidence of indebtedness issued in exchange for or to refinance such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

4.2 Default on Senior Indebtedness. If there should occur any receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization or arrangements with creditors (whether or not pursuant to bankruptcy or other insolvency laws), sale of all or substantially all of the assets, dissolution, liquidation or any other marshalling of the assets and liabilities of the Company, then (i) no amount shall be paid by the Company in respect of the principal of or interest on this Note at the time outstanding, unless and until the principal of and interest on the Senior Indebtedness then outstanding shall be paid in full, and (ii) no claim or proof of claim shall be filed with the Company by or on behalf of the Holder of this Note that shall assert any right to receive any payments in respect of the principal of and interest on this Note, except subject to the payment in full of the principal of and interest on all of the Senior Indebtedness then outstanding. If there occurs an event of default that has been declared in writing with respect to any Senior Indebtedness, or in the instrument under which any Senior Indebtedness is outstanding, permitting the holder of such Senior Indebtedness to accelerate the maturity thereof, then, unless and until such event of default shall have been cured or waived or shall have ceased to exist, or all Senior Indebtedness shall have been paid in full, no payment shall be made in respect of the principal of or interest on this Note.

4.3 Effect of Subordination. Subject to the rights, if any, of the holders of Senior Indebtedness under this Section 4 to receive cash, securities or other properties otherwise payable or deliverable to the Holder of this Note, nothing contained in this Section 4 shall impair, as between the Company and the Holder, the obligation of the Company, subject to the terms and conditions hereof, to pay to the Holder the principal hereof and interest hereon as and when the same become due and payable, or shall prevent the Holder of this Note, upon default hereunder, from exercising all rights, powers and remedies otherwise provided herein or by applicable law.

4.4 Subrogation. Subject to the payment in full of all Senior Indebtedness and until this Note shall be paid in full, the Holder shall be subrogated to the rights of the holders of Senior Indebtedness (to the extent of payments or distributions previously made to such holders of Senior Indebtedness pursuant to the provisions of Section 4.2 above) to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness. No such payments or distributions applicable to the Senior Indebtedness shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the Holder, be

deemed to be a payment by the Company to or on account of this Note; and for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness to which the Holder would be entitled except for the provisions of this Section 4 shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the Holder, be deemed to be a payment by the Company to or on account of the Senior Indebtedness.

4.5 Undertaking. By its acceptance of this Note, the Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company or the lender of any Senior Indebtedness in order to implement the foregoing provisions of this Section 4.

5. Conversion.

5.1 Automatic Conversion. The entire principal amount of this Note, together with all accrued but unpaid interest owing thereon, shall be automatically converted into shares of Common Stock at the Conversion Price (as hereinafter defined) at the time in effect immediately prior to the closing of a firmly underwritten public offering pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended (the "Act"), with aggregate gross proceeds in excess of $20,000,000 (a "Qualified IPO"). The "Conversion Price" shall be equal to the gross per share proceeds to the Company of the Common Stock in such Qualified IPO, prior to deduction of underwriting commissions and discounts.

5.2 Notice of Conversion. If this Note is automatically converted, written notice shall be delivered to the Holder of this Note at the address last shown on the records of the Company for the Holder or given by the Holder to the Company for the purpose of notice or, if no such address appears or is given, at the place where the principal executive office of the Company is located, notifying the Holder of the conversion to be effected, specifying the Conversion Price, the principal amount of the Note to be converted, the amount of accrued interest to be converted, the date on which such conversion will occur and calling upon such Holder to surrender to the Company, in the manner and at the place designated, the Note.

5.3 Delivery of Stock Certificates. As promptly as practicable after the conversion of this Note, the Company at its expense will issue and deliver to the Holder of this Note a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion.

5.4 Mechanics and Effect of Conversion. No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu of the Company issuing any fractional shares to the Holder upon the conversion of this Note, the Company shall pay to the Holder the amount of outstanding principal or interest that is not so converted, such payment to be in the form as provided below. Upon the conversion of this Note pursuant to Section 5.1 above, the Holder shall surrender this Note, duly endorsed, at the principal office of the Company. At its expense, the Company shall, as soon as practicable thereafter, issue and deliver to such Holder at such principal office a certificate or certificates for the number of shares of such Common Stock to which the Holder shall be entitled upon such conversion (bearing such legends as are required by the Agreement and applicable state and federal

securities laws in the opinion of counsel to the Company), together with any other securities and property to which the Holder is entitled upon such conversion under the terms of this Note, including a check payable to the Holder for any cash amounts payable as described above. In the event of any conversion of this Note pursuant to Section 5.1 above, such conversion shall be deemed to have been made immediately prior to the closing of the issuance and sale of such Common Stock and on and after such date the Holder of this Note entitled to receive the shares of such Common Stock issuable upon such conversion shall be treated for all purpose as the record Holder of such shares. Upon conversion of this Note, the Company shall be forever released from all its obligations and liabilities under this Note, except that the Company shall be obligated to pay the Holder, within ten (10) days after the date of such conversion, any interest accrued and unpaid or unconverted to and including the date of such conversion, and no more.

6. Notice of Certain Events; Reservation of Common Stock.

6.1 Notices of Record Date, etc. In the event of:

6.1.1 Any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all of the assets of the Company to any other person or any consolidation or merger involving the Company; or

6.1.2 Any voluntary or involuntary dissolution, liquidation or winding up of the Company,

the Company will mail to the holder of this Note at least ten (10) days prior to the earliest date specified therein, a notice specifying the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective.

6.2 Reservation of Stock Issuable Upon Conversion. The Company shall, at a reasonable time prior to effecting a Qualified IPO, reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the Note a number of its shares of Common Stock as shall be sufficient to effect the conversion of the Note, based on the good faith estimate of the Company; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of the entire outstanding principal amount of this Note, in addition to such other remedies as shall be available to the holder of this Note, the Company will use its reasonable efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

7. Assignment. Subject to the restrictions on transfer described in Section 9 below, the rights and obligations of the Company and the Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

8. Waiver and Amendment. Any provision of this Note may be amended,

waived or modified upon the written consent of the Company and the Holder.

9. Transfer of this Note or Securities Issuable on Conversion Hereof. With respect to any offer, sale or other disposition of this Note or securities into which such Note may be converted, the Holder will give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder's counsel, to the effect that such offer, sale or other distribution may be effected without registration or qualification (under any federal or state law then in effect). Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Company, as promptly as practicable, shall notify such Holder that such Holder may sell or otherwise dispose of this Note or such securities, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 9 that the opinion of counsel for the Holder is not reasonably satisfactory to the Company, the Company shall so notify the Holder promptly after such determination has been made. Each Note thus transferred and each certificate representing the securities thus transferred shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with the Act, unless in the opinion of counsel for the Company such legend is not required in order to ensure compliance with the Act. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

10. Heading; References. All headings used herein are used for convenience only and shall not be used to construe or interpret this Note. Except where otherwise indicated, all references herein to Sections refer to Sections hereof.

11. Notices. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or if telegraphed or mailed by registered or certified mail, postage prepaid, at the respective addresses of the parties as set forth herein. Any party hereto may by notice so given change its address for future notice hereunder. Notice shall conclusively be deemed to have been given when personally delivered or when deposited in the mail or telegraphed in the manner set forth above and shall be deemed to have been received when delivered.

12. No Stockholder Rights. Nothing contained in this Note shall be construed as conferring upon the Holder or any other person the right to vote or to consent or to receive notice as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matters or any rights whatsoever as a stockholder of the Company; and no dividends or interest shall be payable or accrued in respect of this Note or the interest represented hereby or the Conversion Shares obtainable hereunder until, and only to the extent that, this Note shall have been converted.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, excluding that body of law relating to conflict of laws.

IN WITNESS WHEREOF, the Company has caused this Note to be issued this 1st day of August, 2003,

STEREOTAXIS, INC.

By /s/ Nicola Young

Name: Nicola Young
Title: CFO

Name of Holder: Siemens Aktiengesellschaft

Address:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY APPLICABLE STATE SECURITIES LAW, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 AND REGISTRATION UNDER OR AN EXEMPTION FROM APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS WARRANT ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING AGREEMENTS CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

WARRANT TO PURCHASE PREFERRED STOCK

Corporation: Stereotaxis, Inc., a Delaware corporation
Number of Shares: 36,868
Class of Stock: Series D-1 Preferred
Initial Exercise Price: $2.17 per share
Issue Date: March 19, 2002
Expiration Date: March 19, 2007

THIS WARRANT CERTIFIES THAT, for the agreed upon value of $1.00 and for other good and valuable consideration, SILICON VALLEY BANK ("Holder") is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of the corporation (the "Company") at the initial exercise price per Share (the "Warrant Price") all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 1.2, Holder shall also deliver to the Company a cashier's check for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right In lieu of exercising this Warrant as specified in Section 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Section 1.3.

1.3 Fair Market Value. If the Shares are traded in a public market, the fair market value of the Shares shall be the closing price of the Shares (or the closing price of the Company's stock into which the Shares are convertible) reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Shares are not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of toss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, or surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Assumption on Sale, Merger, or Consolidation of the Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Assumption of Warrant. Upon the closing of any Acquisition, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Initial Exercise Price and/or number of Shares shall be adjusted accordingly.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on its common stock (or the Shares if the Shares are securities other than common stock) payable in common stock, or other securities, subdivides the outstanding common stock into a greater amount of common stock, or, if the Shares are securities other than common stock, subdivides the Shares in a transaction that increases the amount of common stock into which the Shares are convertible, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Initial Exercise Price shall be proportionately increased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Certificate of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Initial Exercise Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.4 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.5 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares (or such preferred stock) as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance against full payment of the Warrant Price therefor, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein, placed thereon by Holder or arising under applicable federal and state securities laws.

(c) The Capitalization Table previously provided to Holder remains substantially true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of common stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

3.3 Registration Under Securities Act of 1933. as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall be subject to the so-called "S-3" registration rights set forth in Section 4 1.9 of the Company's Third Amended and Restated Investor Rights Agreement dated November 21, 2001 (the "Registration Rights Agreement"), so long as the Company shall be eligible to utilize Form S-3 under the 1933 Act. The provisions set forth in the Registration Rights Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects Holder in the same manner as they affect all other shareholders with S-3 registration rights of the same type granted to the Holder.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. Except for transfers to Holder's affiliates, this Warrant and the securities, to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the 1933 Act, and the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. If not an individual, the Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder: (i) has experience as an investor in securities of companies in the development stage and acknowledges that the Holder is able to fend for itself, can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or (ii) has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act.

4.5 Stockholders Agreement. The Holder acknowledges and agrees that upon exercise or conversion of this Warrant into Shares, that the Holder shall be subject to the terms and conditions of the Amended and Restated Stockholders' Agreement dated November 21, 2001, as such agreement may be amended from time to time, and as such agreement applies to holders of common stock of the Company.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS SECURITY AND ANY SECURITY ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR UNDER ANY APPLICABLE STATE LAWS, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT, AN EXEMPTION UNDER SUCH ACT OR PURSUANT TO RULE 144 AND REGISTRATION UNDER OR AN EXEMPTION FROM APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

THIS SECURITY IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING, INCLUDING THOSE CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Subject to the provisions of Section 5.3, Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) to Silicon Valley Bancshares or The Silicon Valley Bank Foundation, or to any affiliate of Holder at any time without prior notice to Company; provided, however, if Holder transfers this warrant to any other transferee, Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) (a) to any person who competes with the Company unless the Company's stock is publicly traded and (b) in any manner or under any circumstances where a transfer of Series D Preferred Stock by the existing holders of such Stock would be prohibited or restricted under existing agreements with the Company.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, or by nationally-recognized overnight carrier, at such address as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such holder from time to time. All notices to the Holder shall be addressed as follows:

Silicon Valley Bank
Attn: Treasury Department
3003 Tasman Drive, HG 110
Santa Clara, CA 95054

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one share of the Shares (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all applicable Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

5.10 No Stockholder Rights. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant.

"COMPANY"
STEREOTAXIS, INC.

By: /s/ Nicola Young

Name: NICOLA YOUNG

Title: CFO

"HOLDER"
Silicon Valley Bank

By: /s/ Dan Wallace

Name: DAN WALLACE

Title: VICE PRESIDENT

APPENDIX 1
NOTICE OF EXERCISE:

1. The undersigned hereby elects to purchase _____ shares of the Series D-1 Preferred Stock of Stereotaxis Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

or

I. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in the Warrant. This conversion is exercised with respect to of the Shares covered by the Warrant.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

3. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws and that all representations and warranties made by it in Article 4 of the Warrant are true as if made on the date hereof.

(Signature)

- ---
(Date)

EXHIBIT 4.14

WARRANT TO PURCHASE STOCK

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

THE SECURITIES REPRESENTED BY THIS WARRANT ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING AGREEMENTS CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

WARRANT TO PURCHASE STOCK

Company: Stereotaxis, Inc., a Delaware corporation
Number of Shares: 18,000
Class of Stock: Series D-1 Preferred
Warrant Price: $2.17 per share
Issue Date: September 30, 2002
Expiration Date: September 30, 2007

THIS WARRANT CERTIFIES THAT, for the agreed upon value of $1.00 and for other good and valuable consideration, SILICON VALLEY BANK ("Holder") is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of the company (the "Company") at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company's common stock is traded in a public market and the shares are common stock, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the "price to public" per share price specified in the final prospectus relating to such offering). If the Company's common stock is traded in a public market and the Shares are preferred stock, the fair market value of a Share shall be the closing price of a share of the Company's common stock reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or, in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the initial "price to public" per share price specified in the final prospectus relating to such offering), in both cases, multiplied by the number of shares of the Company's common stock into which a Share is convertible. If the Company's common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, or surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed

effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an "arms length" sale of all or substantially all of the Company's assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a "True Asset Sale"), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Upon the closing of any Acquisition other than those particularly described in subsections (A) and (B) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein "Affiliate" shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person's or entity's officers, directors, joint venturers or partners, as applicable.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increase the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If

the outstanding shares are combined or consolidated, by classification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Articles or Certificate (as applicable) of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 Adjustments for Diluting Issuances. The Warrant Price and the number of Shares issuable upon exercise of this Warrant or, if the Shares are Preferred Stock, the number of shares of common stock issuable upon conversion of the Shares, shall be subject to adjustment, from time to time in the manner set forth in the Company's Articles or Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment. The provisions set forth for the Shares in the Company's Articles or Certificate (as applicable) of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

2.4 No Impairment. The Company shall not, by amendment of its Articles or Certificate (as applicable) of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any

exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance against full payment of the Warrant Price therefor, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) The Capitalization Table previously provided to Holder remains substantially true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of any class or series of the Company's stock; (c) to effect any reclassification or recapitalization of any of its stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable

upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the common stock issuable upon conversion of the Shares shall be subject to the so-called "S-3" registration rights set forth in Section 4 1.9 of the Company's Third Amended and Restated Investor Rights Agreement dated November 21, 2001 (the "Registration Rights Agreement"), so long as the Company shall be eligible to utilize Form S-3 under the 1933 Act. The provisions set forth in the Registration Rights Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

3.4 No Shareholder Rights. Except as provided in this Warrant, the Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder has experience as an investor in securities of companies in the development stage and acknowledges that the Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder

to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. The Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. The Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the 1933 Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

4.6 Stockholders Agreement. The Holder acknowledges and agrees that upon exercise or conversion of this Warrant into Shares, that the Holder shall be subject to the terms and conditions of the Amended and Restated Stockholders' Agreement dated November 21, 2001, as such agreement may be amended from time to time, and as such agreement applies to holders of common stock of the Company.

ARTICLE 5. MISCELLANEOUS.

5.1 Term: This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE ACT, OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

THIS SECURITY IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND VOTING, INCLUDING THOSE CONTAINED IN THE AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF NOVEMBER 21, 2001, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL

OFFICE OF THE COMPANY.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to Silicon Valley Bancshares (Holder's parent company) or any other affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Upon receipt by Holder of the executed Warrant, Holder will transfer all of this Warrant to Silicon Valley Bancshares, Holder's parent company, by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing Company with written notice, Silicon Valley Bancshares and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, Silicon Valley Bancshares or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares (a) to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded and (b) in any manner or under any circumstances where a transfer of Series D-1 Preferred Stock by the existing holders of such Stock would be prohibited or restricted under existing agreements with the Company.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to the Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Silicon Valley Bancshares
Attn: Treasury Department
3003 Tasman Drive, HA 200
Santa Clara, CA 95054
Telephone: 408-654-7400
Facsimile: 408-496-2405

Notice to the Company shall be addressed as follows until the Holder receives notice of a change in address:

Stereotaxis, Inc.

Attn: Chief Financial Officer

4041 Forest Park Ave.
St. Louis, MO 63108
Telephone: 314-615-6940
Facsimile: 314-615-69__

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

5.11 No Stockholder Right. This Warrant shall not entitle its Holder to any of the rights of a stockholder of the Company until the Holder has exercised this Warrant.

"COMPANY"

STEREOTAXIS, INC.

By: /s/ NICOLA YOUNG
Name: Nicola Young
(Print)
Title: Chief Financial Officer

"HOLDER"

SILICON VALLEY BANK

By: /s/ DAN WALLACE
Name: Dan Wallace
(Print)
Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. Holder elects to purchase _____ shares of the Series D-1 Preferred Stock of Stereotaxis, Inc. pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for _____of the Shares covered by the Warrant.

2. Please issue a certificate or certificates representing the shares in the name specified below:

Holders Name

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

By:

Name:

Title:

(Date):

APPENDIX 2

ASSIGNMENT

FOR VALUE RECEIVED, SILICON VALLEY BANK HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

NAME: SILICON VALLEY BANCSHARES
ADDRESS: 3003 TASMAN DRIVE (HA-200)
SANTA CLARA, CA 95054

TAX ID: 91-1962278

THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY STEREOTAXIS, INC. (THE "COMPANY"), ON SEPTEMBER 30, 2002 (THE "WARRANT") TOGETHER WITH ALL RIGHTS, TITLE AND INTEREST THEREIN.

SILICON VALLEY BANK

By: _____

Name: _____

Title: _____

Date: [insert Issue Date]

By its execution below, and for the benefit of the Company, Silicon Valley Bancshares makes each of the representations and warranties set forth in Article 4 of the Warrant as of the date hereof.

SILICON VALLEY BANCSHARES

By: _____

Name: _____

Title: _____

EXHIBIT 10.1

STEREOTAXIS, INC.

1994 STOCK OPTION PLAN

ADOPTED APRIL 29, 1994

1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to purchase stock of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Options issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either Incentive Stock Options or Nonstatutory Stock Options. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CODE" means the Internal Revenue Code of 1986, as amended.

(d) "COMMITTEE" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(e) "COMPANY" means Stereotaxis, Inc., a Delaware corporation

(f) "CONSULTANT" means any person, including an advisor, engaged by the Company or an Affiliate to render consulting services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(g) "CONTINUOUS STATUS AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means the employment or relationship as a Director or Consultant is not interrupted or terminated. The Board, in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave; or (ii) transfers between locations of the Company or between the Company, Affiliates or their successors.

(h) "DIRECTOR" means a member of the Board.

(i) "DISINTERESTED PERSON" means a Director who either (i) was not during the one year prior to service as an administrator of the Plan granted or awarded equity securities pursuant to the Plan or any other plan of the Company or any of its affiliates entitling the participants therein to acquire equity securities of the Company or any of its affiliates except as permitted by Rule 16b-3(c)(2)(i), or (ii) who is otherwise considered to be a "disinterested person" in accordance with Rule 16b-3(c)(2)(i), or any other applicable rules, regulations or interpretations of the Securities and Exchange Commission.

(j) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(k) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(l) "FAIR MARKET VALUE" means the value of the common stock as determined in good faith by the Board and in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations.

(m) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(n) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(o) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(p) "OPTION" means a stock option granted pursuant to the Plan.

(q) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(r) "OPTIONED STOCK" means the common stock of the Company subject to an Option.

(s) "OPTIONEE" means an Employee, Director or Consultant who holds an outstanding Option.

(t) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an affiliated corporation, is not a former employee of the Company or an affiliated corporation receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an affiliated corporation at any time, and is not currently receiving compensation for personal services in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(u) "PLAN" means this Stereotaxis, Inc. 1994 Stock Option Plan.

(v) "RULE 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to the Committee, as provided in subsection 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(1) To determine from time to time which of the persons eligible under the Plan shall be granted Options; when and how each Option shall be granted; whether an Option will be an Incentive Stock Option or a Nonstatutory Stock Option; the provisions of each Option granted (which need not be identical), including the time or times such Option may be exercised

in whole in part; and the number of shares for which an Option shall be granted to each such person.

(2) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(3) To amend the Plan as provided in Section 11.

(c) The Board may delegate administration of the Plan to a committee composed of not fewer than two (2) members (the "Committee"), all of the members of which Committee shall be Disinterested Persons and may also be, in the discretion of the Board, Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Additionally, prior to the date of the first registration of an equity security of the Company under Section 12 of the Exchange Act, and notwithstanding anything to the contrary contained herein, the Board may delegate administration of the Plan to any person or persons and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. Notwithstanding anything in this Section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of the Board and authority to grant options to eligible persons who are not then subject to Section 16 of the Exchange Act and to eligible persons with respect to whom the Company does not wish to comply with Section 162(m)of the Code.

(d) Any requirement that an administrator of the Plan be a Disinterested Person shall not apply (i) prior to the date of the first registration of an equity security of the Company under Section 12 of the Exchange Act, or (ii) if the Board or the Committee expressly declares that such requirement shall not apply. Any Disinterested Person shall otherwise comply with the requirements of Rule 16b-3.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of section 10 relating to adjustments upon changes in stock, the stock that may be sold pursuant to Options shall not exceed in the aggregate Five Hundred Thousand (500,000) shares of the Company's common stock. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not purchased under such Option shall revert to and again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Nonstatutory Stock Options may be granted only to Employees, Directors or Consultants.

(b) A Director shall in no event be eligible for the benefits of the Plan unless at the time discretion is exercised in the selection of the Director as a person to whom Options may be granted, or in the determination of the number of shares which may be covered by Options granted to the Director: (i) the Board has delegated its discretionary authority over the Plan to a Committee which consists solely of Disinterested Persons; or (ii) the Plan otherwise complies with the requirements of Rule 16b-3. The Board shall otherwise comply with the requirements of Rule 16b-3. This subsection 5(b) shall not apply (i) prior to the date of the first registration of an equity security of the Company under Section 12 of the Exchange Act, or (ii) if the Board or Committee expressly declares that it shall not apply.

(c) No person shall be eligible for the grant of an Option if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(d) No person shall be eligible to be granted Options covering more than one hundred thousand (100,000) shares of the Company's common stock in any calendar year. This subsection 5(d) shall not apply with respect to Options covering shares subject to the Plan which were approved by the stockholders of the Company prior to the date of the first registration of an equity security of the Company under section 12 of the Exchange Act.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) PRICE. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the stock subject of the Option on the date the Option is granted.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to the Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the option is exercised, or (ii) at the discretion of the Board or the Committee, either at the time of the grant or exercise of the Option, (A) by delivery to the Company of other common stock of the Company, (B) according to the deferred payment or other arrangement (which may include, without limiting the generality of the foregoing, the use of other common stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d), or (C) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) TRANSFERABILITY. An Incentive Stock Option shall be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Incentive Stock Option is granted only by such person. A Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder (a "QDRO), and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person or any transferee pursuant to a QDRO. The person to whom the Option is granted may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

(e) VESTING. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary but in each case will provide for vesting of at least twenty percent (20%) per year of the total number of shares subject to the Option. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) SECURITIES LAW COMPLIANCE. The Company may require any Optionee, or any person to whom an Option is transferred under subsection 6(d), as a condition of exercising any such Option, (1) to give written assurances satisfactory to the Company as to the Optionee's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Option for such person's own account and not with any present intention of selling or

otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise of the Option has been registered under a then currently effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) TERMINATION OF EMPLOYMENT OR RELATIONSHIP AS A DIRECTOR OR CONSULTANT. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months after the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which in no event shall be less than thirty (30) days, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) DISABILITY OF OPTIONEE. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option

within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) DEATH OF OPTIONEE. In the event of the death of an Optionee during, or within a period specified in the Option after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option at the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(j) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company, with the repurchase price to be equal to the original purchase price of the stock, or to any other restriction the Board determines to be appropriate; provided, however, that the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Option was granted, and such right shall be exercisable only within (i) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant, or (ii) such longer period as many be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 120(c)(3) of the Code (regarding "qualified small business stock")), and such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company

cash equal to the difference between the original purchase price and the stock's Fair Market Value if the original purchase price is less than the stock's Fair Market Value.

(k) WITHHOLDING. To the extent provided by the terms of an Option Agreement, the Optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise of such Option by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the participant as a result of the exercise of the Option; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

7. COVENANTS OF THE COMPANY.

(a) During the terms of the Options, the Company shall keep available at all times the number of shares of stock requir ed to satisfy such Options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

8. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

9. MISCELLANEOUS.

(a) Neither an Optionee nor any person to whom an Option is transferred under subsection 6(d) shall be deemed to be the holder of, or to have any of the rights of a holder with

respect to, any shares subject to such Option unless and until such person has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) Throughout the term of any Option, the Company shall deliver to the holder of such Option, not later than one hundred twenty (120) days after the close of each of the Company's fiscal years during the Option term, a balance sheet and an income statement. This section shall not apply when issuance is limited to key employees whose duties in connection with the Company assure them access to equivalent information.

(c) Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Employee, Director, Consultant or Optionee any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment or relationship as a Director or Consultant of any Employee, Director, Consultant or Optionee with or without cause.

(d) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) (1) The Board or the Committee shall have the authority to effect, at any time and from time to time (i) the repricing of any outstanding Options under the Plan and/or (ii) with the consent of the affected holders of Options, the cancellation of any outstanding Options and the grant in substitution therefore of new Options under the Plan covering the same or different numbers of shares of Common Stock, but having an exercise price per share not less than eighty-five percent (85%) of the Fair Market Value (one hundred percent (100%) of the Fair Market Value in the case of an Incentive Stock Option, or, in the case of a ten percent (10%) stockholder (as defined in subsection 5(c)), not less than one hundred and ten percent (110%) of the Fair Market Value) per share of Common Stock on the new grant date.

(2) Shares subject to an Option canceled under this subsection 9(f) shall continue to be counted against the maximum award of Options permitted to be granted pursuant to subjection 5(d) of the Plan. The repricing of an Option under this subsection 9(f), resulting in

a reduction of the exercise price, shall be deemed to be a cancellation of the original Option and the grant of a substitute Option; in the event of such repricing, both the original and the substituted Options shall be counted against the maximum awards of Options permitted to be granted pursuant to subsection 5(d) of the Plan. The provisions of this subsection 9(f) shall be applicable only to the extent required by Section 162(m) of the Code.

10. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any Option (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise), the Plan and outstanding Options will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding Options.

(b) In the event of: (1) a merger or consolidation in which the Company is not the surviving corporation or (2) a reverse merger in which the Company is the surviving corporation but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise then to the extent permitted by applicable law: (i) any surviving corporation shall assume any Options outstanding under the Plan or shall substitute similar Options for those outstanding under the Plan, or (ii) such Options shall continue in full force and effect. In the event any surviving corporation refuses to assume or continue such Options, or to substitute similar options for those outstanding under the Plan, then such Options shall be terminated if not exercised prior to such event. In the event of a dissolution or liquidation of the Company, any Options outstanding under the Plan shall terminate if not exercised prior to such event.

11. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 10 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(1) Increase the number of shares reserved for Options under the Plan;

(2) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or

(3) Modify the Plan in any other way if such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code or to comply with the requirements of Rule 16b-3.

(b) The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Optionees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) Rights and obligations under any Option granted before amendment of the Plan shall not be altered or impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Option was granted and (ii) such person consents in writing.

12. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on April 29, 2004 which shall be within ten (10) years from the date of the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Option granted while the Plan is in effect shall not be altered or impaired by suspension or termination of the Plan, except with the consent of the person to whom the Option was granted.

13. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Options granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the - Plan is adopted by the Board, and, if required, an appropriate permit has been issued by the Commissioner of Corporations of the State of California.

*** THIS DOCUMENT IS CURRENT THROUGH REGISTER 98, NO. 31, JULY 31, 1998 ***

TITLE 10. INVESTMENT
CHAPTER 3. COMMISSIONER OF CORPORATIONS
SUBCHAPTER 2. CORPORATE SECURITIES
ARTICLE 5. CONDITIONS OF QUALIFICATION
SUBARTICLE 2. CONDITIONS RESTRICTING TRANSER OF OTHER SECURITIES

10 CCR 260.141.11 (1998)

Section 260.141.11. Restriction on Transfer

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for a holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state

to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state; or

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code buy exempt from that qualification requirement by subdivisions (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

On November 20, 2003, the following amendments to the Stereotaxis 1994 Stock Option Plan were adopted:

1. Section 2(g) was deleted and replaced with the following:

(g) "CONTINUOUS STATUS AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means the employment or relationship as a Director or Consultant is not interrupted or terminated. The Board (or the Committee, if the Plan is then administered by a Committee), in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave; or (ii) transfers between locations of the Company or between the Company, Affiliates or their successors. The Board (or the Committee, if the Plan is then administered by a Committee) may, in its sole discretion, provide in an Option Agreement that Continuous Status as an Employee, Director or Consultant will not be considered interrupted or terminated upon a change in relationship from an Employee to Consultant.

2. Section 6(g) was deleted and replaced with the following:

(g) TERMINATION OF EMPLOYMENT OR RELATIONSHIP AS A DIRECTOR OR CONSULTANT. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months after the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which in no event shall be less than thirty (30) days, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan. The Committee may, in its sole discretion, provide in any Option Agreement that an Optionee's Continuous Status as an Employee, Director or Consultant does not terminate under such Agreement upon a change in status from an Employee to a Consultant, in which case Options shall continue to vest under such Agreement and such Agreement shall terminate upon termination of the Optionee's status as a Consultant.

On November 21, 2001, the following amendment to the Stereotaxis 1994 Stock Option Plan were adopted:

1. Section 4(a) of said Plan was deleted in its entirety and replaced with the following:

"(a) Subject to the provisions of Section 10 relating to adjustments upon changes in stock, the stock that may be sold pursuant to Options shall not exceed in the aggregate Seven Million (7,000,000) shares of the Company's common stock. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been

exercised in full, the stock not purchased under such Option shall revert to and again become available for issuance under the Plan."

EXHIBIT B

INCENTIVE STOCK OPTION

_____, Optionee:

_____ (the "Company"), pursuant to its 1994 Stereotaxis, Inc. Stock Option Plan (the "Plan"), has this day granted to you, the optionee named above, an option to purchase shares of the common stock of the Company ("Common Stock"). This option is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The grant hereunder is in connection with and in furtherance of the Company's compensatory benefit plan for participation of the Company's employees (including officers), directors or consultants and is intended to comply with the provisions of Rule 701 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act").

The details of your option are as follows:

1. The total number of shares of Common Stock subject to this option is _____ (_____). Subject to the limitations contained herein, this option shall be exercisable with respect to each installment shown below on or after the date of vesting applicable to such installment, as follows:

NUMBER OF SHARES (INSTALLMENT)		DATE OF EARLIEST EXERCISE (VESTING)
(a)	_____	25% of the shares covered by this option agreement shall be fully-vested one year from the date of grant; and
(b)	_____	2.0833% of the shares covered by this option agreement shall vest each calendar month thereafter for the next thirty-six (36) months so that all of the shares covered by this option agreement shall be fully-vested forty-eight (48) months from the date of grant.

(FORM FOR CASH AND STOCK WITH DEFERRED PAYMENT AND EARLY EXERCISE)

2. (a) The exercise price of this option is _____ ($____) per share, being not less than the fair market value of the Common Stock on the date of grant of this option.

(b) Payment of the exercise price per share is due in full upon exercise of all or any part of each installment which has accrued to you. You may elect, to the extent permitted by applicable statutes and regulations, to make payment of the exercise price under one of the following alternatives:

(i) Payment of the exercise price per share in cash (including check) at the time of exercise;

(ii) Payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which results in the receipt of cash (or check) by the Company prior to the issuance of Common Stock;

(iii) Provided that at the time of exercise the Company's Common Stock is publicly traded and quoted regularly in the Wall Street Journal, payment by delivery of already-owned shares of Common Stock, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interests, which Common Stock shall be valued at its fair market value on the date of exercise;

(iv) Provided that the option exercise price for the installment, or portion thereof, being purchased exceeds_____ dollars ($_____), payment pursuant to the deferred payment alternative as described in paragraph 2(c) hereof; or

(v) Payment by a combination of the methods of payment permitted by subparagraph 2(b)(i) through 2(b)(iv) above.

(c) In the event that you elect to make payment of the exercise price pursuant to the deferred payment alternative:

(i) Not less than _____ percent (_____%) of the aggregate exercise price shall be due at the time of exercise, not less than_____ percent (_____%) of said exercise price, plus accrued interest, shall be due each year after the date of exercise, and final payment of the remainder of the exercise price, plus accrued interest, shall be due_____(_____) years from date of exercise or, at the Company's election, upon termination of your employment with the Company or an affiliate;

(ii) Interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any portion of any amounts other than amounts stated to be interest under the deferred payment arrangement; and

(iii) In order to elect the deferred payment alternative, you must, as a part of your written notice of exercise, give notice of the election of this payment alternative and, in order to secure the payment of the deferred exercise price to the Company hereunder, if the Company so requests, you must tender to the Company a promissory note and a security agreement covering the purchased shares, both in form and substance satisfactory to the Company, or such other or additional documentation as the Company may request.

3. (a) Subject to the provisions of this option you may elect at any time during your employment with the Company or an affiliate thereof, to exercise the option as to any part or all of the shares subject to this option at any time during the term hereof, including without limitation, a time prior to the date of earliest exercise ("vesting") stated in paragraph 1 hereof; provided, however, that:

(i) a partial exercise of this option shall be deemed to cover first vested shares and then the earliest vesting installment of unvested shares;

(ii) any shares so purchased from installments which have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Early Exercise Stock Purchase Agreement attached hereto;

(iii) you shall enter into an Early Exercise Stock Purchase Agreement in the form attached hereto with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(iv) this option shall not be exercisable under this paragraph 3 to the extent such exercise would cause the aggregate fair market value of any shares subject to incentive stock options granted you by the Company or any affiliate (valued as of their grant date) which would become exercisable for the first time during any calendar year to exceed $100,000.

(b) The election provided in this paragraph 3 to purchase shares upon the exercise of this option prior to the vesting dates shall cease upon termination of your employment with the Company or an affiliate thereof and may not be exercised after the date thereof.

4. This option may not be exercised for any number of shares which would require the issuance of anything other than whole shares.

5. Notwithstanding anything to the contrary contained herein, this option may not be exercised unless the shares issuable upon exercise of this option are then registered under the Act or, if such shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Act.

6. The term of this option commences on the date hereof and, unless sooner terminated as set forth below or in the Plan, terminates on_____(which

date shall be no more than ten (10) years from date this option is granted). In no event may this option be exercised on or after the date on which it terminates. This option shall terminate prior to the expiration of its term as follows: three (3) months after the termination of your employment with the Company or an affiliate of the Company (as defined in the Plan) for any reason or for no reason unless

(a) such termination of employment is due to your permanent and total disability (within the meaning of Section 422(c)(6) of the Code), in which event the option shall terminate on the earlier of the termination date set forth above or twelve (12) months following such termination of employment; or

(b) such termination of employment is due to your death, in which event the option shall terminate on the earlier of the termination date set forth above or eighteen (18) months after your death; or

(c) during any part of such three (3) month period the option is not exercisable solely because of the condition set forth in paragraph 5 above, in which event the option shall not terminate until the earlier of the termination date set forth above or until it shall have been exercisable for an aggregate period of three (3) months after the termination of employment; or

(d) exercise of the option within three (3) months after termination of your employment with the Company or with an affiliate would result in liability under section 16(b) of the Securities Exchange Act of 1934, in which case the option will terminate on the earlier of (i) the termination date set forth above, (ii) the tenth (10th) day after the last date upon which exercise would result in such liability or (iii) six (6) months and ten (10) days after the termination of your employment with the Company or an affiliate.

However, this option may be exercised following termination of employment only as to that number of shares as to which it was exercisable on the date of termination of employment under the provisions of paragraph 1 of this option.

7. (a) This option may be exercised, to the extent specified above, by delivering a notice of exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising this option you agree that:

(i) the Company may require you to enter an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of this option; (2) the lapse of any substantial risk of forfeiture to which the shares are subject at the time of exercise; or (3) the disposition of shares acquired upon such exercise;

(ii) you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of this option that occurs within two (2) years after the date of this option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of this option; and

(iii) the Company (or a representative of the underwriters) may, in connection with the first underwritten registration of the offering of any securities of the Company under the Act, require that you not sell or otherwise transfer or dispose of any shares of Common Stock or other securities of the Company during such period (not to exceed one hundred eighty (180) days) following the effective date (the "Effective Date") of the registration statement of the Company filed under the Act as may be requested by the Company or the representative of the underwriters; provided, however, that such restriction shall apply only if, on the Effective Date, you are an officer, director, or owner of more than one percent (1%) of the outstanding securities of the Company. For purposes of this restriction you will be deemed to own securities which (i) are owned directly or indirectly by you, including securities held for your benefit by nominees, custodians, brokers or pledgees; (ii) may be acquired by you within sixty (60) days of the Effective Date; (iii) are owned directly or indirectly, by or for your brothers or sisters (whether by whole or half blood) spouse, ancestors and lineal descendants; or (iv) are owned, directly or indirectly, by or for a corporation, partnership, estate or trust of which you are a shareholder, partner or beneficiary, but only to the extent of your proportionate interest therein as a shareholder, partner or beneficiary thereof. You further agree that the Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

8. This option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. By delivering written notice to the Company, in a form satisfactory to the Company and consistent with the terms of the Plan, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise this option.

9. This option is not an employment contract and nothing in this option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company, or of the Company to continue your employment with the Company.

10. Any notices provided for in this option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the address specified below or at such other address as you hereafter designate by written notice to the Company.

11. This option is subject to all the provisions of the Plan, a copy of which is attached hereto and its provisions are hereby made a part of this option, including without limitation the provisions of paragraph 6 of the Plan relating to option provisions, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this option and those of the Plan, the provisions of the Plan shall control.

Dated the_____day of _____, 19 ___.

Very truly yours,

_____

By _____
Duly authorized on behalf
of the Board of Directors

ATTACHMENTS:

1994 Stereotaxis, Inc. Stock Option Plan
Regulation 260.141.11
Notice of Exercise

The undersigned:

(a) Acknowledges receipt of the foregoing option and the attachments referenced therein and understands that all rights and liabilities with respect to this option are set forth in the option and the Plan; and

(b) Acknowledges that as of the date of grant of this option, it sets forth the entire understanding between the undersigned optionee and the Company and its affiliates regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements on that subject with the exception of (i) the options previously granted and delivered to the undersigned under stock option plans of the Company, and (ii) the following agreements only:

NONE _____
(Initial)

OTHER _____
_____
_____

(c) Acknowledges receipt of a copy of Section 260.141.11 of Title 10 of the California Code of Regulations.

_____
OPTIONEE

Address: _____
_____

EXHIBIT C

NONSTATUTORY STOCK OPTION

_____, Optionee:

Stereotaxis, Inc. (the "Company"), pursuant to its 1994 Stereotaxis, Inc. Stock Option Plan (the "Plan") has this day granted to you, the optionee named above, an option to purchase shares of the common stock of the Company ("Common Stock"). This option is not intended to qualify as and will not be treated as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The grant hereunder is in connection with and in furtherance of the Company's compensatory benefit plan for participation of the Company's employees (including officers), directors or consultants and is intended to comply with the provisions of Rule 701 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act").

The details of your option are as follows:

1. The total number of shares of Common Stock subject to this option is _____(_____). Subject to the limitations contained herein, this option shall be exercisable with respect to each installment shown below on or after the date of vesting applicable to such installment, as follows:

NUMBER OF SHARES (INSTALLMENT)	DATE OF EARLIEST EXERCISE (VESTING)
(a) _____	25% of the shares covered by this option agreement shall be fully-vested one year from the date of grant; and
(b) _____	2.0833% of the shares covered by this option agreement shall vest each calendar month thereafter for the next thirty-six (36) months so that all of the shares covered by this option agreement shall be fully-vested forty-eight (48) months from the date of grant.

(FORM FOR CASH AND STOCK EXERCISE WITH DEFERRED PAYMENT AND EARLY EXERCISE)

2. (a) The exercise price of this option is _____ ($_____) per share, being not less than the fair market value of the Common Stock on the date of grant of this option.

(b) Payment of the exercise price per share is due in full upon exercise of all or any part of each installment which has accrued to you. You may elect, to the extent permitted by applicable statutes and regulations, to make payment of the exercise price under one of the following alternatives:

(i) Payment of the exercise price per share in cash (including check) at the time of exercise;

(ii) Payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which results in the receipt of cash (or check) by the Company prior to the issuance of Common Stock;

(iii) Provided that at the time of exercise the Company's Common Stock is publicly traded and quoted regularly in the Wall Street Journal, payment by delivery of already-owned shares of Common Stock, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interests, which Common Stock shall be valued at its fair market value on the date of exercise;

(iv) Provided that the option exercise price for the installment, or portion thereof, being purchased exceeds_____dollars ($_____), payment pursuant to the deferred payment alternative as described in paragraph 2(c) hereof; or

(v) Payment by a combination of the methods of payment permitted by subparagraph 2(b)(i) through 2(b)(iv) above.

(c) In the event that you elect to make payment of the exercise price pursuant to the deferred payment alternative:

(i) Not less than _____ percent (____%) of the aggregate exercise price shall be due at the time of exercise, not less than_____ percent (_____%) of said exercise price, plus accrued interest, shall be due each year after the date of exercise, and final payment of the remainder of the exercise price, plus accrued interest, shall be due_____(_____) years from date of exercise or, at the Company's election, upon termination of your employment with the Company or an affiliate;

(ii) Interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any portion of any amounts other than amounts stated to be interest under the deferred payment arrangement; and

(iii) In order to elect the deferred payment alternative, you must, as a part of your written notice of exercise, give notice of the election of this payment alternative and, in order to secure the payment of the deferred exercise price to the Company hereunder, if the Company so requests, you must tender to the Company a promissory note and a security agreement covering the purchased shares, both in form and substance satisfactory to the Company, or such other or additional documentation as the Company may request.

3. (a) Subject to the provisions of this option you may elect at any time during your employment with the Company or an affiliate thereof, to exercise the option as to any part or all of the shares subject to this option at any time during the term hereof, including without limitation, a time prior to the date of earliest exercise ("vesting") stated in paragraph 1 hereof; provided, however, that:

(i) a partial exercise of this option shall be deemed to cover first vested shares and then the earliest vesting installment of unvested shares;

(ii) any shares so purchased from installments which have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Early Exercise Stock Purchase Agreement attached hereto; and

(iii) you shall enter into an Early Exercise Stock Purchase Agreement in the form attached hereto with a vesting schedule that will result in the same vesting as if no early exercise had occurred.

(b) The election provided in this paragraph 3 to purchase shares upon the exercise of this option prior to the vesting dates shall cease upon termination of your employment with the Company or an affiliate thereof and may not be exercised after the date thereof.

4. This option may not be exercised for any number of shares which would require the issuance of anything other than whole shares.

5. Notwithstanding anything to the contrary contained herein, this option may not be exercised unless the shares issuable upon exercise of this option are then registered under the Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Act.

6. The term of this option commences on the date hereof and, unless sooner terminated as set forth below or in the Plan, terminates on_____(which date shall be no more than ten (10) years from the date this option is granted). In no event may this option be exercised on or after the date on which it terminates. This option shall terminate prior to the expiration of its term as follows: three (3) months after the termination of your employment with the Company or an affiliate of the Company (as defined in the Plan) for any reason or for no reason unless:

(a) such termination of employment is due to your permanent and total disability (within the meaning of Section 422(c)(6) of the Code), in which event the option shall terminate on the earlier of the termination date set forth above or twelve (12) months following such termination of employment; or

(b) such termination of employment is due to your death, in which event the option shall terminate on the earlier of the termination date set forth above or eighteen (18) months after your death; or

(c) during any part of such three (3) month period the option is not exercisable solely because of the condition set forth in paragraph 5 above, in which event the option shall not terminate until the earlier of the termination date set forth above or until it shall have been exercisable for an aggregate period of three (3) months after the termination of employment; or

(d) exercise of the option within three (3) months after termination of your employment with the Company or with an affiliate would result in liability under section 16(b) of the Securities Exchange Act of 1934, in which case the option will terminate on the earlier of (i) the termination date set forth above, (ii) the tenth (10th) day after the last date upon which exercise would result in such liability or (iii) six (6) months and ten (10) days after the termination of your employment with the Company or an affiliate.

However, this option may be exercised following termination of employment only as to that number of shares as to which it was exercisable on the date of termination of employment under the provisions of paragraph 1 of this option.

7. (a) This option may be exercised, to the extent specified above, by delivering a notice of exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising this option you agree that:

(i) the Company may require you to enter an arrangement providing for the cash payment by you to the Company of any tax withholding obligation of the Company arising by reason of: (1) the exercise of this option; (2) the lapse of any substantial risk of forfeiture to which the shares are subject at the time of exercise; or (3) the disposition of shares acquired upon such exercise; and

(ii) the Company (or a representative of the underwriters) may, in connection with the first underwritten registration of the offering of any securities of the Company under the Act, require that you not sell or otherwise transfer or dispose of any shares of Common Stock or other securities of the Company during such period (not to exceed one hundred eighty (180) days) following the effective date (the "Effective Date") of the registration statement of the Company filed under the Act as may be requested by the Company or the

representative of the underwriters; provided, however, that such restriction shall apply only if, on the Effective Date, you are an officer, director, or owner of more than one percent (1%) of the outstanding securities of the Company. For purposes of this restriction you will be deemed to own securities which (i) are owned directly or indirectly by you, including securities held for your benefit by nominees, custodians, brokers or pledgees; (ii) may be acquired by you within sixty (60) days of the Effective Date; (iii) are owned directly or indirectly, by or for your brothers or sisters (whether by whole or half blood) spouse, ancestors and lineal descendants; or (iv) are owned, directly or indirectly, by or for a corporation, partnership, estate or trust of which you are a shareholder, partner or beneficiary, but only to the extent of your proportionate interest therein as a shareholder, partner or beneficiary thereof. You further agree that the Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

8. This option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you or pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act (a "QDRO"), and is exercisable during your life only by you or a transferee pursuant to a QDRO. By delivering written notice to the Company, in a form satisfactory to the Company and consistent with the terms of the Plan, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise this option.

9. This option is not an employment contract and nothing in this option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company, or of the Company to continue your employment with the Company. In the event that this option is granted to you in connection with the performance of services as a consultant or director, references to employment, employee and similar terms shall be deemed to include the performance of services as a consultant or a director, as the case may be, provided, however, that no rights as an employee shall arise by reason of the use of such terms.

10. Any notices provided for in this option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the address specified below or at such other address as you hereafter designate by written notice to the Company.

11. This option is subject to all the provisions of the Plan, a copy of which is attached hereto and its provisions are hereby made a part of this option, including without limitation the provisions of paragraph 6 of the Plan relating to option provisions, and is further subject to all

interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this option and those of the Plan, the provisions of the Plan shall control.

Dated the _____ day of _____, 19__.

Very truly yours,

STEREOTAXIS, INC.

By _____
Duly authorized on behalf
of the Board of Directors

ATTACHMENTS:

1994 Stereotaxis, Inc. Stock Option Plan
Notice of Exercise

The undersigned:

(a) Acknowledges receipt of the foregoing option and the attachments referenced therein and understands that all rights and liabilities with respect to this option are set forth in the option and the Plan; and

(b) Acknowledges that as of the date of grant of this option, it sets forth the entire understanding between the undersigned optionee and the Company and its affiliates regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements on that subject with the exception of (i) the options previously granted and delivered to the undersigned under stock option plans of the Company, and (ii) the following agreements only:

NONE _____
(Initial)

OTHER _____
_____
_____

_____
OPTIONEE

Address: _____
_____

EXHIBIT 10.2

STEREOTAXIS, INC
2002 STOCK INCENTIVE PLAN

1. OBJECTIVES.

The Stereotaxis, Inc. 2002 Stock Incentive Plan (the "Plan") is designed to attract, motivate and retain selected employees of, and other individuals providing services to, the Company. These objectives are accomplished by making long-term incentive and other awards under the Plan, thereby providing Participants with a proprietary interest in the growth and performance of the Company.

2. DEFINITIONS.

(a) "Awards" -- The grant of any form of stock option, performance share award, or restricted stock award, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions, performance requirements, limitations and restrictions as the Committee may establish in order to fulfill the objectives of the Plan.

(b) "Award Agreement" -- An agreement between the Company and a Participant that sets forth the terms, conditions, performance requirements, limitations and restrictions applicable to an Award.

(c) "Board" -- The Board of Directors of the Company.

(d) "Code" -- The Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" -- The committee designated by the Board to administer the Plan and chosen from those of its members, or, in the absence of any such Committee, the Board.

(f) "Company" -- Stereotaxis, Inc., a Delaware corporation.

(g) "Fair Market Value" -- The last 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, of the Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, Inc. (the "NYSE") or, if the Shares are not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Shares are listed or admitted to trading or, if the Shares 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, or, if on any such date the

Shares are not quoted by any such organization, the average of the closing bid and asked prices on such date as furnished by a professional market maker making a market in the Shares selected by the Committee. If the Shares are not publicly held or so listed or publicly traded, the determination of the Fair Market Value per Share shall be made in good faith by the Committee.

(g) "Fiscal Year" -- The fiscal year of the Company, as the same may be changed from time to time.

(h) "Incentive Stock Option " -- A stock option intended to meet the requirements of Section 422 of the Code and the regulations thereunder.

(i) "Nonqualified Stock Option" -- A stock option which is not an Incentive Stock Option.

(j) "Participant" -- An individual to whom an Award has been made under the Plan. Awards may be made to employees 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 individuals providing services to the Company; provided, that Incentive Stock Options may only be granted to employees of the Company or any of its subsidiaries (including subsidiaries of subsidiaries).

(k) "Performance Period"--A period of one or more consecutive Fiscal Years over which one or more of the performance criteria listed in Section 5(e) shall be measured pursuant to the grant of Awards (whether such Awards take the form of stock options, performance share awards, long term cash incentives or stock ownership incentive awards). Performance Periods may overlap one another.

(l) "Shares" or "Stock" -- Authorized and issued or unissued shares of common stock of the Company.

3. STOCK AVAILABLE FOR AWARDS.

Subject to adjustment pursuant to Section 12, the number of shares that may be issued under the Plan for Awards granted wholly or partly in stock during the term of the Plan is 2,000,000, plus up to 4,895,480 shares available under the Stereotaxis, Inc. 1994 Stock Option Plan. Shares of Stock may be made available from the authorized but unissued shares of the Company, from shares held in the Company's treasury and not reserved for some other purpose, or from shares purchased on the open market. For purposes of determining the number of shares of Stock issued under the Plan, no shares shall be deemed issued until they are actually delivered to a Participant, or such other person in accordance with Section 9. Shares covered by Awards that either wholly or in part are not earned, or that expire or are forfeited, terminated, canceled, settled in cash, payable solely in cash or exchanged for other Awards, shall be available for future issuance under Awards. Further, shares tendered to the Company in connection with the exercise of stock options, or withheld by the Company for the payment of tax withholding on any Award, shall also be available for future issuance under Awards; provided, however, that not more than 6,895,480 shares may be used for the grant of Incentive Stock Options. In addition, on January

1, 2003 and on each January 1 thereafter through January 1, 2007 there shall be added to the authorized shares allocated to the Plan the lesser of (i) 3.25%of the total outstanding shares as of each such date, or (ii) 3.000,000 shares which may be used for the grant of Awards

4. ADMINISTRATION.

The Plan shall be administered by the Committee, which shall have full power to select Participants, to interpret the Plan, and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present and acts approved in writing by a majority of the Committee in lieu of a meeting shall be deemed acts of the Committee. Each member of the Committee is entitled to, in good faith, rely upon any report or other information furnished to that member by any officer or other associate of the Company, any subsidiary, the Company's certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

5. AWARDS.

The Committee shall determine the type or types of Award(s) to be made to each Participant and shall set forth in the related Award Agreement the terms, conditions, performance requirements, limitations and restrictions applicable to each Award. Awards may include but are not limited to those listed in this Section 5. Awards may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement or payment of, or as alternatives to, grants, rights or compensation earned under any other plan of the Company, including the plan of any acquired entity.

(a) Stock Option -- A stock option is a grant of a right to purchase a specified number of shares of Stock at a stated price. The exercise price of Incentive Stock Options shall be not less than 100% of Fair Market Value on the date of grant and the exercise price of Nonqualified Stock Options shall be not less than 85% of Fair Market Value on the date of grant. No individual may be granted options to purchase more than 1,000,000 shares during any Fiscal Year.

(b) Performance Share Award--A performance share award is an Award denominated in units of stock. Performance share awards will provide for the payment of stock if performance goals are achieved over specified Performance Periods.

(c) Restricted Stock Award -- A restricted stock award is an Award of Stock which will vest if performance or other goals are achieved over specified Performance Periods.

(d) Performance Criteria under section 162(m) of the Code for Performance Share Awards, and Restricted Stock Awards -- The performance criteria for performance share awards and restricted stock awards made to any "covered employee" (as defined by section 162(m) of the

Code) and which are intended to qualify as performance-based compensation under section 162(m)(C) thereof, shall consist of objective tests based on one or more of the following: the Company's earnings per share growth; earnings; earnings per share; cash flow; customer satisfaction; revenues; financial return ratios; market performance; shareholder return and/or value; operating profits (including earnings before income taxes, depreciation and amortization); net profits; profit returns and margins; stock price; working capital; business trends; production cost; project milestones; and plant and equipment performance.

(e) Nothing herein shall preclude the Committee from making any payments or granting any Awards whether or not such payments or Awards qualify for tax deductibility under section 162(m) of the Code. No payments are to be made to a Participant if the applicable performance criteria are not achieved for a given Performance Period. If the applicable performance criteria are achieved for a given Performance Period, the Committee has full discretion to reduce or eliminate the amount otherwise payable for that Performance Period. Under no circumstances may the Committee use discretion to increase the amount payable to a Participant under a performance share award, or a restricted stock.

6. PAYMENT OF AWARDS.

Payment of Awards may be made in the form of cash, stock or combinations thereof and may include such restrictions as the Committee shall determine. Further, payments may be deferred, either in the form of installments or as a future lump-sum payment, in accordance with such procedures as may be established from time to time by the Committee. Dividends or dividend equivalent rights may be extended to and made part of any Award denominated in stock or units of stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents for deferred payments denominated in stock or units of stock. At the discretion of the Committee, a Participant may be offered an election to substitute an Award for another Award or Awards of the same or different type.

7. STOCK OPTION EXERCISE.

The price at which shares of Stock may be purchased under a stock option shall be paid in full in cash at the time of the exercise or, if permitted by the Committee, by means of tendering Stock or surrendering another Award or any combination thereof. The Committee may determine other acceptable methods of tendering Stock or other Awards and may impose such conditions on the use of Stock or other Awards to exercise a stock option as it deems appropriate. In addition, the optionee may effect a "cashless exercise" of a stock option in which the option shares are sold through a broker and a portion of the proceeds to cover the exercise price is paid to the Company, or otherwise in accordance with the rules and procedures adopted by the Committee.

8. TAX WITHHOLDING.

Prior to the payment or settlement of any Award, the Participant must pay, or make arrangements acceptable to the Company for the payment of, any and all federal, state and local tax withholding that in the opinion of the Company is required by law. The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of shares of stock under the Plan, an appropriate number of shares for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes.

9. TRANSFERABILITY.

No Award shall be transferable or assignable, or payable to or exercisable by, anyone other than the Participant to whom it was granted, except (a) by law, will or the laws of descent and distribution, (b) as a result of the disability of a Participant or (c) that the Committee (in the form of an Award Agreement or otherwise) may permit transfers of Awards (other than Incentive Stock Options) by gift or otherwise to a member of a Participant's immediate family and/or trusts whose beneficiaries are members of the Participant's immediate family, or to such other persons or entities as may be approved by the Committee.

10. AMENDMENT, MODIFICATION, SUSPENSION OR DISCONTINUANCE OF THE PLAN.

The Board may amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in law or other legal requirements or for any other purpose permitted by law; provided, however, that no such amendment, modification, suspension or termination of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant. Unless otherwise required by law, no such amendment shall require the approval of stockholders.

11. TERMINATION OF EMPLOYMENT.

If the employment of a Participant terminates, the status of the Award shall be as set forth in the Award Agreement.

12. ADJUSTMENTS.

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, 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 set forth in Section 5, 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 set forth in Section 5, will be increased to reflect such substitution or assumption.

13. MISCELLANEOUS.

(a) Any notice to the Company required by any of the provisions of the Plan shall be addressed to the chief human resources officer of the Company in writing, and shall become effective when it is received.

(b) The Plan shall be unfunded and the Company shall not be required to establish any special account or fund or to otherwise segregate or encumber assets to ensure payment of any Award.

(c) Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation arrangements or plans, subject to stockholder approval if such approval is required, and such arrangements or plans may be either generally applicable or applicable only in specific cases.

(d) No Participant shall have any claim or right to be granted an Award under the Plan and nothing contained in the Plan shall be deemed or be construed to give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any Participant at any time without regard to the effect such discharge may have upon the Participant under the Plan. Except to the extent otherwise provided in any plan or in an Award Agreement, no Award under the Plan shall be deemed compensation for purposes of computing benefits or contributions under any other plan of the Company.

(e) The Plan and each Award Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the 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 related Award Agreement.

(f) The Committee shall have full power and authority to interpret the Plan and to make any determinations thereunder, and the Committee's determinations shall be binding and conclusive.

Determinations made by the Committee under the Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.

(g) If any provision of the Plan is or 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.

(h) The Plan was adopted by the Board on March 25, 2002 subject to approval of the stockholders of the Company within 12 months of the date it was adopted. Awards may be granted prior to such approval, but no such Award may be exercised, vested or settled prior to such approval, and if such approval is not obtained, any such Award shall be void ab initio and of no force or effect. If such approval is obtained, no further awards shall be granted under the Stereotaxis, Inc. 1994 Stock Option Plan

(i) Subject to earlier termination pursuant to Section 10, the Plan will terminate on March 25, 2012. Awards outstanding at the termination of the Plan will not be affected by such termination.

INCENTIVE STOCK OPTION AGREEMENT
UNDER
STEREOTAXIS, INC.
2002 STOCK INCENTIVE PLAN

THIS AGREEMENT, made this _ day of_____ , 20_, by and between Stereotaxis, Inc. (the "Company"), and _____("Optionee");

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company (the "Board of Directors") has adopted the Stereotaxis, Inc. 2002 Stock Incentive Plan (the "Plan") pursuant to which options covering an aggregate of_____shares of the common stock of the Company may be granted to employees of the Company and its subsidiaries and certain other individuals; and

WHEREAS, the Company desires to grant to Optionee the option to purchase certain shares of its stock under the terms of the Plan;

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. GRANT SUBJECT TO PLAN. This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of options.

2. GRANT AND TERMS OF OPTION. Pursuant to action of the Committee, which action was taken on_____, 200_ ("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of_____(_____) shares of the common stock of the Company, for a period of ten (10) years from the Date of Grant, at the purchase price of $_____per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased prior to the first anniversary of the Date of Grant; that at any time during the term of this option on or after the first anniversary of the Date of Grant, Optionee may purchase up to 25% of the total number of shares to which this option relates; that as of the first day of each calendar month after the first anniversary of the Date of Grant during the term of this option, Optionee may purchase up to an additional 2.0833% of the total number of shares to which this option relates; so on the fourth anniversary of the Date of Grant during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) and if Optionee's employment is terminated in contemplation of, or within one (1) year after, the Change of Control, Optionee may purchase 100% of the total number of shares to which this option relates. However, in no event may this option or any part thereof be exercised after the expiration of ten (10) years from the Date of Grant. The purchase price of the shares subject to the option may be paid for (i) in cash, (ii) in the discretion of the

Committee, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the Committee, by a combination of methods of payment specified in clauses (i) and (ii). In addition, Optionee may effect a "cashless exercise" of this option in which the option shares are sold through a broker and a portion of the proceeds to cover the exercise price is paid to the Company, or otherwise, all in accordance with the rules and procedures adopted by the Committee. Provided, however, that no shares of Common Stock may be tendered in exercise of this option if such shares were acquired by Optionee through the exercise of an Incentive Stock Option, unless (i) such shares have been held by Optionee for at least one year, and (ii) at least two years have elapsed since such Incentive Stock Option was granted. For the purposes of this Agreement, a Change of Control means:

a. The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

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

c. 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.

3. ANTI-DILUTION PROVISIONS. In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups,

combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

4. INVESTMENT PURPOSE. Optionee represents that, in the event of the exercise by him of the option hereby granted, or any part thereof, he intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Company, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Company shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a 'no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

5. NON-TRANSFERABILITY. Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee's lifetime only by him.

6. TERMINATION OF EMPLOYMENT. Optionee must exercise the option prior to his termination of employment, except that if the employment of Optionee terminates without Cause (as hereinafter defined) Optionee may exercise this option, to the extent that he was entitled to exercise it at the date of such termination of employment, at any time within thirty (30) days after such termination, but not after ten (10) years from the Date of Grant. For this purpose, "Cause" shall mean Optionee's fraud or willful misconduct as determined by the Committee. If Optionee terminates employment on account of disability he may exercise such option to the extent he was entitled to exercise it at the date of such termination at any time within one (1) year of the termination of his employment but not after ten (10) years from the Date of Grant. For this purpose Optionee shall be deemed to be disabled if he is permanently and

totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended ("Code"), which, as of the date hereof, shall mean that he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered disabled only if he furnishes such proof of disability as the Committee may require. The option hereby granted shall not be affected by any change of employment so long as Optionee continues to be an employee of the Company or a subsidiary thereof. Nothing herein shall confer on Optionee the right to continue in the employ of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary thereof to terminate his employment at any time.

7. DEATH OF OPTIONEE. In the event of the death of Optionee during the term of this Agreement and while he is employed by the Company (or a subsidiary), or within thirty (30) days after the termination of his employment (or one (1) year in the case of the termination of employment if Optionee is disabled as determined under paragraph 6, above), this option may be exercised, to the extent that he was entitled to exercise it at the date of his death, by a legatee or legatees of Optionee under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the date hereof, and only if and to the extent that he was entitled to exercise the option at the date of his death.

8. SHARES ISSUED ON EXERCISE OF OPTION. It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

9. COMMITTEE ADMINISTRATION. This option has been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

10. OPTION AN INCENTIVE STOCK OPTION. It is intended that this option shall be treated as an incentive stock option under Section 422 of the Code.

11. CHOICE OF LAW. This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Optionee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its Vice President and to be attested by its Secretary under the seal of the Company, pursuant to due authorization, and Optionee has signed this Agreement to evidence his acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

STEREOTAXIS, INC.

By _____
Vice President

ATTEST:

_____
Secretary

_____
Optionee

NONQUALIFIED STOCK OPTION AGREEMENT
UNDER
STEREOTAXIS, INC.
2002 NON-EMPLOYEE DIRECTORS' STOCK PLAN

THIS AGREEMENT, made this _ day of_____, 20_, by and between Stereotaxis, Inc. (the "Company"), and _____ ("Optionee");

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company (the "Board of Directors") has adopted the Stereotaxis, Inc. 2002 Non-Employee Directors' Stock Plan (the "Plan") pursuant to which options to purchase_____shares of the common stock of the Company are to be granted to Non-Employee Directors of the Company on each annual meeting of the stockholders; and

WHEREAS, there was an annual meeting of the stockholders on _____, 2002; and

WHEREAS, Optionee is a Non-Employee Director and was a Non-Employee Director on such date:

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. GRANT SUBJECT TO PLAN. This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Committee referred to in Paragraph II of the Plan ("Committee") has been appointed by the Board of Directors, to administer the Plan.

2. GRANT AND TERMS OF OPTION. Effective as of _____, 200__ ("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of_____(_____) shares of the common stock of the Company, for a period of ten (10) years from the Date of Grant, at the purchase price of $_____per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased prior to the first anniversary of the Date of Grant; that at any time during the term of this option on or after the first anniversary of the Date of Grant, Optionee may purchase up to 100% of the total number of shares to which this option relates. Notwithstanding the foregoing, in the event of a Change of Control (as defined in the Plan) Optionee may purchase 100% of the total number of shares to which this option relates. However, in no event may this option or any part thereof be exercised after the expiration of ten (10) years from the Date of Grant. The purchase price of the shares subject to the option may be paid for (i) in cash, (ii) in the discretion of the Committee, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the Committee, by a combination of methods of payment specified in

clauses (i) and (ii).

3. ANTI-DILUTION PROVISIONS. In the event that, during the term of this Agreement, there is any change in the number or kind of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

4. INVESTMENT PURPOSE. Optionee represents that, in the event of the exercise by him of the option hereby granted, or any part thereof, he intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Company, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Company shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a 'no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

5. NON-TRANSFERABILITY. Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee's lifetime only by him.

6. TERMINATION OF SERVICE. Optionee must exercise the option prior to his termination of service, except that if the service of Optionee terminates on account of (i) disability, (ii) retirement after attaining the age of sixty nine (69), or (iii) resignation from the Board of Directors for reasons of the antitrust laws or the conflict of interest or continued service policies, Optionee may exercise this option, to the extent that he was entitled to exercise it at the

date of such termination of service, at any time within thirty (30) days after such termination, but not after ten (10) years from the Date of Grant. For this purposes of this option, Optionee shall be deemed to be disabled if he is permanently and totally disabled within the meaning of Section 422(c)(6) of the Internal Revenue Code of 1986, as amended ("Code"), which, as of the date hereof, shall mean that he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Optionee shall be considered disabled only if he furnishes such proof of disability as the Committee may require.

7. DEATH OF OPTIONEE. In the event of the death of Optionee during the term of this Agreement and while he is a Non-Employee Director, this option may be exercised, to the extent that he was entitled to exercise it at the date of his death, by a legatee or legatees of Optionee under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the Date of Grant.

8. SHARES ISSUED ON EXERCISE OF OPTION. It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

9. COMMITTEE ADMINISTRATION. This Committee, or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

10. OPTION NOT AN INCENTIVE STOCK OPTION. This option is not intended as, nor shall it be treated as, an incentive stock option under Section 422 of the Code.

11. CHOICE OF LAW. This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Optionee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri, County of St. Louis, to resolve any and all issues that may arise out of or relate to this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its Vice President and to be attested by its Secretary under the seal of the Company, pursuant to due authorization, and Optionee has signed this Agreement to evidence his acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

STEREOTAXIS, INC.

By _____
Vice President

ATTEST:

_____
Secretary

_____
Optionee

NOTICE OF PERFORMANCE SHARE AWARD

TO:

FROM: _____ Committee of the Board of Directors ("Committee")

SUBJECT: Stereotaxis, Inc. 2002 Stock Incentive Plan ("Plan")

1. Award. The Committee has awarded to you _____ Performance Shares under the terms of the Plan ("Award"). The Award is subject to all of the terms of the Plan, a copy of which has been delivered to you.

2. Terms. The following are the terms of the Award:

(a) If you are still employed on _____, 200___, you will earn 100% of the Award provided you comply with the terms of the remainder of this Notice of Award.

(b) Notwithstanding (a), above, if, during the Period of the Award, the [EARNINGS PER SHARE/AVERAGE VALUE PER SHARE OF COMPANY STOCK/OTHER PERFORMANCE MEASURE] reaches the amount set forth in column (A), you will nevertheless earn the percentage of the Award set forth under column (B) provided you comply with the terms of the remainder of this Notice of Award.

A	B
If the [PERFORMANCE MEASURE] reaches:	The Cumulative Percent of Award Earned shall be:
_____ or more	100%
_____	85%
_____	70%
_____	55%
_____	40%
_____	20%
_____ Less than	0%

(c) The following additional terms will apply to the Award:

(i) No portion of this Award may be earned prior to _____,200__ . Not more than one-third of the total Award may be earned by the end of the Fiscal Year

ending_____, 200_ and not more than two-thirds of the total Award may be earned by the end of the Fiscal Year ending_____, 200_. If a greater portion of the Award would have been earned in the applicable period but for the foregoing limitations, the portion in excess of the limitations must be re-earned in a subsequent Fiscal Year.

(ii) Once a portion of the Award is earned under subparagraph (b), you must remain employed with the Company or a subsidiary of the Company until the_____following the end of the Fiscal Year in which that portion of the Award is earned. If you terminate employment prior to such time, you will forfeit that portion of the Award. Provided, however, that if you terminate employment on account of death, or total and permanent disability the foregoing employment requirement shall not apply.

(iii) If there is a Change of Control (as hereinafter defined) and you are employed by the Company on the date of the Change of Control, the employment requirement of subparagraph (ii) shall cease to apply to the portion of the Award which is earned and the number of shares representing that portion of the Award which is earned as of the date of the Change of Control shall be paid to you. In addition, the dollar value of the Award which is unearned shall be determined and paid in cash to you at the end of the Fiscal Year in which the Change of Control occurred provided you are still employed on such date, in lieu of all other provisions of this Award. If you are not employed by the Company as of the end of such Fiscal Year, no such payment will be made; provided, however, that if you are involuntarily terminated for reasons other than Cause or if you terminate for Good Reason the remaining unpaid portion shall be paid in full upon such termination of employment.

(a) Notwithstanding the foregoing provisions of this subparagraph (iii), in the event a certified public accounting firm designated by the Committee (the "Accounting Firm") shall determine that any payment, whether paid or payable pursuant to the terms of this Award or otherwise (each such payment hereinafter defined as a "Payment" and all Payments in the aggregate hereinafter defined as the "Aggregate Payment"), would subject you to tax under Section 4999 of the Internal Revenue Code of 1986 ("Code") such Accounting Firm shall determine whether some amount of payments would meet the definition of a "Reduced Amount". If the Accounting Firm determines that there is a Reduced Amount, payments shall be reduced so that the Aggregate Payments shall equal such Reduced Amount. For purposes of this subparagraph, the "Reduced Amount" shall be the largest Aggregate Payment which (a) is less than the sum of all Payments and (b) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if Payments were made without regard to this subsection (a). "Net After Tax Receipt" means the Present Value (defined under Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you under Section 1 and 4999 of the Code by applying the highest marginal rate under Section 1 of the Code.

(b) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination of the Accounting Firm hereunder, it is possible that Payments will be made by the Company which should not have been made (the "Overpayments") or that additional Payments which the Company has not made could have been made (the "Underpayments"), in each case consistent with the calculations of the Accounting Firm. In the event that the Accounting Firm, based either upon (A) the assertion of a deficiency by the Internal Revenue Service against the Company or you which the Accounting Firm believes has a

high probability of success or (B) controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to you which you shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that no amount shall be payable by you to the Company if and to the extent such payment would not reduce the amount which is subject to taxation under Section 1 and Section 4999 of the Code or if the period of limitations for assessment of tax has expired. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to you together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

3. Definitions. For purposes of the Award, the following terms shall have the following meanings:

(a) [DEFINE PERFORMANCE MEASURE]

(b) "Cause" shall mean:

(i) The willful and continued failure to perform substantially your duties with the Company or one of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to you by the Board of Directors of the Company which specifically identifies the manner in which such Board believes that you have not substantially performed your duties; or

(ii) The willful engaging in (A) illegal conduct (other than minor traffic offenses), or (B) conduct which is in breach of your fiduciary duty to the Company or one of its subsidiaries and which is demonstrably injurious to the Company or one of its subsidiaries, any of their reputations, or any of their business prospects. For purposes of this subparagraph (ii) and subparagraph (i) above, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company or one of its subsidiaries. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company or one of its subsidiaries; or

(iii) A knowing violation of any federal procurement law or regulation.

The cessation of your employment shall not be deemed to be for "Cause" unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths of the entire membership of such Board of Directors of the Company (but excluding you if you are a member of such Board) at a meeting of such Board called and held for such

purpose (after reasonable notice is provided to you and you are given an opportunity, together with counsel, to be heard before such Board), finding that, in the good-faith opinion of such Board, you are guilty of the conduct described in subparagraph (i), (ii) or (iii) above, and specifying the particulars thereof in detail.

(c) "Change of Control" shall mean:

(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 Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

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

(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.

(d) "Company" shall mean Stereotaxis, Inc., a Delaware corporation.

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

(f) "Fiscal Year" shall mean the fiscal year of the Company which, as of the date hereof, is the twelve month period commencing_____and ending_____.

(g) "Good Reason" shall mean:

(i) Requiring you to be based at any office or location more than 50 miles from your office or location as of the date of the Change of Control;

(ii) The assignment to you of any duties inconsistent in any respect with your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change of Control or any action by the Company or any of its subsidiaries which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an action taken by the Company or one of its subsidiaries, to which you object in writing by notice to the Company within 10 business days after you receive actual notice of such action, which is remedied by the Company or one of its subsidiaries promptly but in any event no later than 5 business days after you provided such notice, or

(iii) The reduction in your total compensation and benefits below the level in effect as of the date of the Change of Control.

(h) Period of the Award" means the period commencing _____, 200__ and ending on _____,200__.

4. Medium of Payment. Payment of the Award shall be made in shares of Company Stock except that the Committee may direct that a portion of the payment shall be withheld or paid in cash to satisfy income tax requirements in respect of such payment.

5. Award Subject to Shareholder Approval of Plan. This Award is subject to approval of the Plan by the shareholders of the Company within twelve (12) months of its adoption. If such approval is not obtained, this Award shall be void and of no force or effect, and no payment of any kind shall be due hereunder.

6. Amendment. The Award may be amended by written consent between the Committee and you.

Executed this_____day of____, 200__

STEREOTAXIS, INC.

By:_____
Vice President

AGREED TO ACCEPTED:

_____

ATTEST:_____
Secretary

RESTRICTED STOCK AGREEMENT
UNDER
STEREOTAXIS, INC. 2002 STOCK INCENTIVE PLAN

THIS AGREEMENT, made as of the_____ day of____, 200__, by and between STEREOTAXIS, Inc., a Delaware corporation (hereinafter called the "Company"), and _____(hereinafter called the "Executive");

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") has adopted the Stereotaxis, Inc. 2002 Stock Incentive Plan (the "Plan") pursuant to which options, performance share awards and restricted stock awards covering an aggregate of_____shares of the common stock of the Company may be granted to employees of the Company and its subsidiaries, and certain other individuals;

WHEREAS, the Company desires to make a restricted stock award to the Executive for_____(_____) shares under the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. AWARD SUBJECT TO PLAN. This award is made under and is expressly subject to, all the terms and provisions of the Plan, a copy of which has been given to Awardee and which terms are incorporated herein by reference. The Committee referred to in Paragraph 4 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make awards of restricted stock.

2. TERMS OF AWARD. Pursuant to action of the Committee, which action was taken on _____, 200_ ("Date of Award"), the Company awards to the Executive (_____) shares of the Common Stock of the Company, of the par value of $.001 per share; provided, however, that the Shares hereby awarded are nontransferable by the Executive for a period commencing on the Date of Award and ending_____(_) years after the Date of Award (the "Restriction Period") . During the Restriction Period the nontransferable Shares shall bear a legend indicating their nontransferability. If the Executive terminates employment during the Restriction Period, he shall forfeit the Shares. If at the end of the Restriction Period, the Executive is still employed by the Company and the earnings per share of the Common Stock of the Company has at least reached_____the Shares shall become fully vested and nonforfeitable. If at the end of the Restriction Period the earnings per share of the Common Stock of the Company has not reached_____, the Shares shall not become vested. However, if at the end of_____(_) years after the Date of Award the Executive is still employed the shares shall become fully vested and nonforfeitable. The determination of earnings per share shall be made by the Company's outside independent certified public accountants in according with generally accepted accounting standards, consistently applied.

3. COMMITTEE ADMINISTRATION. This award has been made pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this agreement, shall have plenary authority to interpret any provision of this agreement and to make any determinations necessary or advisable for the administration of this agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to the Executive by the express terms hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf and the Executive has signed this Agreement to evidence his acceptance of the terms hereof, all as of the date first above written.

STEREOTAXIS, INC.

By:_____

Vice President

_____

Executive

Section 3 of the Stereotaxis, Inc. 2002 Stock Incentive Plan was amended on September 25, 2002, to read as follows:

"Subject to adjustment pursuant to Section 12 and to the increase provided for in the last sentence of this Section 3, the number of shares that may be issued under the Plan for Awards granted wholly or partly in stock during the term of the Plan is 1,700,000, (i) plus up to 4,895,480 shares available under the Stereotaxis, Inc. 1994 Stock Option Plan and (ii) less such number of shares in excess of 300,000 which are issued pursuant to the Stereotaxis, Inc. 2002 Non-Employee Directors' Stock Plan. Shares of Stock may be made available from the authorized but unissued shares of the Company, from shares held in the Company's treasury and not reserved for some other purpose, or from shares purchased on the open market. For purposes of determining the number of shares of Stock issued under the Plan, no shares shall be deemed issued until they are actually delivered to a Participant, or such other person in accordance with Section 9. Shares covered by Awards that either wholly or in part are not earned, or that expire or are forfeited, terminated, canceled, settled in cash, payable solely in cash or exchanged for other Awards, shall be available for future issuance under Awards. Further, shares tendered to the Company in connection with the exercise of stock options, or withheld by the Company for the payment of tax withholding on any Award, shall also be available for future issuance under Awards; provided, however, that not more than 6,895,480 shares may be used for the grant of Incentive Stock Options. In addition, on January 1, 2003 and on each January 1 thereafter through January 1, 2007 there shall be added to the authorized shares allocated to the Plan the lesser of (i) 3.25% of the total outstanding shares as of each such date, or (ii) 3,000,000 shares which may be used for the grant of Awards."

EXHIBIT 10.3

STEREOTAXIS, INC.
2004 EMPLOYEE STOCK PURCHASE PLAN

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

2. Definitions.

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

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

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

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

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

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

(g) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2). Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

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

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

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

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

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

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

(iv) For purposes of the Enrollment Date of the first Offering Period under the Plan, the Fair Market Value shall be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock (the "Registration Statement").

(k) "Offering Periods" shall mean the periods of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after January 1 and July 1 of each year and terminating on the last Trading Day in the periods ending twenty-four months later; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the July 1, or, if earlier, the first Trading Day on or after the January 1, coincident with or next following the date on which the Securities and Exchange Commission declares the Company's Registration Statement. The duration and timing of Offering Periods may be changed pursuant to Section 4.

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

(m) "Plan" shall mean this Stereotaxis, Inc. 2004 Employee Stock Purchase Plan.

(n) "Purchase Period" shall mean each approximate six month period during an Offering Period commencing on the first Trading Day on or after January 1 and July 1 of each year and terminating on the next Exercise Date.

(o) "Purchase Price" shall mean 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be adjusted by the Board pursuant to Section 20.

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

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

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

3. Eligibility.

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

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

4. Offering Periods. The Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after January 1 and July 1 each year, or on such other date as the Board (or a committee

of the Board) shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof; provided, however, that the first Offering Period under the Plan shall commence with July 1, or, if earlier, the January 1 coincident with or next following the date on which the Securities and Exchange Commission declares the Company's Registration Statement. The Board (or a committee of the Board) shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

An eligible Employee may become a Participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Enrollment Date. All eligible Employees shall be automatically enrolled in the initial Offering Period under the Plan.

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

(b) During a leave of absence approved by the Company or a Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2), a Participant may continue to participate in the Plan by making cash payments to the Company on each pay day equal to the amount of the Participant's payroll deductions under the Plan for the pay day immediately preceding the first day of such Participant's leave of absence. If a leave of absence is unapproved or fails to meet the requirements of Treasury Regulation Section 1.421-7(h)(2), the Participant will cease automatically to participate in the Plan. In such event, the Company will automatically cease to make contributions for such Participant under the Plan and Company will pay to the Participant his or her total payroll deductions for the Purchase Period, in cash in one lump sum (without interest), as soon as practicable after the Participant ceases to participate.

6. Payroll Deductions.

At the time a Participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period. Except for the foregoing sentence, all eligible Employees shall have the same rights and privileges under the Plan. During the initial Purchase Period, no payroll deduction will be made unless a Participant files a supplemental enrollment form within 15 days after written notice to Participants of the effectiveness of a registration statement covering the Common Stock and filed under the Securities Act of 1933, as amended.

All payroll deductions made for a Participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A Participant may not make any additional payments into such account; provided, however, that in the initial Purchase Period, participants may also purchase shares of Stock by making a lump sum cash payment at the end of such Purchase Period.

(a) A Participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof. A Participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, effective with the first full payroll period following five (5) business days after the Company's receipt of the notice described in Section 10.

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

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

7. Grant of Option. On the Enrollment Date of each Offering Period, each Participant participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Participant's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall a Participant be permitted to purchase during each Purchase Period more than a number of shares determined by dividing $12,500 by the Fair Market Value of a share of the Company's Common Stock (subject to any adjustment pursuant to Section 19) on the Enrollment Date, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock a Participant may purchase during each Purchase Period of such Offering Period. Exercise of the option

shall occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

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

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

9. Delivery. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each Participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option.

10. Withdrawal.

A Participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan; provided, however, that in the initial Offering Period, Participants may be deemed to withdraw from the Plan by declining or failing to send timely payment for the shares. All of the Participant's payroll deductions credited to his or her account shall be paid to such Participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the Participant delivers to the Company a new subscription agreement.

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

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

11. Termination of Employment.

Upon a Participant's ceasing to be an Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such Participant's account during the Offering Period but not yet used to exercise the option shall be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, and such Participant's option shall be automatically terminated. The preceding sentence notwithstanding, a Participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an Employee for the Participant's customary number of hours per week of employment during the period in which the Participant is subject to such payment in lieu of notice.

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

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof (including any changes effected prior to the

effectiveness of the Registration Statement), the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be one million (1,000,000) shares.

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

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

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

15. Designation of Beneficiary.

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

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

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

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

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

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

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each Participant may purchase each Purchase Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

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

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option

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

20. Amendment or Termination.

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

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

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

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

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

(iii) allocating shares.

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

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

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

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

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company; provided, however, the Plan shall not become effective until the effective date of the Company's initial public offering pursuant to a registration statement filed with the Securities and Exchange Commission. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 20.

24. Automatic Transfer to Low Price Offering Period. To the extent permitted by any applicable laws, regulations, or stock exchange rules, if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of such Offering Period, then all Participants in such Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period as of the first day thereof.

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

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

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

EXHIBIT A

STEREOTAXIS, INC.
2004 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

_____ Original Application Enrollment Date: _____
_____ Change in Payroll Deduction Rate
_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the Stereotaxis, Inc. 2004 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that the percentage withholding must be between 1% and 15% and that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that my ability to exercise the option under this Subscription Agreement is subject to stockholder approval of the Employee Stock Purchase Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee or Employee and Spouse only): _____.

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares) or one year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market

value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (2) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (Please print) _____ _____ _____
(First) (Middle) (Last)

_____
Relationship

Employee's Social Security Number: _____
Employee's Address: _____
_____
_____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated:__________________________ ____

____
Spouse's Signature (If beneficiary
other than spouse)

EXHIBIT B

STEREOTAXIS, INC.
2004 EMPLOYEE STOCK PURCHASE PLAN
NOTICE OF WITHDRAWAL

The undersigned Participant in the Offering Period of the Stereotaxis, Inc. 2004 Employee Stock Purchase Plan which began on _____, _____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

_____
_____
_____

Signature:

_____
Date:_____

EXHIBIT 10.4

STEREOTAXIS, INC.
2002 NON-EMPLOYEE DIRECTORS' STOCK PLAN

I. PURPOSE.

The purpose of the Stereotaxis, Inc. 2002 Non-Employee Directors Stock Plan (the "Plan") is to strengthen the alignment of interests between non-employee Directors ("Participants") and the shareholders of Stereotaxis, Inc. (the "Company") through the increased ownership of shares of the Company's common stock. This will be accomplished by allowing Participants to elect voluntarily to convert a portion or all of their fees for services as a Director into common stock and by granting Participants non-qualified options to purchase shares of common stock ("Stock Options").

II. ADMINISTRATION.

1. The Plan shall be administered by a committee (the "Committee") appointed by of the Board of Directors of the Company (the "Board"), or, in the absence of any such Committee, the Board.

2. It shall be the duty of the Committee to administer the Plan in accordance with its provisions and to make such recommendations of amendments or otherwise as it deem necessary or appropriate. A decision by a majority of the Committee shall govern all actions of the Committee.

3. Subject to the express provisions of the Plan, the Committee shall have authority to allow Participants the right to elect to receive fees for services as a director in either cash or an equivalent amount of whole shares of Common Stock of the Company, or partly in cash and partly in whole shares of the Common Stock of the Company, subject to such conditions or restrictions, if any, as the Committee may determine. The Committee also has the authority to make all other determinations it deems necessary or advisable for administering the Plan.

4. The Committee may establish from time to time such regulations, provisions, and procedures within the terms of the Plan as, in its opinion, may be advisable in the administration of the Plan.

5. The Committee may designate the Secretary of the Company or other employees of the Company to assist the Committee in the administration of the Plan and may grant authority to such persons to execute documents on behalf of the Committee.

III. PARTICIPATION.

Participation in the Plan shall be limited to all non-employee Directors of the Company.

IV. LIMITATION ON NUMBER OF SHARES.

The total number of shares of Common Stock of the Company that may be awarded under Stock Options each year shall not be limited.

V. SHARES.

Shares of common stock to be awarded under the terms of the Plan shall be treasury shares or authorized but unissued shares.

VI. STOCK OPTIONS.

1. Each Participant shall, on the Annual Meeting of stockholders during such Participant's term, automatically be granted a Stock Option to purchase 22,500 shares of Common Stock (45,000 for the Chairman of the Board) (with such amount subject to adjustment as set forth in Article VII) having an exercise price of one hundred percent (100%) of the fair market value (as determined in good faith by the Board) of the Common Stock on the date of grant. In addition, the Committee may grant other options to Participants from time to time.

2. The Stock Options shall have a term of ten (10) years from the date of grant, subject to earlier termination as provided herein, and shall be exercisable one (1) year from the date of grant (or such other date(s) as determined by the Committee), except in the case of death, in which case the Stock Options shall be immediately exercisable

3. Stock Options are not transferable other than by will or by the laws of descent and distribution Legatees, distributees and duly appointed executors and administrators of the estate of a deceased Participant shall have the right to exercise such Stock Options at any time prior to the expiration date of the Stock Options.

4. If a Participant ceases to be a Director while holding unexercised Stock Options, such stock options are then void, except in the case of (i) death, (ii) disability, (iii) retirement after attaining the age of sixty nine (69), (iv) resignation from the Board for reasons of the antitrust laws or the conflict of interest or continued service policies, or (v) a Change of Control (as hereinafter defined).

5. Upon the exercise of a Stock Option, payment in full of the exercise price shall be made by the Participant. The exercise price may be paid for by the Participant either in cash, shares of the Common Stock of the Company to be valued at their fair market value on the date of exercise, or a combination thereof.

6. For purposes of the Plan, a Change of Control means:

a. The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

b. Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-l 1 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

c. 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.

VII. ADJUSTMENTS.

The amount of shares authorized to be issued annually under the Plan will be subject to appropriate adjustment in the event of future stock splits, stock dividends, or other changes in capitalization of the Company to prevent the dilution or enlargement of rights under the Plan. The number and kind of shares and exercise prices covered by outstanding Stock Options and the number of shares to be granted as Stock Options pursuant to Article VI, paragraph 1 shall be adjusted to give effect to any such stock splits, stock dividends, combination or reclassification of shares, recapitalization, merger, or similar event.

VIII. TRANSFER OF SHARES.

The Committee may transfer Common Stock of the Company under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. The conditions and restrictions may vary from time to time and may be set forth in agreements between the

Company and the Participant or in the awards of stock to them, all as the Committee determines.

IX. ADDITIONAL PROVISIONS.

1. The Board may, at any time, repeal the Plan or may amend it from time to time except that no such amendment may amend this paragraph, increase the annual aggregate number of shares subject to the Plan, or alter the persons eligible to participate in the Plan. The Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding awards are affected, notice thereof shall be given to the holders of such awards and such amendments shall not be applicable to such holder without his or her written consent. If the Plan is repealed in its entirety, all theretofore awarded shares subject to conditions or restrictions transferred pursuant to the Plan shall continue to be subject to such conditions or restrictions.

2. Every recipient of shares pursuant to the Plan shall be bound by the terms and provisions of the Plan and of the transfer of shares agreement referable thereto,and the acceptance of any transfer of shares pursuant to the Plan shall constitute a binding agreement between the recipient and the Company.

X. CHOICE OF LAW.

The Plan and each option hereunder shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Recipients of options 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 related option.

XI. DURATION OF PLAN.

The Plan shall become effective as of March 25 2002, subject to ratification by the stockholders of the Company before_____.

Section IV of the Non-Employee Directors' Plan was amended on September 25, 2002, to read as follows:

> "The total number of shares of Common Stock of the Company that may be awarded under Stock Options each year shall not be limited. The total number of shares of Common Stock of the Company that may be issued under the Plan shall initially be 300,000 shares, plus such aggregate number of shares otherwise available for grant under the Stereotaxis, Inc. 2002 Stock Incentive Plan at the time of any Stock Option award made hereunder."

EXHIBIT 10.5

AT-WILL EMPLOYMENT AGREEMENT

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

1. POSITION. Employee shall serve as the Company's President, Chief Executive Officer and as a member of the Company's Board of Directors. Employee shall report to the Company's Board of Directors. Employee's employment with the Company shall commence on Monday, June 23, 1997.

2. BASE SALARY. Employee shall be paid a beginning base salary equivalent to Two Hundred Thousand Dollars ($200,000) per year in semi-monthly installments which shall be subject to applicable withholdings and deductions.

3. SIGNING BONUS. Employee will be paid a signing bonus of Twenty-Seven Thousand Dollars ($27,000), which will be paid either in the form of cash or a forgivable promissory note as Employee may elect.

4. INCENTIVE BONUS. At the end of the first year of employment, Employee will be eligible for a cash incentive bonus of up to 20% of Employee's 12-month base salary. Payment of such incentive bonus will be determined by Stereotaxis' Board of Directors based upon the Company's achievement of goals and objectives for the twelve months following Employee's commencement of employment. These goals and objectives win include the following: (i) completion the sale of at least $8 million of Company preferred stock, par value $.01 ("Preferred Stock"), at a price of not less then $1.50 per share, which amount is based upon the assumption that at least $4,000,000 of Preferred Stock will be purchased by those persons who are holders of the Company common stock ("Common Stock") and Preferred Stock at the time of execution of this Agreement (the "Series C Financing"); (ii) completion of the Company's business plan as approved by the Company's Board of Directors (iii) achievement of certain milestones described in the Company's annual business plan; and (iv) completion of an IDE/Phase I Feasibility Study for the Company's first five human biopsy patients.

5. SEVERANCE BENEFITS.

5.1 For purposes of this letter agreement, "Cause" shall mean gross misconduct or gross negligence such as gross breach of fiduciary duty, dishonesty, theft or commission of a crime involving moral turpitude.

5.2 If Employee's employment is terminated by Stereotaxis without Cause, Employee win be paid a salary continuance equal to Employee's base salary for the lesser of (i) the period from the date of Employee's termination of employment until Employee commences employment with a new employer or (2) six months, if the Company has not conducted a successful initial public offering of its stock, or twelve months, if the Company has conducted a successful initial public offering of its stock. Additionally, if Employee's employment is terminated following an acquisition or merger of the Company where the Company is not the surviving entity and a change of a control occurs, and if Employee is not offered a comparable position in the surviving entity, Employee win be paid salary continuance equal to his base salary for twelve months,

6. RIGHT TO PURCHASE STOCK; STOCK REPURCHASE.

6.1 Sale of Common Stock.

6.1.1 Within six (6) months of the execution of this Agreement, the Company will sell, and Employee will purchase, Six Hundred Thousand (600,000) shares of Common Stock, par value $0.01 at a price of $0.07 per Share (the "Initial Shares"). The Initial Shares shall be subject to the repurchase provisions of Section 6.2 hereof.

6.1.2 During the term of this Agreement, the Company shall offer to sell to Employee, and Employee may purchase, Two Hundred Thirty Thousand (230,000) shares of Common Stock at the then fair market value price per share as determined by the Company's Board of Directors (the "Additional Shares", the Initial Shares and Additional Shares together, the "Shares") at the Board of Directors meeting immediately following the closing of the Series C Financing. The Additional Shares shall be subject to the repurchase provisions of Section 6.2 hereof

6.2 Company's Option to Repurchase.

6.2.1 All Shares shall be subject to the right of the Company, in its sole discretion, to repurchase such Shares at the price paid by Employee for such shares upon termination of employment by Employee, with or without Cause ("Repurchase Rights"), subject to the incremental expiration of such Repurchase Right pursuant to Sections 6.2.2 through 6.2.4.

6.2.2 From the date Employee commenced serving as President and Chief Executive Officer of the Company until twelve (12) months following such date ("Initial Share First Expiration Date"), all Initial Shares shall be subject to the Company's Repurchase Right From the Initial Share First Expiration Date and thereafter (i) one-third (1/3) of the Initial Shares shall no longer be subject to the Repurchase Right, and (ii) the Company's Repurchase Right with respect to the two-thirds (2/3) of the Initial Shares that remain subject to the Repurchase Right immediately following the Initial Share First Expiration Date shall expire over a period of twenty-four (24) months in twenty-four (24) equal monthly increments.

6.2.3 From the date of the sale of the Additional Shares until the time twelve (12) months following such date ("Additional Share First Expiration Date"), all Additional Shares shall be subject to the Company's Repurchase Right From the Additional Share First Expiration Date and thereafter (i) one-fourth (1/4) of the Additional Shares shall no longer be subject to the Repurchase Right, and (ii) the Company's Repurchase Right with respect to the three-fourths (3/4) of the Additional Shares that remain subject to the Repurchase Right immediately following the Additional Share First Expiration Date shall expire over a period of thirty-six (36) months in thirty-six (36) equal monthly increments.

6.2.4 Immediately upon termination of Employee's employment with the Company without Cause, in addition to the Shares that are no longer subject to the Repurchase Right pursuant to Sections 6.2.2 and 6.2.3, an additional fifty thousand (50,000) Shares shall no longer be subject to the Repurchase Right.

6.2.5 Upon an (i) acquisition of the Company or a merger to which the Company is a party and in which the Company is not the surviving entity, and (ii) a change of control, the Company's Repurchase Rights with respect to fifty percent (50%) of the Shares still subject to the Repurchase Right at the time of consummation of such transaction shall terminate. A change of control shall be deemed to have occurred if at least fifty percent (50%) of the Company's voting capital stock is held by any person not a stockholder at the time of execution of this Agreement. All Shares subject to the Repurchase Right shall be subject to the same terms and conditions in any such acquisition or merger as any other share of Common Stock. If Employee's employment is terminated following any such acquisition or merger, or Employee is not offered a comparable position in the surviving entity, then the Company's Repurchase Right will terminate with respect to one hundred percent (100%) of the Shares still subject to the Repurchase Right.

6.3 Procedure for Exercise of Repurchase Right. Upon any exercise of the Repurchase Right, in part or in whole, the Company shall deliver to Employee (or his transferee or legal representative, as the case may be), by personal delivery with written evidence of receipt or by certified mail, a written notice stating the Company's intention to exercise the Repurchase Right, the number of Shares proposed to be repurchased, and setting forth a date for closing of the repurchase of such Shares (the "Closing"). The date of Closing shall be no earlier than ten (10) days following the date of notice and no later than ninety (90) days following the date of notice. The Closing shall occur at the offices of the Company or such other place as reasonably designated by the Company. At the Closing, the holder of the certificates representing the Shares to be repurchased shall deliver to the Company the stock certificate or certificates evidencing such Shares, and the Company shall deliver to Employee the purchase price therefor by cashier's check or wire transfer.

6.4 Termination of Repurchase Right. The Repurchase Right shall terminate upon the first date on which there are no longer any Shares subject to the Repurchase Right and there has

been no previous notice of the exercise of the Repurchase Right for which a Closing has not occurred.

6.5 Transferability of the Shares.

6.5.1 Employee hereby authorizes and directs the secretary of the Company, or such other person designated by the Company, to transfer to the Company on the Company stock records the Shares subject to the Repurchase Right as to which the Company has exercised its Repurchase Right. Employee further authorizes the Company to refuse, or to cause its transfer agent to refuse, to transfer any Shares attempted to be transferred in violation of this Agreement.

6.5.2 None of the Shares subject to be Repurchase Right may be sold, transferred, pledged, hypothecated, otherwise disposed of or encumbered. The certificate or certificates evidencing any of the Shares subject to the Repurchase Right shall be endorsed with a legend substantially as follows:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN STEREOTAXIS, INC. AND BEVIL J. HOGG PURSUANT TO WHICH SUCH SHARES WERE PURCHASED, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE CORPORATION."

6.5.3 To ensure the availability for delivery of certificates evidencing Shares upon repurchase by the Company pursuant to the Repurchase Right, Employee shall, upon execution of this Agreement, deliver and deposit with the secretary of the Company, or such other person designated by the Company, the Share certificates representing the Shares subject to repurchase. The Shares subject to the Repurchase Right shall be held in escrow by the secretary of the Company until the earlier of the time the Repurchase Right with respect to such Shares is exercised or terminates.

6.5.4 Transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any transferee shall hold such Shares subject to all provisions hereof and shall acknowledge the same by signing a copy of this Agreement.

6.6 Ownership. Voting Rights, Duties. This Agreement shall not affect in any way the ownership, voting rights or other rights or duties of Employee, except as specifically provided herein.

6.7 Section 83(b) Election. Employee understands that currently Section 83 of the Internal Revenue Service of 1986, as amended (the "Code"), taxes as ordinary income the

difference between the amounts paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the right of the Company to buy back the stock pursuant to be Repurchase Right and/or any period after the Closing during which Employee would become subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, by reason of the sale of the Shares. Employee understands that under current law he may be taxed at the time the Shares are purchased, rather than when and as the Repurchase Right or Section 16(b) expires, by filing with the Internal Revenue Service an election under Section 83(b) of the Code within thirty (30) days from the date of purchase. Even if the fair market value of the Shares equals the amount paid for the Shares, the election must be made under current law to avoid adverse tax consequences in the future. Employee understands that under current law, failure to make this filing in a timely manner will result in the recognition of ordinary income by him, as the Repurchase Right lapses, or after the lapse of the Section 16(b) period, if any, on the difference between the purchase price and the fair market value of the Shares at the time such restrictions lapse.

6.8 Representations. Employee has reviewed with his own tax advisers the federal, state, local and foreign tax consequences of this investment and the transaction contemplated by this Agreement. Employee is relying solely on such advisers and not on any statements or representations of the Company were any of its agents. Employee understands that he and not the Company shall be responsible for his own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

7. COMPANY BENEFITS. While employed by the Company, Employee shall be entitled to receive the benefits of employment made available by the Company from time to time for which he is eligible. Employee will be entitled to medical insurance for himself, his spouse and minor children and three weeks paid vacation per year. Employee additionally will be provided office space and secretarial services for the normal conduct of the Company's business.

8. ATTENTION TO DUTIES; CONFLICT OF INTEREST.

8.1 While employed by the Company, Employee shall devote Employee's full business time, energy and abilities exclusively to the business and interests of Stereotaxis, and shall perform all duties and services in a faithful and diligent manner and to the best of Employee's abilities. Employee shall not, without the Company's prior written consent, render to others, services of any kind for compensation, or engage in any other business activity that would materially interfere with the performance of Employee's duties under this Agreement. Notwithstanding the foregoing, Employee may continue to serve as a director of Graham Field Health Products, Inc. and Kroy Industries and perform normal board of director functions for such companies. Employee will not serve on any other board, be employed by another company or perform any consulting services without the express approval of the Company's Board of Directors; provided, that the Company consents to Employee's continuing service as a director of Graham Field Health Products, Inc. and Kroy Industries and his performance of normal board of director functions for these entities.

8.2 Employee represents that Employee has no other outstanding commitments inconsistent with any of the terms of this Agreement or the services to be rendered to Stereotaxis. While employed by the Company, Employee shall not invest in any company or business which competes in any manner with the Company, except those companies whose securities are publicly traded, fisted on national securities exchanges, foreign stock exchanges, pink sheets or small cap securities exchanges.

9. CONFIDENTIALITY AND NONCOMPETE AGREEMENT. Employee agrees to be bound by the terms of the Confidentiality and Noncompete Agreement which are attached as Exhibit A and incorporated by this reference ("Proprietary and Noncompete Agreement").

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

11. BINDING ARBITRATION.

11.1 Any dispute, claim or controversy relating to discrimination of any nature, including, without limitation, age, sex, race, religion or national origin between employee and the Company ("Discrimination Claims") shall be settled exclusively by arbitration pursuant to the provisions of this Section 11.

11.2 Employee and Stereotaxis each waive their federal and state constitutional rights to have Discrimination Claims determined by a jury. Instead of a jury trial, an arbitrator shall be chosen by Stereotaxis and Employee. Arbitration is preferred because, among other reasons, it is quicker, less expensive and less formal than litigation in court.

11.3 The arbitrator shall not have the authority to alter, amend, modify, add to or eliminate any condition or provision of this Agreement, including, but not limited to, the "at-will" nature of the employment relationship. The arbitration shall be held in St. Louis County, Missouri and shall be conducted in accordance with the rules of the Center for Dispute Resolution. The award of the arbitrator shall be final and binding on the parties. Judgment upon the arbitrator's

award may be entered in any court, state or federal, having jurisdiction over the parties. If a written request for arbitration is not made within six months of the date of the alleged wrong or violation, all remedies regarding such alleged wrong or violation shall be waived.

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

12. No INCONSISTENT OBLIGATIONS. Employee represents that Employee is not aware of any obligations, legal or otherwise, inconsistent with the terms of this Agreement or Employee's undertakings under this Agreement.

13. MISCELLANEOUS.

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

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

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

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

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

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

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of June 23, 1997.

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

STEREOTAXIS, INC.

By: /s/ Fred A. Middleton

Fred A. Middleton
Chairman of the Board
on behalf of the Board of Directors

EMPLOYEE

Sign: /s/ Bevil J. Hogg

Bevil J. Hogg

EXHIBIT A
CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement ("Agreement") is made and entered as of June 23,1997, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Bevil J. Hogg ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

(a) Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

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

2. Confidential and Trade Secret Information.

(a) Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

(b) "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing fists and information concerning relationships between Company and its employees or customers.

(c) During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions. Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company, and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

(a) engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company relating to surgical techniques utilizing magnetic guidance technology ("Competitive Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company;

(b) solicit, call on, or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company, and

(c) induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation involving Competitive Work.

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

5. Inventions.

(a) Any and all ideas, inventions, discover is, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed,

conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (ii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

(b) Paragraph 5(a) shall not apply to any invention for which no equipment, supplies, facilities or Confidential and Trade Secret Information of Company was used and which was developed entirely on Employee's own time, unless the invention relates to Company's business or to Company's actual or demonstrably-anticipated research or development. Paragraph 5(a) shall not apply to any expertise developed by Employee during his employment by the Company relating to managerial or administrative business functions.

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

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

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

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

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

11. Company's Right to Recover Costs and Fees. Employee undertakes and agrees that if Employee breaches or threatens to breach the Agreement, Employee shall be liable for any attorneys' fees and costs incurred by Company in enforcing its rights hereunder.

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

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

14. Amendments. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto. This Agreement supersedes all prior agreements and understandings between Employee and Company to the extent that any such agreements or understandings conflict with the terms of this Agreement. In the event of a conflict between the terms and conditions of this Agreement and Employee's At-Will Employment Agreement with the Company ("Employment Agreement"), the terms and conditions of the Employment Agreement will prevail.

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

16. Choice of Forum and Governing Law. In light of Company's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity and

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

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

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

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

/s/ Bevil J. Hogg

Bevil J. Hogg
1008 Alsace Court
Town and Country, MO 63017

STEREOTAXIS, INC.

By: /s/ Fred A. Middleton

Fred A. Middleton
Chairman of the Board

EXHIBIT 10.6

AT-WILL EMPLOYMENT AGREEMENT

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

1. Position; Base Salary; Incentive Compensation; Termination.

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

1.2 Base Salary: Employee shall be paid a base salary equivalent to $220,000 in semi-monthly installments, which shall be subject to applicable withholdings and deductions (pro-rated based on Employee's start date). Employee shall also have an incentive bonus opportunity of up to $55,000 subject to attainment of mutually agreed upon goals (pro-rated based on Employee's start-date) as provided for in the Employee's offer letter.

1.3 Incentive Compensation: Employee shall be eligible to purchase 300,000 shares of stock in accordance with the Company's Incentive Stock Option Plan. Such shares would be subject to a 4-year repurchase right by the Company in accordance with the Employee's offer letter.

1.4 Termination: For purposes of this Agreement, termination for cause shall mean gross misconduct or gross negligence such as gross breach of fiduciary duty, dishonesty, theft or commission of a crime involving moral turpitude. Termination for cause shall also include the Employee's failure to comply with the provisions of his offer letter. Such provisions include failure to commute to St. Louis so as to be present at the Company's offices each week or failure to permanently relocate to St. Louis within 4 months of the Employee's acceptance of his offer letter unless otherwise agreed to in writing.

1.4.a Termination without Cause: As provided for in the Employee's offer letter, if Employee's employment is terminated by Stereotaxis without cause, Employee will be paid a salary continuance equal to his monthly base salary for six (6) months in accordance with the Company's normal payroll practices. If such involuntary termination occurs during the first twelve (12) months of Employee's employment, and is not for cause, Employee will be paid a salary continuance equal to his monthly base salary for twelve (12) months and Repurchase Right with respect to the the Employee's Unvested Shares which would have vested at the end of the Employee's first year of employment will expire and such shares will become Vested Shares. However, if Employee is re-employed (by the Company or another employer), all salary continuance pay will cease immediately.

1.4.b Change of Control: As provided for in the Employee's offer letter, if Employee's employment is terminated as a result of, or following, an acquisition or merger of the Company where the Company is not the surviving entity and a change of control occurs (as defined in the Employee's offer letter) and Employee is not offered a comparable position and salary in the surviving entity, (i) Employee will be paid salary continuance equal to his monthly base salary for six (6) months (or twelve (12) months if such event is within the Employee's first twelve (12) months of employment) in accordance with the Company's normal payroll practices and (ii) the Repurchase Right with respect to the Employee's unvested shares will expire at the end of the salary continuance period and such shares will become Vested Shares. Furthermore, the Repurchase Option will also terminate if Employee's employment with the Company is terminated (without cause) within One (1) year of a Change of Control notwithstanding the Employee having previously been offered such comparable position and salary.

1.4.c Other Termination: Employee is not entitled to severance pay if Employee's termination is voluntary or for cause.

2. Vacation and Sick Leave Benefits.

Company-paid vacation and sick leave will be governed by the Employee Handbook. In accordance with the terms of the Employee's offer letter, Employee will be eligible for vacation of 3 weeks per year, initially plus 1 week of personal time, pro-rated based on Employee's start date.

3. Company Benefits.

While Employed by the Company, Employee shall be entitled to receive the benefits of employment as the Company may offer from time to time. Employee agrees that as a condition of Employee's employment by the Company that Employee will be bound and subject to the terms and conditions of the Company's Employee Handbook. The Employee Handbook may be revised from time to time at the sole discretion of the Company.

4. Attention to Duties; Conflict of Interest.

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

5. Proprietary Information.

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

6. At-Will employer.

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

7. Binding Arbitration.

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

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

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

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

8. No Inconsistent Obligations.

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

9. Miscellaneous.

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

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

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

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

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

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

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

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

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

STEREOTAXIS, INC.

By: /s/ B. J. Hogg

Name: B. J. HOGG

Title: CEO

DOUGLAS M. BRUCE

Signature: /s/ Douglas M. Bruce

EXHIBIT A

CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement ("Agreement") is made and entered into this_____day of_____, 2001, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Douglas M. Bruce, ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

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

2. Confidential and Trade Secret Information.

2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

2.2 "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information concerning relationships between Company and its employees or customers.

2.3 During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company ("Competitive

Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company. Competitive Work shall be limited to the field of magnetic instrument guidance and related therapeutic agents;

3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and

3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation with an organization other than Stereotaxis.

4. Acknowledgment Regarding Restrictions.

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

5. Inventions.

5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

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

6. Company Property.

Employee acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents relating to the Company obtained by or provided to Employee, or otherwise made,

produced or compiled during the course of Employee's employment with Company regardless of the type of medium in which they are preserved, are the sole and exclusive property of Company and shall be surrendered to Company upon Employee's termination of employment and on demand at anytime by Company.

7. Non-Waiver of Rights.

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

8. Company's Right to Injunctive Relief.

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

9. Invalidity of Provisions.

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

10. Employee Representations.

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

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

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

12. Employment at Will.

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

13. Exit Interview.

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

14. Amendments.

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

15. Assignments.

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

16. Choice of Forum and Governing Law.

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

17. Headings.

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

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

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

/s/ Douglas M. Bruce
- ----------
Douglas M. Bruce

/s/ B. J. Hogg
- ----------
Stereotaxis, Inc.

EXHIBIT 10.7

AT-WILL EMPLOYMENT AGREEMENT

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

1. Position: Base Salary; Incentive Compensation.

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

Employee shall be paid a base salary equivalent to $150,000 in semimonthly installments, which shall be subject to applicable withholdings and deductions. Employee shall also have an incentive bonus opportunity of up to $30,000 subject to the attainment of goals as set forth in the Employee's offer letter.

Employee shall be granted 150,000 incentive stock options of which 125,000 shall vest over 4 years in accordance with the Company's Incentive Stock Option Plan. The remaining 25,000 options shall vest in the same way, but would also be subject to the attainment of goals as set forth in the Employee's offer letter.

For purposes of this Agreement, termination for cause shall mean gross misconduct or gross negligence such as gross breach of fiduciary duty, dishonesty, theft or commission of a crime involving moral turpitude.

If Employee's employment is terminated by Stereotaxis without cause, Employee will be paid a salary continuance equal to her monthly base salary for three (3) months.

If Employee's employment is terminated as a result of, or following, an acquisition or merger of the Company where the Company is not the surviving entity and a change of control occurs and Employee is not offered a comparable position and salary in the surviving entity, (i) Employee will be paid salary continuance equal to her monthly base salary for three months and (ii) 100% of her unvested options will vest at the end of the salary continuance period; provided that the foregoing will not operate in limitation of any provisions relating to earlier vesting in the Company's Incentive Stock Option Plan.

2. Vacation and Sick Leave Benefits.

Company-paid vacation and sick leave will be governed by the Employee Handbook. In accordance with the terms of the Employee's offer letter, Employee will initially be eligible for 3 weeks per year, accrued monthly.

3. Company Benefits.

While Employed by the Company, Employee shall be entitled to receive the benefits of employment as the Company may offer from time to time. Employee agrees that as a condition of Employee's employment by the Company that Employee will be bound and subject to the terms and conditions of the Company's Employee Handbook. The Employee Handbook may be revised from time to time at the sole discretion of the Company.

4. Attention to Duties: Conflict of Interest.

This clause 4 will be read subject to Employee's ability to continue as non-executive director of Nexus Software & Services, Inc (dba, Concera) provided any duties relating to the same do not have an adverse impact on Employee's ability to fulfil her employment obligations hereunder.

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

5. Proprietary Information.

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

6. At-Will employer.

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

7. Binding Arbitration.

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

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

The arbitrator shall not have the authority to alter, amend, modify, add to or eliminate any condition or provision of this Agreement, including, but not limited to, the "at-will" nature of the employment

relationship. The arbitration shall be held in St. Louis, Missouri. The award of the arbitrator shall be final and binding on the parties. Judgement upon the arbitrator's award may be entered in any court, state or federal, having jurisdiction over the parties. If a written request for arbitration is not made within one (1) year of the date of the alleged wrong or violation, all remedies regarding such alleged wrong or violation shall be waived.

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

8. No Inconsistent Obligations.

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

9. Miscellaneous.

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

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

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

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

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

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

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

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of Feb 16, 2001.

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

STEREOTAXIS, INC.

By: /s/ PEGGY STAHR FOR BEVIL HOGG

Name: Peggy Stahr

Title: Controller

MELISSA WALKER

Signature: /s/ Melissa Walker

EXHIBIT A

CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement ("Agreement") is made and entered into this 16th day of February, 2001, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Melissa Walker, ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in material accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

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

2. Confidential and Trade Secret Information.

2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

2.2 "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information concerning relationships between Company and its employees or customers.

2.3 During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company ("Competitive

Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company. Competitive work and products shall be deemed to be those in the field of magnetic instrument guidance only;

3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and

3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation involving Competitive Work.

4. Acknowledgment Regarding Restrictions.

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

5. Inventions.

5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

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

6. Company Property.

Employee acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents relating to the Company obtained by or provided to Employee, or otherwise made,

produced or compiled during the course of Employee's employment with Company regardless of the type of medium in which they are preserved, are the sole and exclusive property of Company and shall be surrendered to Company upon Employee's termination of employment and on demand at any time by Company.

7. Non-Waiver of Rights.

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

8. Company's Right to Injunctive Relief.

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

9. Invalidity of Provisions.

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

10. Employee Representations.

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

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

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

12. Employment at Will.

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

13. Exit Interview.

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

14. Amendments.

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

15. Assignments.

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

16. Choice of Forum and Governing Law.

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

17. Headings.

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

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

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

/s/ Melissa Walker
- ----------
Melissa Walker
/s/ Peggy Stohr for Bevil Hogg
- ----------
Stereotaxis, Inc.
Controller
- ----------
Title

EXHIBIT 10.8

AT-WILL EMPLOYMENT AGREEMENT

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

1. Position; Base Salary; Incentive Compensation; Termination.

1.1 Position: Employee shall serve as Chief Operating Officer, or in such other capacity or capacities as Stereotaxis may from time to time direct. Employee shall report to CEO or such other person as he may from time to time direct. Employee's supervisor shall schedule employee's hours of work and Employee's position with the Company is exempt.

1.2 Base and Incentive Salary: Employee shall be paid a base salary equivalent to $240,000 in semi-monthly installments, which shall be subject to applicable withholdings and deductions (pro-rated based on Employee's start date). Employee shall also have an incentive bonus opportunity of up to 25% per calendar year subject to attainment of mutually agreed upon goals (pro-rated based on Employee's start-date) as provided for in the Employee's offer letter.

1.3 Other Compensation: Employee shall be granted options to purchase 500,000 shares of stock in accordance with the Company's Incentive Stock Option Plan. Such options would be subject to a 4-year vesting provisions in accordance with the Employee's offer letter.

1.4 Termination: For purposes of this Agreement, termination for cause shall mean gross misconduct or gross negligence such as gross breach of fiduciary duty, dishonesty, theft or commission of a crime involving moral turpitude. Termination for cause shall also include the Employee's failure to comply with the provisions of his offer letter. Such provisions include failure to commute to St. Louis so as to be present at the Company's offices each week or failure to permanently relocate to St. Louis within three months of the Employee's acceptance of his offer letter unless otherwise agreed to in writing.

1.4.a Termination without Cause: As provided for in the Employee's offer letter, if Employee's employment is terminated by Stereotaxis without cause, Employee will be paid a salary continuance equal to his monthly base salary for six (6) months in accordance with the Company's normal payroll practices. However, if Employee is re-employed (by the Company or another employer), all salary continuance pay will cease immediately. If such involuntary termination occurs during the first twelve (12) months of Employee's employment, those stock options which would have vested at the end of Employee's first year of employment will vest pro-rata at a rate of 1/12th for each month of his actual employment.

1.4.b Change of Control: As provided for in the Employee's offer letter, if Employee's employment is terminated without cause as a result of, or following, an acquisition or merger of the Company where the Company is not the surviving entity and a change of control occurs and Employee is not offered a comparable position and salary in the surviving entity, (i) Employee will be paid salary continuance equal to his monthly base salary for six (6) months in accordance with the Company's normal payroll practices and (ii) 100% of Employee's unvested stock options will vest at the end of the salary continuance period. However, if Employee is re-employed (by the Company or another employer), all salary continuance pay will cease immediately.

1.4.c Other Termination: Employee is not entitled to severance pay if Employee's termination is voluntary or for cause.

2. Vacation and Sick Leave Benefits.

Company-paid vacation and sick leave will be as per the Employee's offer letter.

3. Company Benefits.

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

4. Attention to Duties; Conflict of Interest.

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

5. Proprietary Information.

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

At-Will employer.

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

6. Binding Arbitration.

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

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

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

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

7. No Inconsistent Obligations.

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

8. Miscellaneous.

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

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

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

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

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

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

The Parties to this Agreement represent and acknowledge that in executing this Agreement they do not rely and have not relied upon any representation or statement made by the other party or the other party's agents, attorneys or representatives

regarding the subject matter, basis, or effect of this Agreement or otherwise, other than those specifically stated in this written Agreement. This Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any party. This Agreement shall be construed as if each party was its author and each party hereby adopts the language of this Agreement as if it were his, her or its own. The captions to this Agreement and its sections, subsections, tables and exhibits are inserted only for convenience and shall not be construed as part of this Agreement or as a limitation on or broadening of the scope of this Agreement or any section, subsection, table or exhibit.

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of April 17, 2002.

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

STEREOTAXIS, INC.

By: /s/ Bevil J. Hogg

Name: Bevil J. Hogg

Title: President and CEO

EMPLOYEE

Signature: /s/ Michael P. Kaminski

Michael P. Kaminski

CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Non-compete Agreement ("Agreement") is made and entered into this 17th day of April 2002, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Michael P. Kaminski, ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

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

2. Confidential and Trade Secret Information.

2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

2.2 "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how, processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information

concerning relationships between Company and its employees or customers.

2.3 During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company ("Competitive Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company;

3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and

3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation involving Competitive Work.

4. Acknowledgment Regarding Restrictions.

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

5. Inventions.

5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

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

6. Company Property.

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

7. Non-Waiver of Rights.

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

8. Company's Right to Injunctive Relief.

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

9. Invalidity of Provisions.

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

10. Employee Representations.

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

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

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

12. Employment at Will.

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

13. Exit Interview.

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

14. Amendments.

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

15. Assignments.

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

16. Choice of Forum and Governing Law.

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

17. Headings.

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

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

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

/s/ Michael P. Kaminski
- ----------
Employee: Michael P. Kaminski

/s/ Bevil J. Hogg
- ----------
Stereotaxis, Inc.
Bevil J. Hogg, President/CEO

EXHIBIT 10.14

INDEMNIFICATION AGREEMENT

This Indemnification Agreement, dated as of March 30, 2004, is made by and between STEREOTAXIS, INC., a Delaware corporation (the "Corporation") and [name] (the "Indemnitee").

RECITALS

A. The Corporation recognizes that competent and experienced persons are increasingly reluctant to serve or to continue to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance or indemnification, or both, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors and officers;

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take;

C. The Corporation and Indemnitee recognize that plaintiffs often seek damages in such large amounts and the costs of litigation may be so enormous (whether or not the case is meritorious), that the defense and/or settlement of such litigation is often beyond the personal resources of directors and officers;

D. The Corporation believes that it is unfair for its directors and officers to assume the risk of huge judgments and other expenses which may occur in cases in which the director or officer received no personal profit and in cases where the director or officer was not culpable;

E. The Corporation, after reasonable investigation, has determined that the liability insurance coverage presently available to the Corporation may be inadequate in certain circumstances to cover all possible exposure for which Indemnitee should be protected. The Corporation believes that the interests of the Corporation and its stockholders would best be served by a combination of such insurance and the indemnification by the Corporation of the directors and officers of the Corporation;

F. The Corporation's Second Amended and Restated ByLaws require the Corporation to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law (the "DGCL"). The Second Amended and Restated ByLaws expressly provide that the indemnification provisions set forth therein are not exclusive, and contemplate that contracts may be entered into between the Corporation and its directors and officers with respect to indemnification;

G. Section 145 of the DGCL ("Section 145"), under which the Corporation is organized, empowers the Corporation to indemnify its officers, directors, employees and agents by agreement and to indemnify persons who serve, at the request of the Corporation, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive;

H. The Board of Directors has determined that contractual indemnification as set forth herein is not only reasonable and prudent but also promotes the best interests of the Corporation and its stockholders;

I. The Corporation desires and has requested Indemnitee to serve or continue to serve as a director or officer of the Corporation free from undue concern for unwarranted claims for damages arising out of or related to such services to the Corporation; and

J. Indemnitee is willing to serve, continue to serve or to provide additional service for or on behalf of the Corporation on the condition that he is furnished the indemnity provided for herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Generally.

To the fullest extent permitted by the laws of the State of Delaware:

(a) The Corporation shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Indemnitee is or was or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of the Corporation, or while serving as a director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity.

(b) The indemnification provided by this Section 1 shall be from and against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such action, suit or proceeding and any appeal therefrom, but shall only be provided if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action, suit or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.

(c) Notwithstanding the foregoing provisions of this Section 1, in the case of any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Corporation, or while serving as a director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, no indemnification shall be made in respect of any claim, issue or matter as to which

Indemnitee shall have been adjudged to be liable to the Corporation unless, and only to the extent that, the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

(d) The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

Section 2. Successful Defense; Partial Indemnification. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. For purposes of this Agreement and without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnitee, (ii) an adjudication that Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by Indemnitee, (iv) an adjudication that Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that Indemnitee had reasonable cause to believe Indemnitee's conduct was unlawful, Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

If Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any action, suit, proceeding or investigation, or in defense of any claim, issue or matter therein, and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which Indemnitee is entitled.

Section 3. Determination That Indemnification Is Proper. Any indemnification hereunder shall (unless otherwise ordered by a court) be made by the Corporation unless a determination is made that indemnification of such person is not proper in the circumstances because he or she has not met the applicable standard of conduct set forth in Section 1(b) hereof. Any such determination shall be made (i) by a majority vote of the directors who are not parties to the action, suit or proceeding in question ("disinterested directors"), even if less than a quorum, (ii) by a majority vote of a committee of disinterested directors designated by majority vote of disinterested directors, even if less than a quorum, (iii) by a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote on the matter, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (iv) by independent legal counsel, or (v) by a court of competent jurisdiction.

Section 4. Advance Payment of Expenses; Notification and Defense of Claim.

(a) Expenses (including attorneys' fees) incurred by Indemnitee in defending a threatened or pending civil, criminal, administrative or investigative action, suit or proceeding, or in connection with an enforcement action pursuant to Section 5(b), shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding within thirty (30) days after receipt by the Corporation of (i) a statement or statements from Indemnitee requesting such advance or advances from time to time, and (ii) an undertaking by or on behalf of Indemnitee to repay such amount or amounts, only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Corporation as authorized by this Agreement or otherwise. Such undertaking shall be accepted without reference to the financial ability of Indemnitee to make such repayment. Advances shall be unsecured and interest-free.

(b) Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim thereof is to be made against the Corporation hereunder, notify the Corporation of the commencement thereof. The failure to promptly notify the Corporation of the commencement of the action, suit or proceeding, or Indemnitee's request for indemnification, will not relieve the Corporation from any liability that it may have to Indemnitee hereunder, except to the extent the Corporation is prejudiced in its defense of such action, suit or proceeding as a result of such failure.

(c) In the event the Corporation shall be obligated to pay the expenses of Indemnitee with respect to an action, suit or proceeding, as provided in this Agreement, the Corporation, if appropriate, shall be entitled to assume the defense of such action, suit or proceeding, with counsel reasonably acceptable to Indemnitee, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Corporation, the Corporation will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same action, suit or proceeding, provided that (1) Indemnitee shall have the right to employ Indemnitee's own counsel in such action, suit or proceeding at Indemnitee's expense and (2) if (i) the employment of counsel by Indemnitee has been previously authorized in writing by the Corporation, (ii) counsel to the Corporation or Indemnitee shall have reasonably concluded that there may be a conflict of interest or position, or reasonably believes that a conflict is likely to arise, on any significant issue between the Corporation and Indemnitee in the conduct of any such defense or (iii) the Corporation shall not, in fact, have employed counsel to assume the defense of such action, suit or proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Corporation, except as otherwise expressly provided by this Agreement. The Corporation shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Corporation or Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

(d) Notwithstanding any other provision of this Agreement to the contrary, to the extent that Indemnitee is, by reason of Indemnitee's corporate status with respect to the Corporation or any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee is or was serving or has agreed to serve at the request of the

Corporation, a witness or otherwise participates in any action, suit or proceeding at a time when Indemnitee is not a party in the action, suit or proceeding, the Corporation shall indemnify Indemnitee against all expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

Section 5. Procedure for Indemnification

(a) To obtain indemnification, Indemnitee shall promptly submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) The Corporation's determination whether to grant Indemnitee's indemnification request shall be made promptly, and in any event within 60 days following receipt of a request for indemnification pursuant to Section 5(a). The right to indemnification as granted by Section 1 of this Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or fails to respond within such 60-day period. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 hereof where the required undertaking, if any, has been received by the Corporation) that Indemnitee has not met the standard of conduct set forth in Section 1 hereof, but the burden of proving such defense by clear and convincing evidence shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or one of its committees, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct set forth in Section 1 hereof, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors or one of its committees, its independent legal counsel, and its stockholders) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has or has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing Indemnitee's right to indemnification, in whole or in part, in any such proceeding or otherwise shall also be indemnified by the Corporation.

(c) The Indemnitee shall be presumed to be entitled to indemnification under this Agreement upon submission of a request for indemnification pursuant to this Section 5, and the Corporation shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used as a basis for a determination of entitlement to indemnification unless the Corporation overcomes such presumption by clear and convincing evidence.

Section 6. Insurance and Subrogation.

(a) The Corporation may purchase and maintain insurance on behalf of Indemnitee who is or was or has agreed to serve at the request of the Corporation as a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director,

officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against, and incurred by, Indemnitee or on Indemnitee's behalf in any such capacity, or arising out of Indemnitee's status as such, whether or not the Corporation would have the power to indemnify Indemnitee against such liability under the provisions of this Agreement. If the Corporation has such insurance in effect at the time the Corporation receives from Indemnitee any notice of the commencement of a proceeding, the Corporation shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the policy. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policy.

(b) In the event of any payment by the Corporation under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Corporation shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

(c) The Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) if and to the extent that Indemnitee has otherwise actually received such payment under this Agreement or any insurance policy, contract, agreement or otherwise.

Section 7. Certain Definitions. For purposes of this Agreement, the following definitions shall apply:

(a) The term "action, suit or proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative.

(b) The term "by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Corporation, or while serving as a director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise" shall be broadly construed and shall include, without limitation, any actual or alleged act or omission to act.

(c) The term "expenses" shall be broadly and reasonably construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements, appeal bonds, other out-of-pocket costs and reasonable compensation for time spent by Indemnitee for which Indemnitee is not otherwise compensated by the Corporation or any third party, provided that the rate of compensation and estimated time involved is approved by the Board, which approval shall

not be unreasonably withheld), actually and reasonably incurred by Indemnitee in connection with either the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement, Section 145 of the General Corporation Law of the State of Delaware or otherwise.

(d) The term "judgments, fines and amounts paid in settlement" shall be broadly construed and shall include, without limitation, all direct and indirect payments of any type or nature whatsoever (including, without limitation, all penalties and amounts required to be forfeited or reimbursed to the Corporation), as well as any penalties or excise taxes assessed on a person with respect to an employee benefit plan).

(e) The term "Corporation" shall include, without limitation and in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

(f) The term "other enterprises" shall include, without limitation, employee benefit plans.

(g) The term "serving at the request of the Corporation" shall include, without limitation, any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

(h) A person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Agreement.

Section 8. Limitation on Indemnification. Notwithstanding any other provision herein to the contrary, the Corporation shall not be obligated pursuant to this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to an action, suit or proceeding (or part thereof) initiated by Indemnitee, except with respect to an action, suit or proceeding brought to establish or enforce a right to indemnification (which shall be governed by the provisions of Section 8(b) of this Agreement), unless such action, suit or proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

(b) Action for Indemnification. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any action, suit or proceeding instituted by Indemnitee to enforce or interpret this Agreement, unless Indemnitee is successful in establishing Indemnitee's

right to indemnification in such action, suit or proceeding, in whole or in part, or unless and to the extent that the court in such action, suit or proceeding shall determine that, despite Indemnitee's failure to establish their right to indemnification, Indemnitee is entitled to indemnity for such expenses; provided, however, that nothing in this Section 8(b) is intended to limit the Corporation's obligation with respect to the advancement of expenses to Indemnitee in connection with any such action, suit or proceeding instituted by Indemnitee to enforce or interpret this Agreement, as provided in Section 4 hereof.

(c) Section 16 Violations. To indemnify Indemnitee on account of any proceeding with respect to which final judgment is rendered against Indemnitee for payment or an accounting of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

(d) Non-compete and Non-disclosure. To indemnify Indemnitee in connection with proceedings or claims involving the enforcement of non-compete and/or non-disclosure agreements or the non-compete and/or non-disclosure provisions of employment, consulting or similar agreements the Indemnitee may be a party to with the Corporation, or any subsidiary of the Corporation or any other applicable foreign or domestic corporation, partnership, joint venture, trust or other enterprise, if any.

Section 9. Certain Settlement Provisions. The Corporation shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of any action, suit or proceeding without the Corporation's prior written consent, which shall not be unreasonably withheld. The Corporation shall not settle any action, suit or proceeding in any manner that would impose any fine or other obligation on Indemnitee without Indemnitee's prior written consent, which shall not be unreasonably withheld.

Section 10. Savings Clause. If any provision or provisions of this Agreement shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify Indemnitee as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the full extent permitted by applicable law.

Section 11. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for herein is held by a court of competent jurisdiction to be unavailable to Indemnitee in whole or in part, it is agreed that, in such event, the Corporation shall, to the fullest extent permitted by law, contribute to the payment of Indemnitee's costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, in an amount that is just and equitable in the circumstances, taking into account, among other things, contributions by other directors and officers of the Corporation or others pursuant to indemnification agreements or otherwise; provided, that, without limiting the generality of the foregoing, such contribution shall not be required where such holding by the court is due to (i) the failure of Indemnitee to meet the standard of conduct

set forth in Section 1 hereof, or (ii) any limitation on indemnification set forth in Section 6(c), 8 or 9 hereof.

Section 12. Form and Delivery of Communications. Any notice, request or other communication required or permitted to be given to the parties under this Agreement shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, return receipt requested, postage prepaid, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to the Corporation:

Stereotaxis, Inc.
4041 Forest Park Avenue
St. Louis, MO 63108
Attn: Controller
Facsimile: (314) 615-6922

If to Indemnitee:

[name]
[address]
Facsimile: [fax no.]

Section 13. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of this Agreement to expand further the indemnification permitted to directors or officers, then the Corporation shall indemnify Indemnitee to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

Section 14. Nonexclusivity. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Corporation's Certificate of Incorporation or ByLaws, in any court in which a proceeding is brought, the vote of the Corporation's stockholders or disinterested directors, other agreements or otherwise, and Indemnitee's rights hereunder shall continue after Indemnitee has ceased acting as an agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of Indemnitee. However, no amendment or alteration of the Corporation's Certificate of Incorporation or ByLaws or any other agreement shall adversely affect the rights provided to Indemnitee under this Agreement

Section 15. Enforcement. The Corporation shall be precluded from asserting in any judicial proceeding that the procedures and presumptions of this Agreement are not valid, binding and enforceable. The Corporation agrees that its execution of this Agreement shall constitute a stipulation by which it shall be irrevocably bound in any court of competent jurisdiction in which a proceeding by Indemnitee for enforcement of his rights hereunder shall have been commenced, continued or appealed, that its obligations set forth in this Agreement are unique and special, and that failure of the Corporation to comply with the provisions of this Agreement will cause irreparable and irremediable injury to Indemnitee, for which a remedy at

law will be inadequate. As a result, in addition to any other right or remedy Indemnitee may have at law or in equity with respect to breach of this Agreement, Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Corporation of its obligations under this Agreement.

Section 16. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by law.

Section 17. Entire Agreement. This Agreement and the documents expressly referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby are expressly superceded by this Agreement.

Section 18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 19. Successor and Assigns. All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives. The Corporation shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, by written agreement in form and substance reasonably satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

Section 20. Service of Process and Venue. For purposes of any claims or proceedings to enforce this agreement, the Corporation consents to the jurisdiction and venue of any federal or state court of competent jurisdiction in the states of Delaware and Missouri, and waives and agrees not to raise any defense that any such court is an inconvenient forum or any similar claim.

Section 21. Supercedes Prior Agreement. This Agreement supercedes any prior indemnification agreement between Indemnitee and the Corporation or its predecessors.

Section 22. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware. If a court of competent jurisdiction shall make a final determination that the provisions of the law of any state other than Delaware govern indemnification by the Corporation of its officers and directors, then the indemnification provided under this Agreement shall in all instances be enforceable to the fullest extent permitted under such law, notwithstanding any provision of this Agreement to the contrary.

Section 23. Employment Rights. Nothing in this Agreement is intended to create in Indemnitee any right to employment or continued employment.

Section 24. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument, notwithstanding that both parties are not signatories to the original or same counterpart.

Section 25. Headings. The section and subsection headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

STEREOTAXIS, INC.

By _____
Name: Bevil J. Hogg
Title: President

INDEMNITEE:

By _____
Name: [name]

LEASE

THIS IS A LEASE between EMERGING TECHNOLOGIES BUILDING II, LLC, A Missouri limited liability company, whose principal office is at 4041 Forest Park Avenue, St. Louis, MO 63108 (as the Lessor), and the Lessee identified as such on Exhibit A hereto attached hereto.

1. PREMISES; TERM; COMMON AREAS. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, for a Term commencing on the Commencement Date specified in Exhibit A hereto and ending on the Expiration Date specified in Exhibit A hereto (subject to Lessee's right to extend the Term as set forth in Exhibit A), the Leased Premises described in Exhibit A hereto and located in the building located at 20 South Sarah Street (aka 4059-4065 Forest Park Avenue), St. Louis, MO 63108 (the Building). During the Term, Lessee will have the license and right, subject to the provisions of this Lease and the Policies and Procedures promulgated from time to time by Lessor as provided herein, to use the Common Areas in common with Lessor and other Lessees in the Building. The Common Areas include common entranceways, lobby, corridors, lavatories, stairways, conference rooms, and break rooms in the Building, the property owned by Lessor on which the Building is situated (the Property), and the parking lot on the Property.

2. RENT

2.1. BASIC RENT. Lessee shall pay to Lessor as rent for the Leased Premises for the entire Term the Basic Rent specified in Exhibit A hereto, payable in the Monthly Rent Installments provided in Exhibit A hereto.

2.2. ADDITIONAL RENT. If so provided in Exhibit A hereto, Lessee shall also pay to Lessor Additional Rent as provided in Exhibit A hereto.

2.3. COMMON COSTS. If so provided in Exhibit A hereto Lessee shall further pay to Lessor Lessee's share of Common Costs as described in Exhibit A hereto. If there is no provision for separate payment of Common Costs, Basic Rent includes an apportionment to Lessee of Common Costs.

2.4. SPECIAL SERVICE CHARGES. Lessee acknowledges that, under an arrangement with Lessor, Center for Emerging Technologies (CET) provides special services, including telecommunications access and parking spaces, to tenants in the Building as provided in CET's Tenant Services Manual as promulgated from time to time. Lessee shall pay all charges for such special services and those additional special service charges described in Exhibit A hereto, if any (collectively, Special Service Charges). Lessee shall pay CET Special Service Charges directly to CET when billed and shall pay Lessor's Special Service Charges to Lessor when billed. Lessee shall comply with all of the requirements in CET's Tenant Services Manual for receiving special services from CET. The agreement of Lessee to pay CET's Special Service Charges and to comply with the requirements of CET's Tenant Services Manual is for the benefit of CET and may be enforced directly by CET.

2.5. PAYMENTS. The first Monthly Rent Installment is payable on the Commencement Date. Each Monthly Rent Installment thereafter is payable in advance on the first day of each calendar month after the Commencement Date. Any separate payment of Common Costs payable by Lessee under this Lease and any Special Service Charges then due are payable monthly when each Monthly Rent Installment is due. All payments shall be made without demand, deduction or offset, in lawful money of the United States of America. All payments received by Lessor will be applied first to Monthly Rent Installments then due, second to any Additional Rent then due, and third to Lessee's share of any Common Costs then due. Unless Lessee is notified otherwise, all payments due under this Lease shall be paid to "Emerging Technologies Building II, LLC c/o Emerging Technologies Management Corporation, 4041 Forest Park Avenue, St. Louis, MO 63108.

2.6. TENANT FIT-OUT. Lessor will cause a contractor selected and paid by it to fit out the Leased Premises as described in Attachment 1 to Exhibit A hereto. Unless otherwise provided in an Addendum to this Lease executed by Lessor and Lessee, Lessee shall pay to Lessor one-third of the estimated cost of completing the tenant fit-out upon execution of this Lease and shall pay the remaining cost of thereof to Lessor when the work is substantially completed and the Leased Premises are ready for occupancy. Unless otherwise provided in an Addendum to this Lease executed by Lessor and Lessee, Lessor will not further alter, modify, or improve the Leased Premises in any way.

2.7. DELAY IN OCCUPANCY. If delivery of possession of the Leased Premises is delayed beyond the Commencement Date for any cause whatsoever, including any delay in completion of tenant fit-out, Lessor will not be liable to Lessee for any damages resulting from such delay, but Lessee's obligation to pay Basic Rent and any Additional Rent and Common Costs will be abated until possession of the Leased Premises is delivered, In such case the Commencement Date will be the date of actual delivery of possession and the Expiration Date will be correspondingly extended and the first and last Monthly Rent Installments and any Additional Rent and Common Cost amounts due will be apportioned accordingly.

2.8. LATE CHARGES. IF any payment required to be made by Lessee is not made within 10 days after the date when it is due, Lessee shall pay to Lessor a late payment service fee equal to 5% of the amount of the payment that is late.

2.9. NO ESTOPPEL OR ACCORD AND SATISFACTION. No payment by Lessee or receipt and acceptance by Lessor of a lesser amount than is at any time due from Lessee under this Lease shall be deemed or treated as other than part payment of the full amount then due, nor shall any endorsement or statement on any check or any letter accompanying any check delivered as part payment of an amount then due be deemed an accord and satisfaction. Lessor may accept any such part payment without prejudice to Lessor's right to recover the full balance due or pursue any other remedy available under the law or this Lease.

3. SECURITY DEPOSIT. Lessee shall deposit with Lessor on or before the Commencement Date, and prior to the commencement of any fit-out work on the Leased Premises, the amount of

the Security Deposit specified in Exhibit A hereto, if any, as security for the full and faithful performance of all agreements of Lessee in this Lease, including the payment of Basic Rent and Additional Rent and Common Costs, if any. Upon the expiration or earlier termination of this Lease, if Lessee is not then in default under this Lease and has performed all of the agreements of Lessee in this Lease, Lessor will return the Security Deposit. The Security Deposit will not bear interest and may be co-mingled by Lessor with other funds of the Lessor. Lessee may not assign any rights with respect to the Security Deposit or grant a security interest in the Security Deposit to anyone other than Lessor.

4. UTILITIES AND SERVICES.

4.1. UTILITIES AND OTHER LESSOR PROVIDED BUILDING SERVICES. Except as otherwise provided with respect to Lessee's share of Common Costs, if any, and any Special Services Charges, Lessor will furnish at its own cost and expense electricity, natural gas, sewer and water service, reasonably adequate heating and air conditioning, normal trash pickup (exclusive of removal of Hazardous Substances), normal janitorial services, security for the Building and common areas, maintenance of standard tenant fixtures and finish, and maintenance and repair of Building systems, including telecommunications systems, HVAC systems, piping, security systems and data systems (Lessor Provided Building Services). Upon request by Lessee and where, at its own expense, Lessee makes alternative telecommunications arrangements for servicing of the Leased Premises, Lessor will adjust the Special Services Charges charged to Lessee so as to exclude charges for telecommunications services. Lessor will reasonably cooperate with Lessee in implementing any such alternative telecommunications arrangements (including consenting to reasonable minor improvements or alterations or other changes to the Leased Premises). Cessation of Utilities and Services.

4.2. CESSATION OF UTILITIES AND SERVICES. Lessor, without notice to Lessee, may cause the discontinuance, interruption or curtailment of any Lessor Provided Building Services whenever any amount payable by Lessee under this Lease, including amounts payable to CET, is not paid within 30 days after notice from Lessor or CET, as applicable, that such amount is past due. Lessor, after giving at least five days prior notice to Lessee, may cause the interruption or curtailment of any Lessor Provided Building Services whenever repairs, alterations, replacements, or improvements that are necessary or desirable in the reasonable judgment of Lessor. Lessor, without notice to Lessee, may cause the discontinuance, interruption or curtailment of any Lessor Provided Building Services whenever necessary because of accident or emergency. There shall be no diminution or abatement of Basic Rent, Monthly Rent Installments, Additional Rent, Common Costs, or any other amounts due from Lessee to Lessor under this Lease, or from Lessee to CET, nor shall any of Lessee's obligations under this Lease be reduced, nor shall Lessor or CET have any liability to Lessee for any such discontinuance, interruption, or curtailment. Except in the case of discontinuance, interruption or curtailment because an amount payable by Lessee under this Lease was not paid within 30 days after notice from Lessor or CET as provided above, Lessor will use all reasonable efforts to restore the affected Lessor Provided Building Service as soon as reasonably practicable.

5. USE OF LEASED PREMISES.

5.1. PERMITTED USES. Lessee shall use the Leased Premises only for general office, engineering and assembly purposes and for the purposes described in Exhibit A hereto and for no other purpose whatsoever without the prior written consent of Lessor, which may be given or withheld in Lessor's absolute discretion. Lessee shall not interfere with the transmission of heat, air conditioning, electricity, or any other utility or data services through the Leased Premises.

5.2. No WASTE, NUISANCE OR UNLAWFUL PURPOSE. Lessee shall not commit or allow any waste of the Leased Premises, nor shall Lessee maintain or permit any nuisance on the Leased Premises or use the Leased Premises for any unlawful purpose.

5.3. COMPLIANCE WITH LAWS. Lessee shall comply with all laws, ordinances, orders and regulations of any governmental authority which are applicable to its use of the Leased Premises. Without limiting the generality of the foregoing, Lessee shall comply with all applicable federal, state and local laws, ordinances, codes, rules, permits, licensing conditions and regulations regarding the handling, storage, handling, use, or release of Hazardous Substance, including the then-current versions of the following federal statutes, their state analogs, and the regulations implementing them: the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); CERCLA; the Clean Water Act (33 U.S.C. Section 1251 et seq.); the Clean Air Act (42 U.S.C. Section 7401 et seq.); and the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.) (collectively, the Environmental Requirements), and shall procure, at its expense, any and all licenses, permits, insurance and government approvals necessary to the operation of its business. The term Hazardous Substance includes any Hazardous Substance as defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., including any amendments thereto (CERCLA), any substance, waste or other material considered hazardous, dangerous, or toxic under any of the Environmental Requirements, petroleum and petroleum products, and natural gas. The term release means any intentional or unintentional spilling, pumping, emitting, emptying, discharging, escaping, leading, dumping, disposing or abandonment of any Hazardous Substance.

5.4. ENVIRONMENTAL MATTERS. Before Lessee uses, handles, stores, treats or disposes of any class of substances that are Hazardous Substances at the Leased Premises, Lessee shall give Lessor at least 10 days prior written notice identifying the intended quantities, uses, disposal or treatment methods and storage locations thereof. In using each such Hazardous Substance, Lessee shall comply with all applicable Environmental Requirements, the requirements of this Paragraph 5 and all applicable generally accepted safety conditions. In addition, Lessor shall have the right to specify in writing additional conditions for the use, handling, storage, treatment or disposal of each such class of Hazardous Substances, all of which Lessee shall comply with. Lessee shall take all steps necessary to remedy any violation of any Environmental Requirements by the Lessee, whether or not a citation or other notice of violation has been issued by a governmental authority. Lessee shall at its own expense promptly contain and remediate any release of

Hazardous Substances arising from or related to Lessee's Hazardous Substance activity at the Leased Premises and remediate any resultant damage to property, persons, or the environment. Lessor reserves the right periodically to conduct an environmental and safety inspection of the Leased Premises and areas beyond the Leased Premises, where necessary, such as the heating, ventilating and air conditioning system. Lessee shall give prompt written notice to Lessor of any release of any Hazardous Substance at the Leased Premises or into the surrounding environment not made in conformance with the Environmental Requirements, including a description of remediation measures required and taken by Lessee and a description of any resulting damage to persons, property or the environment. Lessee shall upon expiration or earlier termination of this Lease, surrender the Leased Premises to Lessor free from the presence and contamination of any Hazardous Substance. Following any breach by Lessee of the Environmental Requirements or this Paragraph, or in response to any reasonable safety or environmental concern by Lessor and irrespective of any such breach, Lessor may withdraw its consent to Lessee's Hazardous Substance activity (or any portion thereof) by written notice to Lessee. Lessee shall terminate its Hazardous Substance activity immediately upon notice and remove all Hazardous Substances from the Leased Premises within 15 days from the date of such notice, unless such breach or concern is promptly addressed and corrected by Lessee to Lessor's absolute satisfaction. Lessee shall at its sole cost and expense arrange for the disposal by properly licensed persons of any hazardous waste generated by Lessee in the Building. Lessee shall not dispose of any Hazardous Substances in the sanitary sewer system of the Leased Premises unless the Environmental Requirements permit and Lessor has consented to such method of disposal in writing, having determined in Lessor's absolute discretion that such disposal will not harm the sanitary sewer piping.

5.5. DISCHARGE INTO SEWERS. Lessee shall not discharge into the wastewater or stormwater systems of the Metropolitan Sewer District (MSD) any substance in violation of applicable laws, ordinances, orders or regulations or, without limiting the generality of the foregoing, substances (i) prohibited by Ordinance No. 8472 of MSD, or (ii) if permitted by Ordinance No. 8472 of MSD after an appropriate NPDES or other permit has been obtained, but for which such permit has not been obtained or is not in effect, or (iii) which otherwise is prohibited under Ordinance No. 8472 of MSD.

5.6. ANIMALS. Lessee shall not, without the prior written consent of Lessor, which may be given or withheld in Lessor's absolute discretion, keep or use any animals on the Leased Premises. If Lessor grants such consent at any time and Lessee keeps or uses animals on the Leased Premises, Lessee shall comply with all applicable requirements of the Animal Welfare Act, 7 U.S.C. P 2131, et seq., as it may be amended, and all similar federal, state and local laws, codes, ordinances and regulations.

5.7. INSURANCE REQUIREMENTS. Upon 30 days written notice, Lessee shall comply with all reasonable requirements and requests of any insurer or underwriter under any property or liability insurance policy maintained by Lessor with respect to the Building and with any requirements of the applicable Board of Fire Underwriters.

5.8. POLICIES AND PROCEDURES. Lessee shall comply with all Policies and Procedures regarding the operation and use of the Leased Premises, the Building, and the Common Areas as promulgated by Lessor in writing from time to time (the Policies and Procedures).

5.9. PARKING. Lessee's employees and visitors may use the common parking area at the Building on a non-exclusive, as available basis, but if Lessor allocates parking spaces among tenants in the Building, Lessee's employee's and visitors may only use the parking spaces so allocated to Lessee.

6. ALTERATIONS AND IMPROVEMENTS; FIXTURES. Lessee shall not make any alterations, improvements or other changes to the Leased Premises, including but not limited to boring holes in or attaching fasteners to any masonry or concrete wall, floor or column, or install any fixtures in the Leased Premises without the prior written consent of Lessor, which it may withhold or grant in its absolute discretion but will not unreasonably withhold; provided, however, that if Lessor has consented that Lessee may obtain access to alternative telecommunications services, Lessor will not unreasonably withhold its consent to such reasonable alterations, improvements or other changes as will enable Lessee to obtain such access. All alterations, improvements and changes, whether temporary or permanent in character, which are made to the Leased Premises either by Lessor or Lessee shall, as between Lessor and Lessee, be the sole property of Lessor and shall remain upon and be surrendered with the Leased Premises at the expiration or earlier termination of this Lease without compensation to Lessee. Lessee shall promptly remove all fixtures installed by Lessee in the Leased Premises if Lessor demands that Lessee do so upon the expiration or earlier termination of this Lease, and if Lessee fails to do so within 30 days after such demand, such fixtures shall, as between Lessor and Lessee, become the sole property of Lessor. Lessee shall repair all damages to the Leased Premises resulting from such removal, all at Lessee's sole cost and expense. All installation and removal of Lessee's fixtures shall be done in accordance with all applicable laws and ordinances and the rules and regulations of all governmental authorities having jurisdiction.

7. MAINTENANCE AND REPAIRS

7.1. LESSOR. Subject to reasons beyond its control and except as otherwise provided in Paragraph 7.2, Lessor will, at its sole cost and expense, repair and maintain the Leased Premises, the Building and the Property during the Term, except for damages resulting from the activities of Lessee or its agents, employees, visitors, licensees, contractors, or suppliers, ordinary wear and tear excluded. The foregoing notwithstanding, Lessor will not be liable to Lessee for any loss or damage to Lessee or its property that result from the performance of such maintenance or repair.

7.2. LESSEE. Lessee shall keep the Leased Premises in a clean and sanitary condition and free from trash, with flammable materials properly stored and vented as required by law. Lessee shall take good care of the Leased Premises and the fixtures, appurtenances and equipment therein and, at its sole cost and expense, make such repairs thereto necessitated by the activities of Lessee or its agents, employees, visitors, licensees, contractors, or suppliers, as and when needed to preserve them in good order and

condition, ordinary wear and tear excepted. All damage or injury to the Leased Premises, including the floors, walls and ceilings (and to the fixtures, appurtenances, and equipment therein) or to the Building or Property, caused by Lessee, its agents, employees, visitors, licensees, contractors, or suppliers, moving, installing or removing furniture equipment or other property into, within, or out of the Leased Premises shall be repaired, restored, or replaced promptly by Lessee at its sole cost and expense. If Lessee fails to make such necessary repairs, restorations and replacements, Lessor may do so and any cost or expense so incurred by Lessor shall be paid by Lessee to Lessor as additional rent payable with the Monthly Rent Installment next becoming due.

8. DAMAGE TO LEASED PREMISES. If the Leased Premises are damaged and such damage is not covered by insurance maintained by Lessor, or are destroyed or so damaged as to be rendered wholly unfit for occupancy and the Leased Premises cannot in Lessor's reasonable judgment be repaired or restored within 30 days from the date of such damage or destruction, then this Lease may be terminated by either the Lessor or the Lessee as of the date of such damage. If this Lease is so terminated, Lessee shall pay Basic Rent and any Additional Rent and Common Costs apportioned to the date of such damage and shall immediately surrender the Leased Premises to Lessor and Lessee will be relieved from any further liability for Basic Rent and any Additional Rent and Common Costs under this Lease. If this Lease is not terminated, Lessor will repair the damage as promptly as reasonably possible and this Lease shall remain in full force and effect, except that if Lessee cannot use the Leased Premises while such repairs are being made, Basic Rent and any Additional Rent otherwise payable for such period will not accrue during such period. If the Leased Premises are so damaged as not to be rendered wholly unfit for occupancy and such damage is covered by insurance maintained by Lessor and the proceeds payable on such insurance will be sufficient to effect repairs, Lessor will repair the Leased Premises as promptly as reasonably possible after collection of the insurance proceeds, and until the repairs are completed, Basic Rent and any Additional Rent, as apportioned both to such period of repair on a per diem basis and according to the extent that Lessee is unable to use the Leased Premises, will abate.

9. EMINENT DOMAIN/CONDEMNATION. If the Leased Premises or any substantial part of the Building or the Property are taken by under any power of eminent domain or condemnation, this Lease shall terminate immediately upon notice by Lessor or Lessee to the other. Lessee will have no claim or interest in or to any award of damages for such taking, but Lessee may seek a separate award for its damages and expenses as allowed by law.

10. LESSOR'S RIGHTS OF ACCESS.

10.1. CONSTRUCTION. Lessor has the right at any time, upon reasonable notice to Lessee, to enter the Leased Premises in connection with the completion of tenant fit-out in the Leased Premises, the making of repairs to the Building or any Common Area or the construction of any additions or improvements to the Building, the Property or any Common Area, provided that in the exercise of such right Lessor shall not unreasonably interfere with Lessee's use of the Leased Premises.

10.2. INSPECTIONS AND EMERGENCIES. Lessor has the right to enter the Leased Premises at any reasonable time, upon reasonable notice to Lessee, to make inspections and at any time to act in emergencies.

11. INSURANCE.

11.1. COMMERCIAL LIABILITY. Lessee shall obtain and maintain throughout the Term and pay all premiums for insurance as described in Exhibit A hereto. From time to time upon Lessor's request, Lessee shall furnish to Lessor a certificate satisfactory to Lessee that such insurance is in full force and effect and all premiums due therefor have been paid.

11.2. WORKERS' COMPENSATION. Lessee shall obtain and maintain throughout the Term and pay all premiums for workers' compensation/employer's liability insurance as may be required by law.

11.3. POLICIES. All policies of insurance that Lessee is required under this Lease to maintain shall be issued by solvent and reputable insurance companies reasonably acceptable to Lessor and authorized to provide insurance in the State of Missouri, and shall be in such form as is reasonably acceptable to Lessor and which provides that such insurance cannot be cancelled except upon 30 days notice to all insureds.

11.4. LESSEE'S PROPERTY. Lessee acknowledges that any insurance carried by Lessor will not cover loss or damage to any of Lessee's property, including any fixtures installed in the Leased Premises. All of Lessee's property within the Leased Premises shall be at the sole risk of Lessee or those claiming through or under Lessee. Lessee assumes all risks of damage or loss to its property at the Leased Premises, whatever the cause, including Lessor's negligence.

12. DEFAULTS AND REMEDIES.

12.1. DEFAULTS BY LESSEE. Each of the following events will constitute a Default by Lessee under this Lease:

(a) Lessee fails to make a payment to Lessor due under this Lease within 10 days after notice from Lessor to Lessee that such payment was not made when due.

(b) Lessee fails to fully perform any other agreement or obligation of Lessee under this Lease within 30 days after notice..

(c) Lessee files or has filed against it a petition for relief under the United States Bankruptcy Code or any analogous state law, or makes a general assignment for the benefit of creditors.

(d) A receiver or trustee is appointed for, or to take possession of, all or a substantial part of the property of Lessee or of Lessee's leasehold interest in the Leased Premises and such appointment is not discharged within 30 days.

(e) Lessee vacates or abandons the Leased Premises.

(f) There is an attachment, execution or other judicial seizure of all or a substantial part of the assets of Lessee or Lessee's leasehold interest in the Leased Premises and such attachment, execution or seizure is not discharged within 30 days.

(g) If Lessee is not an individual, Lessee dissolves or liquidates or substantially ceases to conduct its usual activities.

References to a Default in any provision of this Lease other than in this Section 12 are intended as references only to a Default by Lessee described above.

12.2. DEFAULTS BY LESSOR. Each of the following events will constitute a Default by Lessor under this Lease:

(a) Lessor fails to fully perform any agreement or obligation of Lessor under this Lease within 30 days after notice and such failure materially prevents Lessee from conducting its usual activities in the Leased Premises.

(c) Lessor files or has filed against it a petition for relief under the United States Bankruptcy Code or any analogous state law, or makes a general assignment for the benefit of creditors.

(d) A receiver or trustee is appointed for, or to take possession of, all or a substantial part of the property of Lessor or of Lessor's leasehold interest in the Building and Property and such appointment is not discharged within 30 days.

(e) Lessor vacates or abandons the Leased Premises.

(f) There is an attachment, execution or other judicial seizure of all or a substantial part of the assets of Lessor or Lessor's leasehold interest in the Building and Property and such attachment, execution or seizure is not discharged within 30 days.

(g) Lessor dissolves or liquidates or substantially ceases to conduct its usual activities.

12.3. REMEDIES OF LESSOR. Upon the occurrence of a Default by Lessee that is not waived in writing by Lessor:

(a) Lessor may re-enter and repossess the Leased Premises, in which event this Lease shall terminate without prejudice to the right of Lessor to recover from Lessee all Basic Rent and any Additional Rent and Common Costs then due and unpaid; and Lessor may re-sublet the Leased Premises for the remainder of the Term and recover from Lessee the difference between the rents provided under this Lease and the amount rents obtained by such re-letting, less the costs and expenses reasonably incurred by Lessor in such re-letting. If the rents obtained upon re-subletting exceed the rents provided under this Lease, Lessor will not be required to pay such excess to Lessee.

(b) Lessor shall be entitled to obtain a judgment against Lessee for any amount then due and unpaid under this Lease, together with all the Basic Rent and Additional Rent and Common Costs, if any, payable by Lessee for the balance of the Term as if they had become immediately due and payable, together with all costs of collection, including attorneys fees.

12.4. REMEDIES OF LESSEE. Upon the occurrence of a Default by Lessor that is not waived in writing by Lessee, Lessee may terminate the lease upon 30 days written notice.

13. NON-WAIVER. Acceptance by Lessor of part of any payment due from Lessee shall not constitute an accord and satisfaction or waiver of the right of Lessor to collect the remainder. Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of their rights hereunder. No waiver by either party at any time, express or implied, or any breach of any provision of this or a consent to any subsequent breach of the same or any other provision.

14. SUBORDINATION TO MORTGAGE. This Lease shall be subject and subordinate at all times to any mortgage on the Building and/or the Property which Lessor or any successor in title may at any time grant. Lessee shall execute and deliver such further instruments subordinating this Lease to the lien of any such mortgage as may be reasonably requested or demanded by the mortgagee, provided that such instrument contains a provisions that Lessee's use and enjoyment of the Leased Premises may not be disturbed unless and until a Default by Lessee has occurred. Lessee hereby appoints Lessor as the attorney-in-fact of Lessee with the irrevocable power to deliver any such instrument or instruments on behalf of Lessee. The holder of any mortgage on the Building or the Property, either in its capacity as mortgagee, mortgagee in possession, or successor in title, or any purchaser of the Building or the Property, as applicable, at a foreclosure sale under any such mortgage, will not be liable or accountable to Lessee for the Security Deposit.

15. SURRENDER ON EXPIRATION OR EARLIER TERMINATION. Lessee shall surrender the Leased Premises to Lessor immediately upon expiration or earlier termination of this Lease, broom clean and in as good condition as existed on the Commencement Date, ordinary wear and tear and damage as contemplated in Paragraph 8 hereof alone excepted. Lessee shall at its sole cost and expense remove all property of Lessee within the Leased Premises remove all fixtures which Lessor has demand that Lessee remove as provided in Paragraph 6 hereof, repair all damages to the Leased Premises caused by such removal and restore the Leased Premises to the condition in which they were prior to the installation of the items so removed. All property of Lessee that is not removed from the Leased Premises as provided in this Paragraph will be deemed to have been abandoned by Lessee and may be retained or disposed of by Lessor without any liability or accountability to Lessee. The obligations of Lessee under this Paragraph shall survive the expiration of earlier termination of the Term.

16. HOLDING OVER. If Lessee does not surrender possession of the Leased Premises as required under Paragraph 15, Lessee shall become a tenant from month to month provided that Lessee pays Basic Rent, Additional Rent and Common Costs to Lessor in such amounts as Lessor is then charging for space in the Building comparable to the Leased Premises, but until

Lessor accepts the tender thereof, Lessor shall continue to be entitled to re-enter or repossess the Leased Premises as provided in Paragraph 12.1 in the case of a Default, and Lessee shall be liable to Lessor for any loss or damage it may sustain by reason of Lessee's failure to so surrender possession of the Leased Premises.

17. ASSIGNMENT AND SUBLETTING. Lessee shall not assign, transfer, mortgage, or encumber this Lease, or sublet the Leased Premises, without obtaining the prior written consent of Lessor, which may be withheld or granted in the absolute discretion of Lessor. The consent by Lessor to any assignment, transfer, or subletting shall not constitute a waiver of any of the agreements of Lessee in this Lease, nor shall the collection or acceptance of rents or other amounts from any such assignee, transferee, or sublessee constitute a waiver of any of the agreements of Lessee in this Lease.

18. RIGHTS AND REMEDIES CUMULATIVE. The rights and remedies provided by this Lease are cumulative and in addition to any other rights and remedies provided by law or in equity, and the use of any right or remedy shall not preclude or waive the right the right to use any other remedy.

19. NOTICES AND DEMANDS. All notices required or permitted under this Lease shall be deemed to have been given if either personally delivered to the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, or Controller of Lessee, or deposited in the United States mail, certified or registered with return receipt requested, postage prepaid, addressed to the intended recipient at the address of the intended recipient contained in this Lease, or to such other address as the intended recipient has given notice to the sender as provided in this Paragraph, and in the case of a notice addressed to Lessee, to the attention of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, or Controller of Lessee, or in the case of a notice to Lessor, to the attention of the President or Director of Operations of Lessee.

20. LESSOR'S RIGHT TO REMEDY LESSEE'S BREACHES. If Lessee fails to obtain and maintain insurance, or to comply with Environmental Requirements, or otherwise fail to fully perform any of Lessee's agreements in this Lease, Lessor may do so upon 30 days written notice to Lessee, except for emergency Environmental Requirements, as Lessee's attorney-in-fact, after the expiration of, any notice or grace period provided in this Lease, and all reasonable out-of-pocket costs and expenses incurred or paid by Lessor in connection therewith will be added to the next Monthly Rent Installment and will be due and payable as such, or Lessor may deduct the amount thereof from the Security Deposit. Lessor's rights under this Paragraph are in addition to the rights of Lessor under Paragraph 12.1.

21. SIGNS. Lessor will provide a directory in the lobby area of the Building and will identify Lessee's business name thereon and will provide a name plate on or near the door to the Leased Premises. Lessee will not have the right to place any other signs in the Building or Common Areas without Lessor's prior written consent, which Lessor may withhold or grant in its absolute discretion.

22. LESSEE'S INDEMNITY. Lessee shall indemnify Lessor and its officers, directors, agents, and employees and save them harmless from and defend them against all claims, actions, losses, costs and expenses (including reasonable attorneys' and other professional fees), judgments,

settlement payments, and, whether or not reduced to final judgment, all liabilities, damages, or fines paid, incurred or suffered by such parties in connection with loss of life, personal injury, or damage to property or the environment to the extent arising, directly or indirectly, from any acts or omissions of Lessee or any of its principals, officers, directors, agents, employees, contractors, or invitees or any other occupant of the Leased Premises, including such acts or omissions that are in violation of any of the provisions of this Lease and any such act or omission involving the use, handling, generation, treatment, storage, disposal, other management or release of any Hazardous Substance. Lessee's obligations and liabilities under this Paragraph shall survive the expiration or earlier termination of this Lease.

23. CAPTIONS OF ARTICLES. The captions of the Paragraphs in this Lease are for convenient reference only, and the words contained therein shall be in no way held to explain, modify, amplify or aid in the interpretation, construction, or meaning of the provisions of this instrument.

24. SUCCESSORS AND ASSIGNS. This Lease binds Lessee and Lessee's heirs, successors and assigns and inures to the benefit of Lessor and its successors and assigns. This lease is not assignable by the Lessee, nor may the Leased Premises be sublet, without the prior written consent of Lessor, which may be granted or withheld in the absolute discretion of Lessor.

25. GOVERNING LAW. This Lease shall be governed by and construed and interpreted in accordance with the internal laws of the State of Missouri applicable to contracts made and to be performed wholly within Missouri.

26. FINAL AGREEMENT. This Lease is intended by the parties as a final expression of their agreements with respect to its subject matter and is intended as a complete and exclusive statement of the terms and conditions thereof.

27. AMENDMENTS AND WAIVERS. No amendment to, waiver of or departure from full compliance with any provision of this Lease by Lessee, or consent to any departure by Lessee herefrom, will be effective unless it is in writing and signed by authorized officer of Lessor. Any such waiver or consent will be effective only in the specific instance and for the purpose for which given.

Executed as of the Lease Effective Date specified in Exhibit A hereto.

LESSOR:

EMERGING TECHNOLOGIES BUILDING II, LLC
by its Manager

Emerging Technologies Management Corporation
by its Vice President

/s/ William B. Simon

William B. Simon

LESSEE:

/s/ B. J. HOGG
---
by its

EXHIBIT A

Name of Lessee: Stereotaxis, Inc.

Notice Address of Lessee: 4041 Forest Park Avenue, St. Louis, MO 63108-2211

Description of Leased Premises:

The entire third floor (except for the rest rooms, janitor's closet and electrical/telephone closets) and the north end of the first floor which is further identified as all 3xx suites and suite 140 in the Building and is approximately delineated on the sketch in Attachment 1 hereto, and consists of 14,735 ft(2) on the third floor and 8,020 ft(2) on the first floor.

Lease Effective Date: August 15, 2001

Term: Three (3) years plus 4.5 months

Commencement Date: August 15, 2001

Expiration Date: December 31, 2004.

Lessee shall have the option to renew this Lease for four additional three month terms (the "Renewal Terms") commencing at the end of the initial Term or each Renewal Term by giving Lessor written notice of renewal no later than ninety (90) days prior to the end of the Initial Term or the applicable Renewal Term, as the case may be. Such Renewal Term shall be on the same terms and conditions as contained herein (including as to Basic Rent as provided below), provided that Lessee may, at its option lease only a portion of the Premises (i.e., either the third floor space or the individual suites on either the first floor or the 2nd floor), provided that the rent shall be adjusted appropriately on a pro rata basis based on the square footage of the premises covered by such renewal, and provided that Lessee may not exercise a renewal option for only part of any contiguous space without the prior written consent of the Lessor. By way of example, Lessee cannot divide the either the 3rd floor space and lease only part of such without the prior written consent of the Lessor.

Basic Rent:

$ 15 per square foot per year ($301,650.00 per annum), or $ 25,137.50 per month, for the period from the Commencement Date to January 1, 2002. $ 15.75 per square foot per year ($316,732.50 per annum), or $26,394.38 per month, for the period from January 1, 2002 to January 1, 2003. $ 16.50 per square foot per year ($331,815.00 per annum), or $ 27,651.25 per month, for the period from January 1, 2003 to January 1, 2004. $ 17.25 per square foot per year ($346,897.50 per annum), or $ 28,908.13 per month, for the period from the January 1, 2004 to December 31, 2004. $18 per square foot per year for the period from January 1, 2005 to December 31, 2005, in equal monthly installments.

Monthly Rent Installments:

Payable on the Commencement Date: $ 12,568.76

Payable on the first day of each month after the Commencement Date: $25,137.50

Payable on the first day of the last month of the Term: $13,825.63

Security Deposit: $25,137.50

Common Costs and Lessee's Share: (1) Common Costs include property taxes on the Building (shared based on square footage of spaces leased and estimated, but not guaranteed to be $0.12 per square foot per year);

Special Service Charges: (1) Parking: $0.50 per square foot per year, payable in monthly installments to Center for Emerging Technologies once the Parking Lot at the Northwest corner of Sarah and Forest Park is available; (2) Telecommunications charges - see Attachment 2 hereto Tenant fit-out to be built by Lessor, if any, is described on Attachment 1 hereto.

Additional Permitted Uses of Leased Premises: Third floor-general office, First floor-assembly and engineering functions.

Insurance required to be maintained by Lessee:

(1) Commercial General Liability insurance, with Lessor, the Land Clearance for Redevelopment Authority of the City of Louis, St. Louis Development Corporation, the U.S. Economic Development Administration, the Missouri Development Finance Corp., the University of Missouri, the Missouri Department of Economic Development and Midwest BankCentre named as additional insureds and having the following coverages and limits:

(a) Products and Completed Operations: $2,000,000

(b) General Aggregate: $2,000,000

(c) Personal Injury/Advertising Injury Liability: $1,000,000

(d) Per Occurrence: $1,000,000

(e) Fire Legal Liability: $300,000 ($1,000,000 if wet lab space is included in the Leased Premises)

(f) Medical Payments: $5,000

Lessee's Right to Terminate: Lessee may terminate this Lease upon 30 days written notice if (i) Lessor fails to fully perform any agreement or obligation of Lessor under this Lease within 30 days after notice from Lessee to Lessor, or (ii) Lessor files or has filed against it a petition for relief under the United States Bankruptcy Code or any analogous state law, or makes a general assignment for the benefit of creditors, or a receiver or trustee is appointed for, or to take possession of, the Leased Premises, or (iii) Lessor dissolves or liquidates or substantially ceases to conduct its usual activities.

ATTACHMENT 1
DESCRIPTION OF TENANT FIT-OUT TO BE BUILT BY LESSOR
See attached pages

Lessor's Lessee acknowledge that Tenant Fit-Out has been satisfactory completed

ATTACHMENT 2
TELECOMMUNICATIONS USER FEES
PAYABLE TO CENTER FOR EMERGING TECHNOLOGIES

Tenant phone line usage is expected to be one (1) line per 200 square feet. Charges based on the following schedule of fees are payable each month as invoiced for the telecommunications products and services used at the Center:

1. Line charge (per each number), i.e.

a. Direct Inward Dial (DID) 615-69xx, or 63xx	$35.00/month
b. Non-DID (dial out or around GET) 615-68xx	$20.00/month
c. Installationor moves	$35.00 each

2. Telephone equipment (per each)

a. Basic analog desk set (Lucent model 8102)	$ 7.00/month
b. Digital desk set (Lucent 8405B+)	$10.00/month
c. Digital display desk set (Lucent 8410D)	$14.00/month

3. Data port activation (Ethernet)

a. Charge per active 10/100 meg autos data port	$ 8.00/month/port
b. Installation or moves	$10.00 each
c. Charge per active data port	$20.00/month/port if used without telephone line activation

Network cards are the responsibility of each tenant.

4. Long distance charges) Actual cost including all applicable taxes and fees

6. Any special programming, maintenance work, systems enhancements, fiber connections, networking hardware and software, or expansion of telecommunications equipment, line requirements, ports, etc.

7. Keys and High Security Key Cards (or Fobs)

a. Key Cards or Fobs	$20 deposit
b. Keys (or other locksmith work) (over 1 per 250 sf)	$10 each or direct expense

All special charges not detailed on the above schedule will be communicated to Lessee prior to commencement of work. The above fees may be adjusted at any time with 30 days advance notification to tenant.

Exhibit 10.17

AT-WILL EMPLOYMENT AGREEMENT

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

1. Position; Salary; Incentive Compensation; Termination.

1.1 Position: Employee shall serve as Vice President and Chief Financial Officer or in such other capacity or capacities as Stereotaxis may from time to time direct. Employee shall report to Bevil J. Hogg or such other person as he may from time to time direct. Employee's supervisor shall schedule employee's hours of work and Employee's position with the Company is Exempt.

1.2 Salary: Employee shall be paid a base salary equivalent to $200,000 (annualized) in semi-monthly installments, which shall be subject to applicable withholdings and deductions (pro-rated based on Employee's start date). Employee shall also have an incentive bonus opportunity of up to 25% of his salary subject to attainment of goals (pro-rated based on Employee's start-date) as provided for in the Employee's offer letter.

1.3 Incentive Compensation: Employee shall be granted an option to purchase up to 250,000 shares of stock in accordance with the Company's 2002 Incentive Stock Incentive Plan in accordance with the terms of his offer letter.

1.4 Termination: If Employee is terminated without cause, Employee shall be eligible for up to 12 months of salary continuation under certain circumstances as defined in his offer letter.

2. Vacation and Sick Leave Benefits (PTO).

The terms and conditions under which Employee is eligible for paid time off (PTO) is governed by the Employee Handbook; however, the number of vacation and sick leave days available to Employee will be as described in his offer letter.

3. Company Benefits.

While employed by the Company, Employee shall be entitled to receive the benefits of employment as the Company may offer from time to time. Employee agrees that as a condition of Employee's employment by the Company that Employee will be bound and subject to the terms and conditions of the Company's Employee Handbook. The Employee Handbook may be revised from time to time at the sole discretion of the Company.

4. Attention to Duties; Conflict of Interest.

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

5. Proprietary Information.

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

6. At-Will employer.

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

7. Binding Arbitration.

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

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

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

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

8. No Inconsistent Obligations.

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

9. Miscellaneous.

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

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

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

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

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

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

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

Employee and Stereotaxis have executed this Agreement and agree to enter into and be bound by the provisions hereof as of 3/22/04.

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

STEREOTAXIS, INC.

By: /s/ BEVIL J. HOGG

Name: Bevil J. Hogg, President and CEO

TIMOTHY J. MORTENSON

Signature: /s/ TIMOTHY J. MORTENSON

EXHIBIT A

CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncomplete Agreement ("Agreement") is made and entered into this 22nd day of March, 2004, by and between Stereotaxis, Inc., a Delaware corporation ("Company"), and Timothy J. Mortenson, ("Employee").

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

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

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

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

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

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

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

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

1. Employment Services.

1.1 Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated to Employee by Company, (ii) devote Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of Company's rules, policies and procedures of Company, including, but not limited to, working hours, sales and promotion policies and specific Company rules.

1.2 "Company" means Stereotaxis, Inc. or one of its subsidiaries; whichever is Employee's employer. The "Subsidiary" means any corporation, joint venture or other business

organization in which Stereotaxis, Inc. now or hereafter, directly or indirectly, owns or controls more than fifty percent (50%) interest.

2. Confidential and Trade Secret Information.

2.1 Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential and Trade Secret Information.

2.2 "Confidential and Trade Secret Information" includes any information pertaining to Company's business which is not generally known in the medical devices industry, such as, but not limited to, trade secrets, know-how processes, designs, products, documentation, quality control and assurance inspection and test data, production schedules, research and development plans and activities, equipment modifications, product formulae and production and recycling records, standard operating procedure and validation records, drawings, apparatus, tools, techniques, software and computer programs and derivative works, inventions (whether patentable or not), improvements, copyrightable material, business and marketing plans, projections, sales data and reports, confidential evaluations, the confidential use, nonuse and compilation by the Company of technical or business information in the public domain, margins, customers, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, operational methods, strategic plans, training materials, internal financial information, operating and financial data and projections, distribution or sales methods, prices charged by or to Company, inventory lists, sources of supplies, supply lists, lists of current or past employees, mailing lists and information concerning relationships between Company and its employees or customers.

2.3 During Employee's employment, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by the Company, except as expressly permitted or required for the proper performance of his or her duties on behalf of the Company.

3. Post-Termination Restrictions.

Employee recognizes that (i) Company has spent substantial money, time and effort over the years in and in developing its Confidential and Trade Secret Information; (ii) Company pays its employees to, among other things, develop and preserve business information, customer goodwill, customer loyalty and customer contacts for and on behalf of Company; and (iii) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises contained herein not to put himself or herself in a position following Employee's employment with Company in which the confidentiality of Company's information might somehow be compromised. Accordingly, Employee agrees that during Employee's employment with Company, and for a period of two years thereafter, regardless of how Employee's termination occurs and regardless of whether it is with or without cause. Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

3.1 engage in, assist or have an interest in, enter the employment of, or act as an agent, advisor or consultant for, any person or entity which is engaged, or will be engaged, in the development, manufacture, supplying or sale of a product, process, apparatus, service or development which is competitive with a product, process, apparatus, service or development on which Employee worked or with respect to which Employee has or had access to Confidential or Trade Secret Information while at Company ("Competitive Work"), and which Employee seeks to serve in any market which was being served by Employee at the time of Employee's termination or was served at any time during Employee's last six (6) months of employment by Company. Competitive Work shall be

limited to the field of magnetic instrument guidance and related therapeutic agents or devices;

3.2 solicit, call on or in any manner cause or attempt to cause, or provide any Competitive Work to any customer or active prospective customer of the Company with whom Employee dealt, or on whose account he or she worked for which Employee was responsible, or with respect to which Employee was provided or had access to Confidential and Trade Secret Information to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Company; and

3.3 induce or attempt to induce any Employee, consultant or advisor of Company to accept employment or an affiliation with an organization other than Stereotaxis.

4. Acknowledgement Regarding Restrictions.

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

5. Inventions.

5.1 Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) Company's current and anticipated research or development, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such. Employee assigns and agrees to assign to Company any and all right, title and interest in and to any such ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like, whenever requested to do so by Company, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests.

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

6. Company Property.

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

surrendered to Company upon Employee's termination of employment and on demand at any time by Company.

7. Non-Waiver of Rights.

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

8. Company's Right to Injunctive Relief.

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

9. Invalidity of Provisions.

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

10. Employee Representations.

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

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

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

12. Employment at Will.

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

13. Exit Interview.

To ensure a clear understanding of this Agreement, Employee agrees, at the time of termination of Employee's employment, to engage in an exit interview with Company at a time and place designated by Company and at Company's expense. Employee understands and agrees that during said exit interview,

Employee may be required to confirm that Employee will comply with Employee's obligations under Sections 2, 3 and 5 of this Agreement. Company may elect, at its option, to conduct the exit interview by telephone.

14. Amendments.

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

15. Assignments.

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

16. Choice of Forum and Governing Law.

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

17. Headings.

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

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

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

/s/ TIMOTHY J. MORTENSON
- ----------
Timothy J. Mortenson

/s/ BEVIL J. HOGG
- ----------
Sterotaxis, Inc.

EXHIBIT 10.21

LOAN AND SECURITY AGREEMENT
Stereotaxis, Inc.
January 31, 2002

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LOAN AND SECURITY AGREEMENT THIS LOAN AND SECURITY AGREEMENT (this "Agreement") dated January 31, 2002 between SILICON VALLEY BANK ("Bank"), whose address is 3003 Tasman Drive, Santa Clara, California 95054, with a loan production office located at 230 West Monroe, Suite 720, Chicago, Illinois 60606, and STEREOTAXIS, INC. ("Borrower"), a Delaware corporation with chief executive offices located at 4041 Forest Park Avenue, St. Louis, Missouri 63108, provides the terms on which Bank will lend to Borrower and Borrower will repay Bank. The parties agree as follows: 1 ACCOUNTING AND OTHER TERMS Accounting terms not defined in this Agreement will be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation" in this or any Loan Document. Capitalized terms in this Agreement shall have the meanings set forth in Section 13. This Agreement shall be construed to impart upon Bank a duty to act reasonably at all times. 2 LOAN AND TERMS OF PAYMENT 2.1 CREDIT EXTENSIONS. Borrower will pay Bank the unpaid principal amount of all Credit Extensions and interest on the unpaid principal amount of all Credit Extensions. 2.1.1 EQUIPMENT LOAN. (a) Bank will make an Equipment Loan available to Borrower. The Equipment Loan shall be funded by a single advance to be executed no later than January 31, 2002 (the "Equipment Advance"). The Equipment Advance may only be used to finance or pay for Eligible Equipment purchased on or after August 1, 2001. The Equipment Advance may not exceed 100% of the invoice for Eligible Equipment and up to 30% of the Equipment Advance may include soft costs, such as transferable software licenses, leasehold improvements, sales taxes, shipping, warranty charges, freight discounts and installation expenses. By June 30, 2002, Borrower shall have submitted to Bank invoices for Eligible Equipment equal to the amount of the Equipment Loan. In the event Borrower fails to submit to Bank by June 30, 2002, invoices for Eligible Equipment equal to the Equipment Loan, Bank may demand, and Borrower shall pay to Bank, the difference between the Equipment Loan and the amount of the invoices for Eligible Equipment submitted to the Bank. If Borrower is required to make a pay down in accordance with the preceding provision, the Equipment Loan Payment shall be adjusted pro-rata. (b) Borrower will pay 36 equal monthly installments of principal plus accrued interest of $64,000 (the "Equipment Loan Payment"), with the first and last payment due on the Closing Date and deducted from the Equipment Advance. Each subsequent Equipment Loan Payment is payable on the first day of each month, commencing on March 1, 2002 and continuing on the first day of each month until 36 months after the Advance (the "Equipment Loan Maturity Date") when all outstanding principal and interest will be due and payable.

Interest accrues at the rate in Section 2.2(a). The Equipment Loan when repaid may not be reborrowed. (c) To obtain the Equipment Advance, Borrower must deliver to Bank the Payment/Advance Form attached as Exhibit B which must be signed by a Responsible Officer and include a copy of the invoices for the Eligible Equipment being financed. Bank shall credit the Equipment Advance to Borrower's deposit account. Borrower can transfer the Equipment Advance from Borrower's account on the date the Bank makes the Equipment Advance, if the transfer is within regular business hours of the Bank. Bank may make the Equipment Advance under this Agreement based on instructions from a Responsible Officer or his or her designee. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. 2.2 INTEREST RATE: PAYMENTS. (a) Interest Rate. The Equipment Loan accrues interest on the outstanding principal balance at the rate of 10 per cent per annum. After an Event of Default, Obligations accrue interest at 5 percent above the rate effective immediately before the Event of Default. Interest is computed on a 360-day year for the actual number of days elapsed. (b) Payments. Interest and principal on the Equipment Loan is payable on the first day of each month following the Advance under the Equipment Loan. Bank may debit any of Borrower's deposit accounts including Account Number 501569370 for principal and interest payments or any other amounts that Borrower owes Bank under this Agreement if the same are not paid within fifteen days of the date when due. Bank will notify Borrower when it debits Borrower's accounts. These debits are not a set-off. Payments received after 12:00 noon Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day. (c) Pre-Payments. Borrower shall be allowed to prepay the Equipment Loan without premium or penalty, except with respect to the Final Payment, described in Section 2.2(d) below. (d) Final Payment. On the date of the final Equipment Loan Payment, or upon prepayment of the Equipment Loan in full, Borrower will pay, in addition to the unpaid principal and accrued interest and all other amounts due on such date with respect to the Equipment Loan, an amount equal to the Final Payment. 2.3 AGREEMENTS REGARDING INTEREST AND OTHER CHARGES. Borrower and the Bank agree that the only charges imposed or to be imposed by Bank upon Borrower for the use of money in connection with the Obligations is and will be the interest required to be paid under the provisions of this Agreement as well as the related provisions of the Loan Documents, the amount of interest due and payable under this Agreement or the Loan Documents will not exceed the maximum rate of interest allowed by applicable law and, if any payment is made by Borrower or received by Bank in excess of such payment, such sum shall be credited as a payment of principal. It is the express intent that Borrower not pay and the Bank 4

not receive, directly or indirectly or in any manner, interest in excess of that which may be lawfully paid under applicable law. All interest and other charges, fees or other amounts deemed to be interest which are paid or agreed to be paid to Bank under this Agreement or the Loan Documents shall, to the maximum extent permitted by applicable law, be amortized, allocated and spread on a pro-rata basis throughout the entire actual term of the Obligations. Any and all fees payable under this Agreement are not intended, and will not be deemed to be interest or a charge for use of money, but rather will constitute an "other charge." 2.4 FEES. Borrower will pay to Bank: (a) Facility Fee. A facility fee of $10,000 for the Equipment Loan shall be paid upon execution of this Agreement; and (b) Bank Expenses. All Bank Expenses incurred through and after the date of this Agreement, are payable when due. 2.5 ADDITIONAL COSTS. If, after the date hereof, any new law or regulation increases Bank's costs or reduces its income for any loan to a level that would have been achieved but for such new regulation or law, Borrower will pay the increase in cost or reduction in income or additional expense; provided, however, that Borrower shall not be liable for any amount attributable to any period before 180 days prior to the date Bank notifies Borrower of such increased costs. Bank agrees that it will allocate any increased costs among its customers similarly affected in good faith and in a manner consistent with Bank's customary practice. 3 CONDITIONS OF LOAN 3.1 CONDITIONS PRECEDENT TO INITIAL CREDIT EXTENSION. Bank's obligation to make the initial Credit Extension is subject to the conditions precedent that the Borrower executes, and the Bank receives (i) a fully executed copy of this Agreement; (ii) a fully executed copy of the Warrant Agreement, attached hereto as Exhibit D; (iii) all executed financing statements, termination statements, and subordination agreements which the Bank requires; (iv) corporate resolutions authorizing Borrower to enter into the Agreement; (v) the opinion of Borrower's counsel in a form acceptable to the Bank; (vi) timely receipt of Payment/Advance Form attached hereto as Exhibit B; and (vii) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form. Bank shall have received from Borrower revised balance sheet projections reclassifying equipment from research and development expenses to capitalized fixed assets. 3.2 RESERVED. 4 CREATION OF SECURITY INTEREST 4.1 GRANT OF SECURITY INTEREST. Borrower grants Bank a continuing security interest in all presently existing and later acquired Collateral, and the proceeds of all Collateral, to secure all Obligations and performance of each of Borrower's duties under the Loan Documents. Except for Permitted Liens, any security interest will be a first priority security interest in the Collateral. 5

Bank may place a "hold" on any deposit account pledged as Collateral. If the Agreement is terminated, Bank's lien and security interest in the Collateral will continue until Borrower fully satisfies its Obligations. 4.2 RESERVED. 5 REPRESENTATIONS AND WARRANTIES Borrower represents and warrants as follows: 5.1 DUE ORGANIZATION AND AUTHORIZATION. Borrower is duly existing under the laws of the state of Delaware and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change. The execution, delivery and performance of the Loan Documents have been duly authorized, and do not conflict with any of Borrower's formation documents, nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which or by which it is bound in which the default could cause a Material Adverse Change. 5.2 COLLATERAL. Borrower has good title to the Collateral, free of Liens except Permitted Liens. All inventory is in all material respects of good and marketable quality, free from material defects except for work in process and inventory, which due to manufacturing yield issues, may not be free from defect. Borrower is the sole owner of, or has adequate license rights in, the Intellectual Property, except for non-exclusive licenses granted to its customers in the ordinary course of business. No patent has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any patent violates the rights of any third party, except to the extent such invalidity, unenforceability or claim could not reasonably be expected to cause a Material Adverse Change. 5.3. LITIGATION. Except as identified in Schedule 1, there are no actions or proceedings pending or, to Borrower's knowledge, threatened by or against Borrower in which an adverse decision that could cause a Material Adverse Change is reasonably likely. 5.4 NO MATERIAL ADVERSE CHANGE IN FINANCIAL STATEMENTS. All historical consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present, at the time the statements were created, in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations as of the date thereof. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank. 5.5 SOLVENCY. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with 6

unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature. 5.6 REGULATORY COMPLIANCE. Borrower is not a registered investment company, or required to register as an investment company, or a company controlled by a registered investment company under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance. Borrower and each Subsidiary has timely filed all required tax returns and paid, or made adequate provision to pay, all taxes, except those being contested in good faith. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted. 5.7 SUBSIDIARIES. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments. 5.8 FULL DISCLOSURE. No representation, warranty or other statement of Borrower in any certificate or written statement given to Bank contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading in any material respect. 6 AFFIRMATIVE COVENANTS Borrower will do all of the following: 6.1 GOVERNMENT COMPLIANCE. Borrower shall maintain its and all Subsidiaries' legal existence and good standing in its jurisdiction of formation and maintain qualification in each jurisdiction in which the failure to so qualify is reasonably likely to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which is reasonably likely to have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change. 6.2 FINANCIAL STATEMENTS, REPORTS, CERTIFICATES. (a) Borrower shall deliver to Bank: (i) as soon as available, but no later than 30 days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period, in a form reasonably acceptable to Bank and certified by a Responsible Officer; (ii) as soon as available, but no later than 120 days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on 7

the financial statements from an independent certified public accounting firm reasonably acceptable to Bank; (iii) within 5 days of filing, copies of all statements, reports and notices filed or made available to any government agency or to any holders of Subordinated Debt; (iv) a prompt report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $150,000 or more; (v) prompt notice of any material change in the composition of the Intellectual Property, including any subsequent ownership right of Borrower in or to any Copyright, Patent or Trademark not shown in any intellectual property security agreement between Borrower and Bank or knowledge of an event that materially adversely affects the value of the Intellectual Property; and (vi) an annual budget approved by the Board and will provide as soon as available, but no later than 30 days after requested, sales projections, operating plans or other financial information requested by the Bank, which request, absent an Event of Default, shall not occur more than once per calendar year. (b) Within 30 days after the last day of each month, Borrower will deliver to Bank with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in the form of Exhibit C. (c) Bank has the right to audit the Collateral once per calendar year absent an Event of Default, and to require certification of the existence of the Collateral, once per calendar year absent an Event of Default, at Borrower's expense. 6.3 INVENTORY; RETURNS. Borrower will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors will follow Borrower's practices as they exist at execution of the Agreement. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims that involve more than $50,000 in any one instance. 6.4 TAXES. Except for taxes being contested in good faith and for which Borrower has made appropriate reserves, Borrower shall make timely payment of all material federal, state, and local taxes or assessments and will deliver to Bank, on demand, appropriate certificates attesting to the payment. 6.5 INSURANCE. Borrower will keep its business and the Collateral insured for risks and in amounts, as is typical in Borrower's business. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank in Bank's reasonable discretion. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrower will deliver certified copies of policies and evidence of all premium payments. So long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy to the replacement or repair of destroyed or damaged property; provided that, after the occurrence and during the continuance of an Event of Default, all proceeds payable under any such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations. 8

6.6 BANK ACCOUNTS. Borrower shall maintain with the Bank (i) its primary operating account (the "SVB Account"); and (ii) the majority of all excess cash and investment balances, which the Borrower has the sole right to direct the Bank as to how the monies are to be invested; provided, however, that the Borrower shall not be required to terminate any existing fixed maturity instrument with a third party to comply with this requirement. Borrower's investment control includes, but is not limited to, the type of instrument (commercial paper), amount and timing. The Bank agrees that any management or transaction fees will be comparable to those which it charges to other companies to which it provides similar services. 6.7 FURTHER ASSURANCES. Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement. 6.8 FINANCIAL COVENANTS. Remaining Months Liquidity. Borrower will maintain, as of the last day of each month, at least three (3) months Remaining Months Liquidity. Remaining Months Liquidity ("RML") is cash on hand (and cash equivalents) maintained at Bank, divided by EBITDA. 6.9 EXPENSE TRACKING. Borrower shall maintain monthly operating expenses within 25% of the operating budget approved by the Borrower's Board of Directors and reviewed by Bank. 6.10 FDA APPROVAL. Borrower shall receive final approval from the Food and Drug Administration for the first Stereotaxis System Application on or before April 30, 2002. 6.11 EQUITY FINANCING/IPO. Borrower shall either (a) have received a hard circled term sheet for new equity financing for the greater of $15 million or 12 months of RMIL by September 30, 2002, which equity financing must close on or before November 30, 2002; or (b) Borrower shall have completed an initial public offering on or before November 1, 2002. 7 NEGATIVE COVENANTS. Borrower shall not do any of the following: 7.1 DISPOSITIONS. Without Bank's prior written consent, which consent may be granted or withheld in Bank's sole reasonable discretion, convey, sell, lease, transfer or otherwise dispose of (collectively "Transfer") all or any part of its business or property, other than Transfers (i) of Inventory in the ordinary course of business; (ii) of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; or (iii) of worn-out or obsolete Equipment. 7.2 CHANGES IN BUSINESS, OWNERSHIP, MANAGEMENT OR BUSINESS LOCATIONS. Engage in any business other than the businesses currently engaged in by Borrower, or have a material change in its management or ownership, other than the sale of Borrower's equity securities in a public offering or to venture capital investors approved by Bank, which approval shall not be unreasonably withheld. Borrower will not, without at least 30 days prior written notice to Bank, 9

relocate its principal executive office, add any new offices or business locations, or change its state of incorporation. 7.3 NEGATIVE PLEDGE. Except as set forth in Section 7.1, sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, release, disburse, or encumber any of Borrower's property, except to Bank and except for Permitted Liens, including but not limited to any securities, securities entitlements, securities accounts, investment property, financial assets, instruments, chattel paper, contract rights, Inventory, Equipment, accounts receivable, licenses, Intellectual Property, including proceeds, distributions from sale, exchange or liquidation of same, now owned or hereafter acquired, except for such sales, transfers, and pledges made by Borrower in the ordinary course of Borrower's business or with Bank's prior written consent. 7.4 MERGERS OR ACQUISITIONS. Without Bank's consent (which shall not be unreasonably withheld), merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower. 7.5 INDEBTEDNESS. Create, incur, assume, or be liable for any Indebtedness, other than Permitted Indebtedness. 7.6 ENCUMBRANCE. Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, except for Permitted Liens, or permit any Collateral not to be subject to Bank's first priority security interest granted herein. 7.7 INVESTMENTS, DISTRIBUTIONS. Directly or indirectly acquire or own any Person, or make any Investment, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment (whether by cash or securities) or redeem, retire or purchase any capital stock except pursuant to employee stock repurchase agreements. 7.8 TRANSACTIONS WITH AFFILIATES. Directly or indirectly enter into or permit any material transaction with any Affiliate without Bank's prior consent which consent shall not be unreasonably withheld, except transactions that are in the ordinary course of Borrower's business, on terms less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person. 7.9 SUBORDINATED DEBT. Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt, without Bank's prior written consent, which consent shall not be unreasonably withheld. 7.10 COMPLIANCE. Become a registered investment company or be required to register as an investment company or a company controlled by a registered investment company under the Investment Company Act of 1940, or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Advance for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited 10

Transaction, as defined in ERISA, to occur if the violation would cause a Material Adverse Change; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change. 8 EVENTS OF DEFAULT Any one of the following is an Event of Default: 8.1 PAYMENT DEFAULT. Borrower fails to pay any of the Obligations within 3 days after their due date. During the additional period the failure to cure the default is not an Event of Default, but no Credit Extensions shall be made during the cure period; 8.2 COVENANT DEFAULT. Borrower does not perform any obligation in Article 6 or violates any covenant in Article 7 or does not perform or observe any other material term, condition or covenant in this Agreement, any Loan Documents, or in any other material agreement between Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrower's attempts in the 10 day period, and the default may be cured within a reasonable time, then Borrower has an additional time (of not more than 30 days) to attempt to cure the default. During the additional period the failure to cure the default is not an Event of Default, but no Credit Extensions shall be made during the cure period; 8.3 MATERIAL ADVERSE CHANGE. If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of the Borrower; or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations; or (iii) is a material impairment of the value or priority of Bank's security interests in a material portion of the Collateral; 8.4 ATTACHMENT. (i) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days; (ii) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (iii) a judgment or other claim becomes a Lien on a material portion of Borrower's assets and the same is not satisfied or discharged within thirty (30) days; or (iv) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within 30 days after Borrower receives notice, or the same are not being contested in good faith. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower, but no Credit Extensions shall be made during the cure period; 8.5 INSOLVENCY. (i) Borrower becomes insolvent; (ii) Borrower begins an Insolvency Proceeding; or (iii) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within 30 days, but no Credit Extensions shall be made before any Insolvency Proceeding is dismissed; 11

8.6 OTHER AGREEMENTS. There exists a default in any agreement between Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding $200,000.00 or that is reasonably likely to cause a Material Adverse Change; 8.7 JUDGMENTS. A money judgment or judgments in the aggregate of at least $200,000.00 and that could cause a Material Adverse Change are rendered against Borrower and are unsatisfied and unstayed for 30 days, but no Credit Extensions shall be made before the judgment is stayed or satisfied. 8.8 MISREPRESENTATIONS. Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any communication delivered to Bank or to induce Bank to enter this Agreement or any Loan Document. 9 BANK'S RIGHTS AND REMEDIES 9.1 RIGHTS AND REMEDIES. When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following: (a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank); (b) Stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank; (c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable; (d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower will assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies; Not withstanding anything set forth herein to the contrary, Bank shall pay all expenses incurred for damage caused by Bank or any of its agents to any of its premises which are outside of ordinary wear and tear; (e) Apply to the Obligations any (i) balances and deposits of Borrower, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower; (f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral; and 12

(g) Exercise all rights and remedies accorded to the Bank under the Uniform Commercial Code; provided, however, that nothing in this Section 9.1 shall give the Bank any right in any Collateral beyond the ownership rights possessed by the Borrower or the right to take any action on behalf of the Borrower in breach of the Borrower's obligations to third parties. 9.2 POWER OF ATTORNEY. When an Event of Default occurs and continues, Borrower irrevocably appoints Bank as its lawful attorney to: (i) endorse Borrower's name on any checks or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as permitted under the Uniform Commercial Code. Bank may exercise the power of attorney to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest in the Collateral regardless of whether an Event of Default has occurred. Bank's appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates. 9.3 ACCOUNTS COLLECTION. When an Event of Default occurs and continues, Bank may notify any Person owing Borrower money of Bank's security interest in the funds and verify the amount of the Account. In such case, Borrower must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit. 9.4 BANK EXPENSES. If Borrower fails to pay any amount or furnish any required proof of payment to third persons, Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank reasonably deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default. 9.5 BANK'S LIABILITY FOR COLLATERAL. If Bank complies with reasonable banking practices and the Uniform Commercial Code, Bank shall have no liability or responsibility for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrower bears all risk of loss, damage or destruction of the Collateral. 9.6 REMEDIES CUMULATIVE. Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Uniform Commercial Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. 13

Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given. 9.7 DEMAND WAIVER. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable. 10 NOTICES All notices or demands by any party to this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, at the addresses listed at the beginning of this Agreement or by telefacsimile at the numbers set forth on the signature page hereof. A party may change its notice address by giving the other party written notice. 11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Cook County, Illinois. BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL. 12 GENERAL PROVISIONS 12.1 SUCCESSORS AND ASSIGNS. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or Obligations under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of, but with notice to, Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement, the Loan Documents or any related agreement; provided that, except if part of a sale of substantially all of the Bank's assets, the Borrower shall have the right to prepay all Obligations within 30 days of such sale or other transfer in accordance with Section 2.2. 12.2 INDEMNIFICATION. Except as otherwise as contemplated by Section 9.5 of this Agreement, Borrower shall indemnify, defend and hold harmless Bank and its officers, employees and agents (collectively, the "Indemnified Parties") against: (a) all obligations, demands, claims, and liabilities asserted 14

by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or consequential to transactions between Bank and Borrower (including reasonable attorneys' fees and expenses). Notwithstanding anything set forth herein to the contrary, in no event shall the described indemnity extend to claims or losses caused by an Indemnified Party's gross negligence or willful misconduct. 12.3 TIME OF ESSENCE. Time is of the essence for the performance of all Obligations in this Agreement. 12.4 SEVERABILITY OF PROVISION. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision. 12.5 AMENDMENTS IN WRITING, INTEGRATION. All amendments to this Agreement must be in writing signed by both Bank and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter, and supersedes prior or contemporaneous negotiations or agreements. All prior or contemporaneous agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents. 12.6 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, are one Agreement. 12.7 SURVIVAL. All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrower in Section 12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run. 12.8 CONFIDENTIALITY. In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but no less than a reasonable standard of care, but disclosure of information may be made on a need-to-know basis: (i) to Bank's subsidiaries or affiliates in connection with their present or prospective business relations with Borrower; (ii) to prospective transferees or purchasers of any interest in the Loans; (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit; and (v) as Bank reasonably considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information. 12.9 ATTORNEYS' FEES, COSTS AND EXPENSES. In any action or proceeding arising out of or related to Bank's efforts to collect the Obligations, Bank will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled. 15

13 DEFINITIONS 13.1 DEFINITIONS. "ACCOUNTS" are all existing and later existing accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing. "ADVANCE" means the Equipment Advance. "AFFILIATE" of a Person is a Person that owns five percent (5%) or more or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members. "BANK EXPENSES" are all reasonable audit fees and expenses and reasonable costs or expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings). "BORROWER" is Stereotaxis, Inc., a Delaware corporation. "BORROWER'S BOOKS" are all Borrower's books and records including ledgers, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information. "BUSINESS DAY" is any day that is not a Saturday, Sunday or a day on which the Bank is closed. "CLOSING DATE" is the date of this Agreement. "COLLATERAL" is the property described on Exhibit A. "CONTINGENT OBLIGATION" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it 16

determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement. "COPYRIGHTS" are all copyright rights, applications or registrations and like protections in each work authorship or derivative work, whether published or not (whether or not it is a trade secret) now or later existing, created, acquired or held. "CREDIT EXTENSION" is the Equipment Loan, or any other extension of credit by Bank for Borrower's benefit. "EBITDA" is earnings before interest, taxes, depreciation and amortization. "ELIGIBLE EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Bank has a valid security interest, including new and/or used equipment, computer equipment, office equipment, lab equipment, test equipment and furnishings, provided that no more than 30% of the Equipment Advance may include soft costs, including, but not limited to, taxes, shipping and installation. "EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Bank has a valid security interest, including new and/or used equipment, computer equipment, office equipment, lab equipment, test equipment and furnishings. "EQUIPMENT ADVANCE" is defined in Section 2.1.1. "EQUIPMENT LOAN" is a loan of $2,000,000 (two million dollars). "EQUIPMENT LOAN PAYMENT" is defined in Section 2.1.1. "EQUIPMENT MATURITY DATE" is January 31, 2005. "ERISA" is the Employment Retirement Income Security Act of 1974, and its regulations. "FINAL PAYMENT" is a payment with respect to the Equipment Advance (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest payable with respect to the Equipment Advance) due on the last payment date of the Equipment Advance equal to the amount of the Equipment Advance multiplied by the Final Payment Percentage. "FINAL PAYMENT PERCENTAGE" is 4% of the amount of the Equipment Advance. "GAAP" is generally accepted accounting principles for U.S. corporations. "INDEBTEDNESS" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, 17

(b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations. "INSOLVENCY PROCEEDING" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief. "INTELLECTUAL PROPERTY" is Borrower's right, title and interest in any Copyrights, copyright applications, copyright registration and like protection in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; any patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same; trademarks; servicemarks and applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized by such trademarks, any trade secret rights, including any rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; or any claims for damage by way of any past, present and future infringement of any of the foregoing. "INVENTORY" is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title. "INVESTMENT" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person. "LIEN" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance. "LOAN DOCUMENTS" are, collectively, this Agreement, any note, or notes or guaranties executed by Borrower or any Person, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated. "MATERIAL ADVERSE CHANGE" is defined in Section 8.3. "OBLIGATIONS" are debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, including letters of credit and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank. 18

"PATENTS" are patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same. "PERMITTED INDEBTEDNESS" is: (a) Borrower's indebtedness to Bank under this Agreement or the Loan Documents; (b) Indebtedness existing on the Closing Date and shown on the Schedule; (c) Subordinated Debt; (d) Indebtedness to trade creditors and other third parties incurred in the ordinary course of business; (e) Indebtedness secured by Permitted Liens; (f) Indebtedness represented by capital leases or operating leases; and (g) Indebtedness of any type which would otherwise not qualify as "Permitted Indebtedness" under the prior subsections in an aggregate amount of not more than $200,000. "PERMITTED INVESTMENTS" are: (a) Investments shown on the Schedule and existing on the Closing Date; (b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State, (ii) commercial paper having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (iii) Bank's certificates of deposit issued; and (iv) money market mutual funds; and (c) Investments of any type which would otherwise not qualify as "Permitted Investments" under the prior subsections in an aggregate amount of not more than $200,000. "PERMITTED LIENS" are: (a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement or other Loan Documents; (b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its books; (c) Purchase money Liens (i) on equipment acquired or held by Borrower or its Subsidiaries incurred for financing the acquisition of the equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment; 19

(d) Leases or subleases and licenses or sublicenses granted in the ordinary course of Borrower's business, if the leases, subleases, licenses and sublicenses permit granting Bank a security interest; (e) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase; (f) Liens granted to secure Permitted Indebtedness; (g) Liens imposed by any law, such as mechanics', workers' materialmen's, landlord's, carriers, or other like Liens arising in the ordinary course of business which secure payment of obligations which are not past due or which are being contested in good faith; (h) Liens of any type which would otherwise not qualify as "Permitted Liens" under the prior subsections in an aggregate amount of not more than $200,000. "PERSON" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency. "RESPONSIBLE OFFICER" is an officer of Borrower authorized under the corporate borrowing resolution to request an Advance. "REMAINING MONTHS LIQUIDITY" or "RML" is cash and cash equivalents held at Bank divided by EBITDA. "SCHEDULE" is any attached schedule of exceptions. "STEREOTAXIS SYSTEM APPLICATION" is the Mapping Electro-physiology Catheter which is the subject of Borrower's 510(k) application which was filed with the Food and Drug Administration on October 7, 2001. "SUBORDINATED DEBT" is debt incurred by Borrower subordinated to Borrower's debt to Bank (and identified as subordinated by Borrower and Bank). "SUBSIDIARY" is for any Person, or any other business entity of which more than 50% of the voting stock or other equipment interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person. "SVB ACCOUNT" is the operating account maintained by Borrower with Bank. "UNIFORM COMMERCIAL CODE" or "UCC" means the Uniform Commercial Code as in effect from time to time in the State of Illinois. 20

The parties have executed this Loan and Security Agreement as of the date first written above.
STEREOTAXIS, INC. By: /s/ NICOLA YOUNG ---------- Title: CFO ----------
---------- Facsimile No.: ---------- SILICON VALLEY BANK By: ----------
-------- Title: ---------- Facsimile No.: ---------- 21

SCHEDULE OF PENDING LITIGATION None

SCHEDULE OF PERMITTED INDEBTEDNESS Toyota Sienna Financing Lender: Chase Manhattan Bank USA, NA 802 Delaware Avenue Wilmington, Delaware 19801 Term of Financing: December 1, 2001 to November 30, 2005 Pmt per Month: $433.56 Committed as of 12/31/01: $20,377 Computer Equipment Lease Lessor: CDW Computer Leasing Solutions 7145 SW Vams St. Portland, Oregon 97223 Term of Lease: January 1, 2002 to December 31, 2003 Pmt per month: $1,454.21 Committed as of 12/31/01: $34,901 Copier Lease Lessor: De Lage Landen, Inc. 1111 Old Eagle School Rd Wayne, PA 19087 Term of Lease: August 1, 2001 to July 31, 2006 Pmt per month: $207.69 Committed as of 12/31/01: $11,423 LEASETEC/RSI - VIDEO CONFERENCE EQUIPMENT Lessor: Leasetec Corporation 54 State Street PO Box 1339 Albany, NY 12201 Term of Lease: October 1, 2000 to September 30, 2003 Pmt per month: $385.69 Committed as of 12/31/01: $8,099

SCHEDULE OF PERMITTED INVESTMENTS INVESTMENTS HELD AS OF JANUARY 31, 2002 (APPROXIMATE BOOK BALANCE) NON-SILICON VALLEY BANK HOLDINGS Money Market - Morgan Stanley $ 2,623,985 Morgan Stanley FNMA Discount Note 497,955 Morgan Stanley C/P Stellar 301,909 Morgan Stanley FHLMC Discount Note 497,879 Morgan Stanley Money Market and other 6,142 AG Edwards FHLMC Discount Note 2,506,583 AG Edwards FHLB Discount Note 499,957 AG Edwards FHLB Discount Note 103,782 AG Edwards FHLMC Discount Note 313,073 AG Edwards Portland OR Pension 425,000 AG Edwards Municipal Elect. - GA 700,000 AG Edwards Missouri Higher Ed 900,000 AG Edwards TOTAL $ 9,376,266

Investments held at Morgan Stanley or AG Edwards may change from time to time as the current investments mature and new securities are purchased.

SCHEDULE OF PERMITTED LIENS As described in Schedule of Permitted Indebtedness

EXHIBIT A The Collateral consists of all of Borrower's right, title and interest in and to the following: All goods and equipment now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located; All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above All contract rights and general intangibles now owned or hereafter acquired, including, without limitation, goodwill, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind; All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower; All documents, cash, deposit accounts, securities, securities entitlements, securities accounts; investment property, financial assets, letters of credit, certificates of deposit, instruments and chattel paper now owned or hereafter acquired and Borrower's Books relating to the foregoing; and All Borrower's Books relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof.

EXHIBIT B LOAN PAYMENT/ADVANCE TELEPHONE REQUEST FORM DEADLINE FOR SAME DAY PROCESSING IS 3:00 P.M., E.S.T. TO: EAST COAST CENTRAL CLIENT SERVICE DIVISION DATE: ---------- FAX# (781)431-9906 TIME: ---------- FROM: STEREOTAXIS, INC. ---------- CLIENT NAME (BORROWER) REQUESTED BY: ---------- AUTHORIZED SIGNER'S NAME AUTHORIZED SIGNATURE: ---------- PHONE NUMBER: ---------- FROM ACCOUNT# TO ACCOUNT# ---------- ---------- REQUESTED TRANSACTION TYPE REQUESTED DOLLAR AMOUNT - ---------- ---------- PRINCIPAL INCREASE (ADVANCE) $ ---------- PRINCIPAL PAYMENT (ONLY) $ ---------- - INTEREST PAYMENT (ONLY) $ ---------- PRINCIPAL AND INTEREST (PAYMENT) $ ------ ---------- OTHER INSTRUCTIONS: ---------- --- - ---------- All Borrower's representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the telephone request for and Advance confirmed by this Borrowing Certificate; but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of that date.

EXHIBIT C COMPLIANCE CERTIFICATE TO: SILICON VALLEY BANK 3003 Tasman Drive Santa Clara, CA 95054 FROM: STEREOTAXIS, INC. The undersigned authorized officer of STEREOTAXIS, INC. ("Borrower") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower, for the period ending _____, has complied with all required covenants except as noted below and (ii) the representations and warranties in the Agreement are true and correct in all material respects on this date. Attached are the required documents supporting the certification. The Officer certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The Officer acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. PLEASE INDICATE COMPLIANCE STATUS BY CIRCLING YES/NO UNDER "COMPLIES" COLUMN.

REPORTING COVENANT	REQUIRED	COMPLIES
Monthly financial statements + CC	Monthly within 30 days	Yes No
Annual (Audited)	FYE within 120 days	Yes No

FINANCIAL COVENANT	REQUIRED	ACTUAL	COMPLIES
Maintain on a Monthly Basis: Remaining Months	3 months		Yes No
Liquidity			

COMMENTS REGARDING EXCEPTIONS: See Attached. ---------- BANK USE ONLY Sincerely, Received by: _____ AUTHORIZED SIGNER Stereotaxis, Inc. Date: _____ _____ SIGNATURE Verified: _____ AUTHORIZED SIGNER _____ TITLE Date: _____ DATE Compliance Status: Yes No - ----------

EXHIBIT 10.22

LOAN MODIFICATION AGREEMENT

This Loan Modification Agreement is entered into as of May 14, 2002, by and between Stereotaxis, Inc. ("Borrower") whose address is 4041 Forest Park Avenue, St. Louis, Missouri 63108 and Silicon Valley Bank ("Bank") whose address is 3003 Tasman Drive, Santa Clara, CA 95054, with a loan production office at 230 West Monroe, Suite 730, Chicago, Illinois 60606.

1. DESCRIPTION OF EXISTING INDEBTEDNESS; Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, an Equipment Loan and Security Agreement, dated as of January 31, 2002, as may be amended from time to time (the "Equipment Loan"), and a Revolving Loan and Security Agreement dated as of March 19, 2002, as may be amended from time to time (the "Revolving Loan," and together with the Equipment Loan, collectively the "Financing Agreements"). The Financing Agreements provide for, among other things, an Equipment Advance of TWO MILLION AND 00/100 DOLLARS ($2,000,000) and Revolving Advances of up to TWO MILLION AND 00/100 Dollars ($2,000,000). Defined terms used but not otherwise defined herein shall have the same meanings as in the Financing Agreements.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Financing Agreements.

Hereinafter, the above-described security documents, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Financing Agreements.
The Financing Agreements are hereby amended to provide that:

Borrower shall obtain approval from the Food and Drug Administration for the first Stereotaxis System Application on or before May 17, 2002.

B. Modifications to Financing Agreements.

1. Section 6.10 of the Equipment Loan FDA Approval, is hereby amended by deleting the section in full and substituting the following:

FDA Approval. Borrower shall receive final approval from the Food and Drug Administration for the first Stereotaxis System Application on or before May 17, 2002.

2. SECTION 6.10 OF THE REVOLVING LOAN FDA APPROVAL, is hereby amended by deleting the section in full and substituting the following:

FDA Approval. Borrower shall receive final approval from the Food and Drug Administration for the first Stereotaxis System Application on or before May 17, 2002.

4. WAIVER OF DEFAULTS. The Bank hereby waives and releases the Borrower from any and all defaults under the Financing Agreements existing prior to the date hereof.

5. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

6. PAYMENT OF EXPENSES. Borrower shall pay to Bank all fees and expenses incurred in negotiating and drafting this Loan Modification Agreement and the Loan Modification variance fee of $500.00.

7. NO DEFENSES OF BORROWER. Borrower agrees that it has no defenses against the obligations to pay any amounts under the Indebtedness.

8. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless the party is expressly released by Bank in writing. The terms of this paragraph apply not only to this Loan Modification Agreement, but also to all subsequent loan modification agreements.

9. CONDITIONS. The effectiveness of this Loan Modification Agreement is conditioned upon (i) execution by Borrower of this Loan Modification Agreement; and (ii) payment by Borrower of all fees and expenses required under this Agreement.

[Signature Pages To Follow]

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /s/ NICOLA YOUNG	By: /s/ DANIEL L. WALLACE
Name: Nicola Young	Name: Daniel L. Wallace
Title: CFO	Title: Vice President

SECOND LOAN MODIFICATION AGREEMENT

This Second Loan Modification Agreement is entered into as of July 11, 2002, by and between Stereotaxis, Inc. ("Borrower") whose address is 4041 Forest Park Avenue, St. Louis, Missouri 63108 and Silicon Valley Bank ("Bank") whose address is 3003 Tasman Drive, Santa Clara, CA 95054, with a loan production office at 230 West Monroe, Suite 730, Chicago, Illinois 60606.

1. DESCRIPTION OF EXISTING INDEBTEDNESS; Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, a Revolving Loan and Security Agreement dated as of March 19, 2002, as may be amended from time to time (the "Financing Agreement"). The Financing Agreement provided for, among other things, Revolving Advances of, up to TWO MILLION AND 00/100 Dollars ($2,000,000). Defined terms used but not otherwise defined herein shall have the same meanings as in the Financing Agreement.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Financing Agreement.

Hereinafter, the above-described security documents, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modification to Financing Agreement.
The Financing Agreement is hereby amended to provide that:

The period in which Borrower may borrow up to $500,000 of Non-Formula Borrowings shall be extended from July 1, 2002 to October 4, 2002.

B. Amendment to Financing Agreement.

SECTION 13.1 DEFINITIONS, is hereby amended by deleting the last sentence of the definition of "BORROWING BASE" and substituting the following:

Notwithstanding the foregoing, Borrower may borrow up to $500,000 subject to availability under the Committed Revolving Line, but not subject to the Borrowing Base ("Non-Formula Borrowings"), which Non-Formula Borrowings shall be repaid in full on or before October 4, 2002.

4. WAIVER OF DEFAULTS. The Bank hereby waives and releases the Borrower from any and all defaults under the Financing Agreement existing prior to the date hereof.

5. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

6. PAYMENT OF EXPENSES. Borrower shall pay to Bank all fees and expenses incurred in negotiating and drafting this Second Loan Modification Agreement.

7. NO DEFENSES OF BORROWER. Borrower agrees that it has no defenses against the obligations to pay any amounts under the Indebtedness.

8. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Second Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Second Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Second Loan Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless the party is expressly released by Bank in writing. The terms of this paragraph apply not only to this Second Loan Modification Agreement, but also to all subsequent loan modification agreements.

9. CONDITIONS. The effectiveness of this Second Loan Modification Agreement is conditioned upon (i) execution by Borrower of this Second Loan Modification Agreement; and (ii) payment by Borrower of all fees and expenses required under this Agreement:

[Signature Pages To Follow]

This Second Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /s/ Nicola J.H. Young	By:
Name: Nicola J.H. Young	Name:
Title: Chief Financial Officer	Title:

Exhibit 10.24

LOAN AND SECURITY AGREEMENT
Stereotaxis, Inc.
September 30, 2002

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Interest accrues at the rate in Section 2.2(a). The Equipment Loan when repaid may not be reborrowed.

(c) To obtain the Equipment Advance, Borrower must deliver to Bank the Payment/Advance Form attached as Exhibit B which must be signed by a Responsible Officer and include a copy of the invoices for the Eligible Equipment being financed. Bank shall credit the Equipment Advance to Borrower's deposit account. Borrower can transfer the Equipment Advance from Borrower's account on the date the Bank makes the Equipment Advance, if the transfer is within regular business hours of the Bank. Bank may make the Equipment Advance under this Agreement based on instructions from a Responsible Officer or his or her designee. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

2.2 INTEREST RATE: PAYMENTS.

(a) Interest Rate. The Equipment Loan accrues interest on the outstanding principal balance at the rate of 10 per cent per annum. After an Event of Default, Obligations accrue interest at 5 percent above the rate effective immediately before the Event of Default. Interest is computed on a 360-day year for the actual number of days elapsed.

(b) Payments. Interest and principal on the Equipment Loan is payable on the first day of each month following the Advance under the Equipment Loan. Bank may debit any of Borrower's deposit accounts including Account Number 501569370 for principal and interest payments or any other amounts that Borrower owes Bank under this Agreement if the same are not paid within fifteen days of the date when due. Bank will notify Borrower when it debits Borrower's accounts. These debits are not a set-off. Payments received after 12:00 noon Pacific time, are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day.

(c) Pre-Payments. Borrower shall be allowed to prepay the Equipment Loan without premium or penalty, except with respect to the Final Payment, described in Section 2.2(d) below.

(d) Final Payment. On the date of the final Equipment Loan Payment, or upon prepayment of the Equipment Loan in full, Borrower will pay, in addition to the unpaid principal and accrued interest and all other amounts due on such date with respect to the Equipment Loan, an amount equal to the Final Payment.

2.3 AGREEMENTS REGARDING INTEREST AND OTHER CHARGES.

Borrower and the Bank agree that the only charges imposed or to be imposed by Bank upon Borrower for the use of money in connection with the Obligations is and will be the interest required to be paid under the provisions of this Agreement as well as the related provisions of the Loan Documents, the amount of interest due and payable under this Agreement or the Loan Documents will not exceed the maximum rate of interest allowed by applicable law and, if any payment is made by Borrower or received by Bank in excess of such payment, such sum shall be credited as a payment of principal. It is the express intent that Borrower not pay and the Bank

not receive, directly or indirectly or in any manner, interest in excess of that which may be lawfully paid under applicable law. All interest and other charges, fees or other amounts deemed to be interest which are paid or agreed to be paid to Bank under this Agreement or the Loan Documents shall, to the maximum extent permitted by applicable law, be amortized, allocated and spread on a pro-rata basis throughout the entire actual term of the Obligations. Any and all fees payable under this Agreement are not intended, and will not be deemed to be interest or a charge for use of money, but rather will constitute an "other charge."

2.4 FEES. Borrower will pay to Bank:

(a) Facility Fee. A facility fee of $5,000 for the Equipment Loan shall be paid upon execution of this Agreement; and

(b) Bank Expenses. All Bank Expenses incurred through and after the date of this Agreement, are payable when due.

2.5 ADDITIONAL COSTS. If, after the date hereof, any new law or regulation increases Bank's costs or reduces its income for any loan to a level that would have been achieved but for such new regulation or law, Borrower will pay the increase in cost or reduction in income or additional expense; provided, however, that Borrower shall not be liable for any amount attributable to any period before 180 days prior to the date Bank notifies Borrower of such increased costs. Bank agrees that it will allocate any increased costs among its customers similarly affected in good faith and in a manner consistent with Bank's customary practice.

3 CONDITIONS OF LOAN

3.1 CONDITIONS PRECEDENT TO INITIAL CREDIT EXTENSION. Bank's obligation to make the initial Credit Extension is subject to the conditions precedent that the Borrower executes, and the Bank receives (i) a fully executed copy of this Agreement; (ii) a fully executed copy of the Warrant Agreement, attached hereto as Exhibit D; (iii) all executed financing statements, termination statements, and subordination agreements which the Bank requires; (iv) corporate resolutions authorizing Borrower to enter into the Agreement; (v) the opinion of Borrower's counsel in a form acceptable to the Bank; (vi) timely receipt of Payment/Advance Form attached hereto as Exhibit B; and (vii) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form. Bank shall have received from Borrower revised balance sheet projections reclassifying equipment from research and development expenses to capitalized fixed assets.

3.2 RESERVED.

4 CREATION OF SECURITY INTEREST

4.1 GRANT OF SECURITY INTEREST. Borrower grants Bank a continuing security interest in all presently existing and later acquired Collateral, and the proceeds of all Collateral, to secure all Obligations and performance of each of Borrower's duties under the Loan Documents. Except for Permitted Liens, any security interest will be a first priority security interest in the Collateral.

Bank may place a "hold" on any deposit account pledged as Collateral. If the Agreement is terminated, Bank's lien and security interest in the Collateral will continue until Borrower fully satisfies its Obligations.

4.2 RESERVED.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 DUE ORGANIZATION AND AUTHORIZATION. Borrower is duly existing under the laws of the state of Delaware and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

The execution, delivery and performance of the Loan Documents have been duly authorized, and do not conflict with any of Borrower's formation documents, nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which or by which it is bound in which the default could cause a Material Adverse Change.

5.2 COLLATERAL, Borrower has good title to the Collateral, free of Liens except Permitted Liens. All inventory is in all material respects of good and marketable quality, free from material defects except for work in process and inventory, which due to manufacturing yield issues, may not be free from defect. Borrower is the sole owner of, or has adequate license rights in, the Intellectual Property, except for non-exclusive licenses granted to its customers in the ordinary course of business. No patent has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any patent violates the rights of any third party, except to the extent such invalidity, unenforceability or claim could not reasonably be expected to cause a Material Adverse Change.

5.3 LITIGATION: Except as identified in Schedule 1, there are no actions or proceedings pending or, to Borrower's knowledge, threatened by or against Borrower in which an adverse decision that could cause a Material Adverse Change is reasonably likely.

5.4 NO MATERIAL ADVERSE CHANGE IN FINANCIAL STATEMENTS. All historical consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present, at the time the statements were created, in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations as of the date thereof. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.5 SOLVENCY. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with

unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 REGULATORY COMPLIANCE. Borrower is not a registered investment company, or required to register as an investment company, or a company controlled by a registered investment company under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance. Borrower and each Subsidiary has timely filed all required tax returns and paid, or made adequate provision to pay, all taxes, except those being contested in good faith. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted.

5.7 SUBSIDIARIES. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 FULL DISCLOSURE. No representation, warranty or other statement of Borrower in any certificate or written statement given to Bank contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading in any material respect.

6 AFFIRMATIVE COVENANTS

Borrower will do all of the following:

6.1 GOVERNMENT COMPLIANCE. Borrower shall maintain its and all Subsidiaries' legal existence and good standing in its jurisdiction of formation and maintain qualification in each jurisdiction in which the failure to so qualify is reasonably likely to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which is reasonably likely to have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change.

6.2 FINANCIAL STATEMENTS, REPORTS, CERTIFICATES.

(a) Borrower shall deliver to Bank: (i) as soon as available, but no later than 30 days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period, in a form reasonably acceptable to Bank and certified by a Responsible Officer; (ii) as soon as available, but no later than 120 days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on

the financial statements from an independent certified public accounting firm reasonably acceptable to Bank; (iii) within 5 days of filing, copies of all statements, reports and notices filed or made available to any government agency or to any holders of Subordinated Debt; (iv) a prompt report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $150,000 or more; (v) prompt notice of any material change in the composition of the Intellectual Property, including any subsequent ownership right of Borrower in or to any Copyright, Patent or Trademark not shown in any intellectual property security agreement between Borrower and Bank or knowledge of an event that materially adversely affects the value of the Intellectual Property; and (vi) an annual budget approved by the Board and will provide as soon as available, but no later than 30 days after requested, sales projections, operating plans or other financial information requested by the Bank, which request, absent an Event of Default, shall not occur more than once per calendar year.

(b) Within 30 days after the last day of each month, Borrower will deliver to Bank with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in the form of Exhibit C.

(c) Bank has the right to audit the Collateral once per calendar year absent an Event of Default, and to require certification of the existence of the Collateral, once per calendar year absent an Event of Default, at Borrower's expense.

6.3 INVENTORY; RETURNS. Borrower will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors will follow Borrower's practices as they exist at execution of the Agreement. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims that involve more than $50,000 in any one instance.

6.4 TAXES. Except for taxes being contested in good faith and for which Borrower has made appropriate reserves, Borrower shall make timely payment of all material federal, state, and local taxes or assessments and will deliver to Bank, on demand, appropriate certificates attesting to the payment.

6.5 INSURANCE. Borrower will keep its business and the Collateral insured for risks and in amounts, as is typical in Borrower's business. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank in Bank's reasonable discretion. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrower will deliver certified copies of policies and evidence of all premium payments. So long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy to the replacement or repair of destroyed or damaged property; provided that, after the occurrence and during the continuance of an Event of Default, all proceeds payable under any such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations.

6.6 BANK ACCOUNTS. Borrower shall maintain with the Bank (i) its primary operating account (the "SVB Account"); and (ii) the majority of all excess cash and investment balances, which the Borrower has the sole right to direct the Bank as to how the monies are to be invested; provided, however, that the Borrower shall not be required to terminate any existing fixed maturity instrument with a third party to comply with this requirement. Borrower's investment control includes, but is not limited to, the type of instrument (commercial paper), amount and timing. The Bank agrees that any management or transaction fees will be comparable to those which it charges to other companies to which it provides similar services.

6.7 FURTHER ASSURANCES. Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

6.8 FINANCIAL COVENANTS.

Remaining Months Liquidity. Borrower will maintain, as of the last day of each month, at least three (3) months Remaining Months Liquidity. Remaining Months Liquidity ("RML") is cash on hand (and cash equivalents) maintained at Bank, divided by EBITDA.

6.9 EXPENSE TRACKING. Borrower shall maintain monthly operating expenses within 25% of the operating budget approved by the Borrower's Board of Directors and reviewed by Bank.

6.10 REVENUE TRACKING. Beginning January 1, 2003, and for each month thereafter, Borrower shall maintain monthly revenues within 25% of the operating budget approved by the Board of Directors of Borrower and accepted by Bank, which acceptance shall not be unreasonably withheld.

6.11 EQUITY FINANCING/IPO. Borrower shall either (a) have received a hard circled term sheet for new equity financing for the greater of $15 million or 12 months of RML by December 2, 2002, which equity financing must close on or before January 2, 2003; or (b) Borrower shall have completed an initial public offering on or before January 1, 2003.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following:

7.1 DISPOSITIONS. Without Bank's prior written consent, which consent may be granted or withheld in Bank's sole reasonable discretion, convey, sell, lease, transfer or otherwise dispose of (collectively "Transfer") all or any part of its business or property, other than Transfers (i) of Inventory in the ordinary course of business; (ii) of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; or (iii) of worn-out or obsolete Equipment.

7.2 CHANGES IN BUSINESS, OWNERSHIP, MANAGEMENT OR BUSINESS LOCATIONS. Engage in any business other than the businesses currently engaged in by Borrower, or have a material change in its management or ownership, other than the sale of Borrower's equity securities in a public

offering or to venture capital investors approved by Bank, which approval shall not be unreasonably withheld. Borrower will not, without at least 30 days prior written notice to Bank, relocate its principal executive office, add any new offices or business locations, or change its state of incorporation.

7.3 NEGATIVE PLEDGE. Except as set forth in Section 7.1, sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, release, disburse, or encumber any of Borrower's property, except to Bank and except for Permitted Liens, including but not limited to any securities, securities entitlements, securities accounts, investment property, financial assets, instruments, chattel paper, contract rights, Inventory, Equipment, accounts receivable, licenses, Intellectual Property, including proceeds, distributions from sale, exchange or liquidation of same, now owned or hereafter acquired, except for such sales, transfers, and pledges made by Borrower in the ordinary course of Borrower's business or with Bank's prior written consent.

7.4 MERGERS OR ACQUISITIONS. Without Bank's consent (which shall not be unreasonably withheld), merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.5 INDEBTEDNESS. Create, incur, assume, or be liable for any indebtedness, other than Permitted Indebtedness.

7.6 ENCUMBRANCE. Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, except for Permitted Liens, or permit any Collateral not to be subject to Bank's first priority security interest granted herein.

7.7 INVESTMENTS, DISTRIBUTIONS. Directly or indirectly acquire or own any Person, or make any Investment, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment (whether by cash or securities) or redeem, retire or purchase any capital stock except pursuant to employee stock repurchase agreements.

7.8 TRANSACTIONS WITH AFFILIATES. Directly or indirectly enter into or permit any material transaction with any Affiliate without Bank's prior consent which consent shall not be unreasonably withheld, except transactions that are in the ordinary course of Borrower's business, on terms less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 SUBORDINATED DEBT. Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt, without Bank's prior written consent, which consent shall not be unreasonably withheld.

7.10 COMPLIANCE. Become a registered investment company or be required to register as an investment company or a company controlled by a registered investment company under the Investment Company Act of 1940, or undertake as one of its important activities extending credit

to purchase or carry margin stock, or use the proceeds of any Advance for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur if the violation would cause a Material Adverse Change; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change.

8 EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 PAYMENT DEFAULT. Borrower fails to pay any of the Obligations within 3 days after their due date. During the additional period the failure to cure the default is not an Event of Default, but no Credit Extensions shall be made during the cure period;

8.2 COVENANT DEFAULT. Borrower does not perform any obligation in Article 6 or violates any covenant in Article 7 or does not perform or observe any other material term, condition or covenant in this Agreement, any Loan Documents, or in any other material agreement between Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrower's attempts in the 10 day period, and the default may be cured within a reasonable time, then Borrower has an additional time (of not more than 30 days) to attempt to cure the default. During the additional period the failure to cure the default is not an Event of Default, but no Credit Extensions shall be made during the cure period;

8.3 MATERIAL ADVERSE CHANGE. If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of the Borrower; or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations; or (iii) is a material impairment of the value or priority of Bank's security interests in a material portion of the Collateral;

8.4 ATTACHMENT. (i) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days; (ii) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (iii) a judgment or other claim becomes a Lien on a material portion of Borrower's assets and the same is not satisfied or discharged within thirty (30) days; or (iv) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within 30 days after Borrower receives notice, or the same are not being contested in good faith. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower, but no Credit Extensions shall be made during the cure period;

8.5 INSOLVENCY. (i) Borrower becomes insolvent; (ii) Borrower begins an Insolvency Proceeding; or (iii) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within 30 days, but no Credit Extensions shall be made before any Insolvency Proceeding is dismissed;

8.6 OTHER AGREEMENTS. There exists a default in any agreement between Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding $200,000.00 or that is reasonably likely to cause a Material Adverse Change;

8.7 JUDGMENTS. A money judgment or judgments in the aggregate of at least $200,000.00 and that could cause a Material Adverse Change are rendered against Borrower and are unsatisfied and unstayed for 30 days, but no Credit Extensions shall be made before the judgment is stayed or satisfied.

8.8 MISREPRESENTATIONS. Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any communication delivered to Bank or to induce Bank to enter this Agreement or any Loan Document.

9 BANK'S RIGHTS AND REMEDIES

9.1 RIGHTS AND REMEDIES. When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) Stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable;

(d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower will assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies; Not withstanding anything set forth herein to the contrary, Bank shall pay all expenses incurred for damage caused by Bank or any of its agents to any of its premises which are outside of ordinary wear and tear;

(e) Apply to the Obligations any (i) balances and deposits of Borrower, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral; and

(g) Exercise all rights and remedies accorded to the Bank under the Uniform Commercial Code;

provided, however, that nothing in this Section 9.1 shall give the Bank any right in any Collateral beyond the ownership rights possessed by the Borrower or the right to take any action on behalf of the Borrower in breach of the Borrower's obligations to third parties.

9.2 POWER OF ATTORNEY. When an Event of Default occurs and continues, Borrower irrevocably appoints Bank as its lawful attorney to: (i) endorse Borrower's name on any checks or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as permitted under the Uniform Commercial Code. Bank may exercise the power of attorney to sign. Borrower's name on any documents necessary to perfect or continue the perfection of any security interest in the Collateral regardless of whether an Event of Default has occurred. Bank's appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 ACCOUNTS COLLECTION. When an Event of Default occurs and continues, Bank may notify any Person owing Borrower money of Bank's security interest in the funds and verify the amount of the Account. In such case, Borrower must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit.

9.4 BANK EXPENSES. If Borrower fails to pay any amount or furnish any required proof of payment to third persons, Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank reasonably deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.5 BANK'S LIABILITY FOR COLLATERAL. If Bank complies with reasonable banking practices and the Uniform Commercial Code, Bank shall have no liability or responsibility for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 REMEDIES CUMULATIVE. Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Uniform Commercial Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver.

Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

9.7 DEMAND WAIVER. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable. .

10 NOTICES

All notices or demands by any party to this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, at the addresses listed at the beginning of this Agreement or by telefacsimile at the numbers set forth on the signature page hereof. A party may change its notice address by giving the other party written notice.

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Cook County, Illinois.

BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 SUCCESSORS AND ASSIGNS. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or Obligations under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of, but with notice to, Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations; rights and benefits under this Agreement, the Loan Documents or any related agreement; provided that, except if part of a sale of substantially all of the Bank's assets, the Borrower shall have the right to prepay all Obligations within 30 days of such sale or other transfer in accordance with Section 2.2.

12.2 INDEMNIFICATION.

Except as otherwise as contemplated by Section 9.5 of this Agreement, Borrower shall indemnify, defend and hold harmless Bank and its officers, employees and agents (collectively, the "Indemnified Parties") against: (a) all obligations, demands, claims, and liabilities asserted

by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or consequential to transactions between Bank and Borrower (including reasonable attorneys' fees and expenses). Notwithstanding anything set forth herein to the contrary, in no event shall the described indemnity extend to claims or losses caused by an Indemnified Party's gross negligence or willful misconduct.

12.3 TIME OF ESSENCE. Time is of the essence for the performance of all Obligations in this Agreement.

12.4 SEVERABILITY OF PROVISION. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 AMENDMENTS IN WRITING, INTEGRATION. All amendments to this Agreement must be in writing signed by both Bank and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter, and supersedes prior or contemporaneous negotiations or agreements. All prior or contemporaneous agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.6 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, are one Agreement.

12.7 SURVIVAL. All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrower in Section 12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run.

12.8 CONFIDENTIALITY. In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but no less than a reasonable standard of care, but disclosure of information may be made on a need-to-know basis: (i) to Bank's subsidiaries or affiliates in connection with their present or prospective business relations with Borrower; (ii) to prospective transferees or purchasers of any interest in the Loans; (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit; and (v) as Bank reasonably considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

12.9 ATTORNEYS' FEES, COSTS AND EXPENSES. In any action or proceeding arising out of or related to Bank's efforts to collect the Obligations, Bank will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

13 DEFINITIONS.

13.1 DEFINITIONS.

"ACCOUNTS" are all existing and later arising accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned. or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"ADVANCE" means the Equipment Advance.

"AFFILIATE" of a Person is a Person that owns five percent (5%) or more or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"BANK EXPENSES" are all reasonable audit fees and expenses and reasonable costs or expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"BORROWER" is Stereotaxis, Inc., a Delaware corporation.

"BORROWER'S BOOKS" are all Borrower's books and records including ledgers, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"BUSINESS DAY" is any day that is not a Saturday, Sunday or a day on which the Bank is closed.

"CLOSING DATE" is the date of this Agreement.

"COLLATERAL" is the property described on Exhibit A.

"CONTINGENT OBLIGATION" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it

determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"COPYRIGHTS" are all copyright rights, applications or registrations and like protections in each work authorship or derivative work, whether published or not (whether or not it is a trade secret) now or later existing, created, acquired or held.

"CREDIT EXTENSION" is the Equipment Loan, or any other extension of credit by Bank for Borrower's benefit.

"EBITDA" is earnings before interest, taxes, depreciation and amortization.

"ELIGIBLE EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Bank has a valid security interest, including new and/or used equipment, computer equipment, office equipment, lab equipment, test equipment and furnishings, provided that no more than 30% of the Equipment Advance may include soft costs, including, but not limited to, taxes, shipping and installation.

"EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Bank has a valid security interest, including new and/or used equipment, computer equipment, office equipment, lab equipment, test equipment and furnishings.

"EQUIPMENT ADVANCE" is defined in Section 2.1.1.

"EQUIPMENT LOAN" is a loan of $1,000,000 (one million dollars).

"EQUIPMENT LOAN PAYMENT" is defined in Section 2.1.1.

"EQUIPMENT MATURITY DATE" is September 30, 2005.

"ERISA" is the Employment Retirement Income Security Act of 1974, and its regulations.

"FINAL PAYMENT" is a payment with respect to the Equipment Advance (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest payable with respect to the Equipment Advance) due on the last payment date of the Equipment Advance equal to the amount of the Equipment Advance multiplied by the Final Payment Percentage.

"FINAL PAYMENT PERCENTAGE" is 3% of the amount of the Equipment Advance.

"GAAP" is generally accepted accounting principles for U.S. corporations.

"INDEBTEDNESS" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit,

(b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"INSOLVENCY PROCEEDING" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"INTELLECTUAL PROPERTY" is Borrower's right, title and interest in any Copyrights, copyright applications, copyright registration and like protection in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; any patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same; trademarks; servicemarks and applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized by such trademarks, any trade secret rights, including any rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; or any claims for damage by way of any past, present and future infringement of any of the foregoing.

"INVENTORY" is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"INVESTMENT" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"LIEN" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"LOAN DOCUMENTS" are, collectively, this Agreement, any note, or notes or guaranties executed by Borrower or any Person, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

"MATERIAL ADVERSE CHANGE" is defined in Section 8.3.

"OBLIGATIONS" are all debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, including letters of credit and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"PATENTS" are patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"PERMITTED INDEBTEDNESS" is:

(a) Borrower's indebtedness to Bank under this Agreement or the Loan Documents;

(b) Indebtedness existing on the Closing Date and shown on the Schedule;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors and other third parties incurred in the ordinary course of business;

(e) Indebtedness secured by Permitted Liens;

(f) Indebtedness represented by capital leases or operating leases; and

(g) Indebtedness of any type which would otherwise not qualify as "Permitted Indebtedness" under the prior subsections in an aggregate amount of not more than $200,000.

"PERMITTED INVESTMENTS" are:

(a) Investments shown on the Schedule and existing on the Closing Date;

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State, (ii) commercial paper having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (iii) Bank's certificates of deposit issued; and (iv) money market mutual funds; and

(c) Investments of any type which would otherwise not qualify as "Permitted Investments" under the prior subsections in an aggregate amount of not more than $200,000.

"PERMITTED LIENS" are:

(a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its books;

(c) Purchase money Liens (i) on equipment acquired or held by Borrower or its Subsidiaries incurred for financing the acquisition of the equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;

(d) Leases or subleases and licenses or sublicenses granted in the ordinary course of Borrower's business, if the leases, subleases, licenses and sublicenses permit granting Bank a security interest;

(e) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(f) Liens granted to secure Permitted Indebtedness;

(g) Liens imposed by any law, such as mechanics', workers' materialmen's, landlord's, carriers, or other like Liens arising in the ordinary course of business which secure payment of obligations which are not past due or which are being contested in good faith;

(h) Liens of any type which would otherwise not qualify as "Permitted Liens" under the prior subsections in an aggregate amount of not more than $200,000.

"PERSON" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"RESPONSIBLE OFFICER" is an officer of Borrower authorized under the corporate borrowing resolution to request an Advance.

"REMAINING MONTHS LIQUIDITY" OR "RML" is cash and cash equivalents held at Bank divided by EBITDA.

"SCHEDULE" is any attached schedule of exceptions.

"SUBORDINATED DEBT" is debt incurred by Borrower subordinated to Borrower's debt to Bank (and identified as subordinated by Borrower and Bank).

"SUBSIDIARY" is for any Person, or any other business entity of which more than 50% of the voting stock or other equipment interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"SVB ACCOUNT" is the operating account maintained by Borrower with Bank.

"UNIFORM COMMERCIAL CODE" OR "UCC" means the Uniform Commercial Code as in effect from time to time in the State of Illinois.

The parties have executed this Loan and Security Agreement as of the date first written above.

STEREOTAXIS, INC.

By: /s/ Nicola J.H. Young

Title: Chief Financial Officer

Facsimile No.: 314-615-6922

SILICON VALLEY BANK

By: /s/ Dan Wallace

Title: Vice President

Facsimile No.: (312) 704-1530

SCHEDULE OF PENDING LITIGATION

1 Disputed claim by vendor, Eckardt Tool & Machine Co., of Granite City Illinois, for average of $89,000 (approx) on equipment built for Sterotaxis. This is being vigorously defended.

No other litigation or pending litigation known.

(Signature) illegible

SCHEDULE OF PERMITTED LIENS

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following:

All goods and equipment now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above

All contract rights and general intangibles now owned or hereafter acquired, including, without limitation, goodwill, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind;

All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other. security therefor, as well as all merchandise returned to or reclaimed by Borrower;

All documents, cash, deposit accounts, securities, securities entitlements, securities accounts; investment property, financial assets, letters of credit, certificates of deposit, instruments and chattel paper now owned or hereafter acquired and Borrower's Books relating to the foregoing; and

All Borrower's Books relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof.

Notwithstanding the foregoing, the Collateral shall not be deemed to include any copyrights, copyright applications, copyright registration and like protection in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; any patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, trademarks, servicemarks and applications therefor, whether registered or not, and the goodwill of the business of the Borrower connected with and symbolized by such trademarks, any trade secret rights, including any rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; or any claims for damage by way of any past,

EXHIBIT B.

LOAN PAYMENT/ADVANCE TELEPHONE REQUEST FORM

DEADLINE FOR SAME DAY PROCESSING IS 3:00 P.M., E.S.T.

TO: EAST COAST CENTRAL CLIENT SERVICE DIVISION DATE: _____

FAX#: (781) 431-9906 TIME: _____

FROM: STEREOTAXIS. INC.

CLIENT NAME (BORROWER)

REQUESTED BY:

AUTHORIZED SIGNER'S NAME

AUTHORIZED SIGNATURE:

PHONE NUMBER:

FROM ACCOUNT #	TO ACCOUNT #

REQUESTED TRANSACTION TYPE	REQUESTED DOLLAR AMOUNT
PRINCIPAL INCREASE (ADVANCE)	$
PRINCIPAL PAYMENT (ONLY)	$
INTEREST PAYMENT (ONLY)	$
PRINCIPAL AND INTEREST (PAYMENT)	$

OTHER INSTRUCTIONS:

All Borrower's representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the telephone request for and Advance confirmed by this Borrowing Certificate; but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of that date.

SECOND LOAN MODIFICATION AGREEMENT TO EQUIPMENT LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2002 AND THIRD LOAN MODIFICATION AGREEMENT TO REVOLVING LOAN AND SECURITY AGREEMENT DATED MARCH 19, 2002

This Loan Modification Agreement is entered into as of September 30, 2002, by and between Stereotaxis, Inc. ("Borrower") whose address is 4041 Forest Park Avenue, St. Louis, Missouri 63108 and Silicon Valley Bank ("Bank") whose address is 3003 Tasman Drive, Santa Clara, CA 95054, with a loan production office at 230 West Monroe, Suite 730, Chicago, Illinois 60606.

1. DESCRIPTION OF EXISTING INDEBTEDNESS; Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, an Equipment Loan and Security Agreement in the principal amount of $2,000,000, dated as of January 31, 2002, as may be amended from time to time (the "First Equipment Loan"), a Revolving Loan and Security Agreement in the principal amount of $2,000,000, dated as of March 19, 2002, as may be amended from time to time (the "Revolving Loan,"), and an Equipment Loan and Security Agreement in the principal amount of $1,000,000, dated as of September 30, 2002, as may be amended from time to time (the "Second Equipment Loan" and together with the First Equipment Loan and the Revolving Loan, collectively the "Financing Agreements"). Defined terms used but not otherwise defined herein shall have the same meanings as in the Financing Agreements.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Financing Agreements.

Hereinafter, the above-described security documents, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS,

A. Modifications to Financing Agreements.

The Financing Agreements are hereby amended to provide for a change in certain affirmative covenants and to provide that a default under any one of the Financing Agreements is a default under all of the Financing Agreements.

B. Modifications to Financing Agreements.

1. SECTION 6.10 OF THE FIRST EQUIPMENT LOAN FDA APPROVAL, is hereby amended by deleting the subsection in full and substituting the following:

Revenue Tracking. Beginning January 1, 2003, and for each month thereafter, Borrower shall maintain monthly revenues within 25% of the operating budget approved by the Board of Directors of Borrower and accepted by Bank, which acceptance shall not be unreasonably withheld.

2. SECTION 6.10 OF THE REVOLVING LOAN FDA APPROVAL, is hereby amended by deleting the subsection in full and substituting the following:

Revenue Tracking. Beginning January 1, 2003, and for each month thereafter, Borrower shall maintain monthly revenues within 25% of the operating budget approved by the Board of Directors of Borrower and accepted by Bank, which acceptance shall not be unreasonably withheld.

3. SECTION 6.11 OF THE FIRST EQUIPMENT LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing/IPO. Borrower shall either (a) have received a hard circled term sheet for new equity financing for the greater of $15 million or 12 months of RML by December 2, 2002, which equity financing must close on or before January 2, 2003; or (b) Borrower shall have completed an initial public offering on or before January 1, 2003.

4. SECTION 6.11 OF THE REVOLVING LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing/IPO. Borrower shall either (a) have received a hard circled term sheet for new equity financing for the greater of $15 million or 12 months of RML by December 2, 2002, which equity financing must close on or before January 2, 2003; or (b) Borrower shall have completed an initial public offering on or before January 1, 2003.

5. SECTION 13 OF THE FIRST EQUIPMENT LOAN DEFINITIONS, is hereby amended by adding the following to the end of the definition of "OBLIGATIONS":

and explicitly including any and all amounts owing, of any kind or nature whatsoever, under any of the Financing Agreements.

6. SECTION 13 OF THE REVOLVING Loan DEFINITIONS, is hereby amended by adding the following to the end of the definitions of "OBLIGATIONS":

and explicitly including any and all amounts owing, of any kind or nature whatsoever, under any of the financing Agreements.

4. WAIVER OF DEFAULTS. The Bank hereby waives and releases the Borrower from any and all defaults under the Financing Agreements existing prior to the date hereof.

5. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

6. PAYMENT OF EXPENSES. Borrower shall pay to Bank all fees and expenses incurred in negotiating and drafting this Loan Modification Agreement.

7. NO DEFENSES OF BORROWER. Borrower agrees that it has no defenses against the obligations to pay any amounts under the Indebtedness.

8. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless the party is expressly released by Bank in writing. The terms of this paragraph apply not only to this Loan Modification Agreement, but also to all subsequent loan modification agreements.

9. CONDITIONS. The effectiveness of this Loan Modification Agreement is conditioned upon (i) execution by Borrower of this Loan Modification Agreement; and (ii) payment by Borrower of all fees and expenses required under this Agreement.

[Signature Pages To Follow]

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /s/ Nicola Young	By: /s/ Dan Wallace
Name: Nicola Young	Name: Dan Wallace
Title: Chief Financial Officer	Title: Vice President

THIRD LOAN MODIFICATION AGREEMENT TO EQUIPMENT LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2002 AND FOURTH LOAN MODIFICATION AGREEMENT TO REVOLVING LOAN AND SECURITY AGREEMENT DATED MARCH 19, 2002 AND FIRST LOAN MODIFICATION AGREEMENT TO EQUIPMENT LOAN AND SECURITY AGREEMENT DATED SEPTEMBER 30, 2002

This Loan Modification Agreement is entered into as of December 31, 2002, by and between Stereotaxis, Inc. ("Borrower") whose address is 4041 Forest Park Avenue, St. Louis, Missouri 63108 and Silicon Valley Bank ("Bank") whose address is 3003 Tasman Drive, Santa Clara, CA 95054, with a loan production office at 230 West Monroe, Suite 730, Chicago, Illinois 60606.

1. DESCRIPTION OF EXISTING INDEBTEDNESS; Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, an Equipment Loan and Security Agreement in the principal amount of $2,000,000, dated as of January 31, 2002, as may be amended from time to time (the " First Equipment Loan"), a Revolving Loan and Security Agreement in the principal amount of $2,000,000, dated as of March 19, 2002, as may be amended from time to time (the "Revolving Loan,"), and an Equipment Loan and Security Agreement in the principal amount of $1,000,000, dated as of September 30, 2002, as may be amended from time to time (the "Second Equipment Loan" and together with the First Equipment Loan and the Revolving Loan, collectively the "Financing Agreements"). Defined terms used but not otherwise defined herein shall have the same meanings as in the Financing Agreements.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Financing Agreements.

Hereinafter, the above-described security documents, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Financing Agreements.

The Financing Agreements are hereby amended to provide for a change in certain affirmative covenants and to provide for a change in the Borrowing Base. Financing Agreements is a defined term under all of the Financing Agreements.

B. Modifications to Financing Agreements.

1. SECTION 2.1.1(a) OF THE SECOND EQUIPMENT LOAN is hereby amended by deleting the reference to "October 31, 2002" and substituting therefor "March 31, 2003."

2. SECTION 6.11 OF THE FIRST EQUIPMENT LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing. Borrower shall obtain new equity financing of at least $40 million on a cumulative basis by September 30, 2004. Minimum amounts are required as follows. Borrower shall (a) have closed on new equity financing of at least $5 million by December 31, 2002; and (b) have closed on a cumulative total of new equity financing at least $10 million by January 31, 2003; and (c) have closed on a cumulative total of new equity financing of at least $30 million by August 31, 2003; and (d) have closed on cumulative total of new equity financing of at least $40 million by September 30, 2004. New equity financings include all new equity funds received after December 1, 2002.

3. SECTION 6.11 OF THE SECOND EQUIPMENT LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing. Borrower shall obtain new equity financing of at least $40 million on a cumulative basis by September 30, 2004. Minimum amounts are required as follows. Borrower shall (a) have closed on new equity financing of at least $5 million by December 31, 2002; and (b) have closed on a cumulative total of new equity financing at least $10 million by January 31, 2003; and (c) have closed on a cumulative total of new equity financing of at least $30 million by August 31, 2003; and (d) have closed on cumulative total of new equity financing of at least $40 million by September 30, 2004. New equity financings include all new equity funds received after December 1, 2002.

4. SECTION 6.11 OF THE REVOLVING LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing. Borrower shall obtain new equity financing of at least $40 million on a cumulative basis by September 30, 2004. Minimum amounts are required as follows. Borrower shall (a) have closed on new equity financing of at least $5 million by December 31, 2002; and (b) have closed on a cumulative total of new equity financing at least $10 million by January 31, 2003; and (c) have closed on a cumulative total of new equity financing of at least $30 million by August 31, 2003; and (d) have closed on cumulative total of new equity financing

of at least $40 million by September 30, 2004. New equity financings include all new equity funds received after December 1, 2002.

5. SECTION 6 OF THE SECOND EQUIPMENT LOAN AFFIRMATIVE COVENANTS, is hereby amended by adding the following subsection:

6.12 Money Market Account. Borrower shall deposit $1 million in Borrower's Money Market Account with Bank. Hank shall place a hold on the Money Market Account until Bank receives invoices for Eligible Equipment supporting the Equipment Advance of $1 million. Bank will release its hold on the Money Market Account, pro rata, by the amount of invoices for Eligible Equipment received by Bank.

6. SECTION 13 OF THE REVOLVING LOAN DEFINITIONS, is hereby amended by amending the definition of "BORROWING BASE" by deleting the reference to "October 2, 2002" in the last line and substituting therefore "January 7, 2003."

7. SECTION 13 OF THE REVOLVING LOAN DEFINITIONS is hereby amended by adding the following to the end of the definition of "ELIGIBLE ACCOUNTS":

Notwithstanding the foregoing, Eligible Accounts shall include those accounts owing from Rush Presbyterian-St. Luke Medical Center due October 17, 2002 if collected on or before January 7, 2003.

4. WAIVER OF DEFAULTS. The Bank hereby waives and releases the Borrower from any and all defaults under the Financing Agreements existing prior to the date hereof.

5. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

6. PAYMENT OF EXPENSES. Borrower shall pay to Bank all fees and expenses incurred in negotiating and drafting this Loan Modification Agreement.

7. NO DEFENSES OF BORROWER. Borrower agrees that it has no defenses against the obligations to pay any amounts under the Indebtedness.

8. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless

the party is expressly released by Bank in writing. The terms of this paragraph apply not only to this Loan Modification Agreement, but also to all subsequent loan modification agreements.

9. CONDITIONS. The effectiveness of this Loan Modification Agreement is conditioned upon (i) execution by Borrower of this Loan Modification Agreement; and (ii) payment by Borrower of all fees and expenses required under this Agreement.

[SIGNATURE PAGES TO FOLLOW]

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /s/ Peggy S. Stohr	By:
Name: Peggy S. Stohr	Name:
Title: VP Admin/Controller	Title:

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /S/ Peggy S. Stohr	By: /s/ Amanda Peak
Name: Peggy S. Stohr	Name: Amanda Peak
Title: VP Admin/Controller	Title: Assistant Vice President

FOURTH LOAN MODIFICATION AGREEMENT TO EQUIPMENT LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2002 AND FIFTH LOAN MODIFICATION AGREEMENT TO REVOLVING LOAN AND SECURITY AGREEMENT DATED MARCH 19, 2002 AND SECOND LOAN MODIFICATION AGREEMENT TO EQUIPMENT LOAN AND SECURITY AGREEMENT DATED SEPTEMBER 30, 2002

This Loan Modification Agreement is entered into as of April __, 2003, by and between Stereotaxis, Inc. ("Borrower") whose address is 4041 Forest Park Avenue, St. Louis, Missouri 63108 and Silicon Valley Bank ("Bank") whose address is 3003 Tasman Drive, Santa Clara, CA 95054, with a loan production office at 230 West Monroe, Suite 730, Chicago, Illinois 60606.

1. DESCRIPTION OF EXISTING INDEBTEDNESS; Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, an Equipment Loan and Security Agreement in the principal amount of $2,000,000, dated as of January 31, 2002, as may be amended from time to time (the "First Equipment Loan"), a Revolving Loan and Security Agreement in the principal amount of $2,000,000, dated as of March 19, 2002, as may be amended from time to time (the "Revolving Loan,"), and an Equipment Loan and Security Agreement in the principal amount of $1,000,000, dated as of September 30, 2002, as may be amended from time to time (the "Second Equipment Loan" and together with the First Equipment Loan and the Revolving Loan, collectively the "Financing Agreements"). Defined terms used but not otherwise defined herein shall have the same meanings as in the Financing Agreements.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Financing Agreements.

Hereinafter, the above-described security documents, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Financing Agreements.

The Financing Agreements are hereby amended, as more specifically described herein, to provide for a CHANGE in (1) the Committed Revolving Line, (2) the Revolving Maturity Date, (3) certain affirmative covenants, and (4) the Borrowing Base.

B. Modifications to Financing Agreements.

1. SECTION 2.4.1(b) OF THE REVOLVING LOAN is hereby amended by adding the following to the end of the subsection:

In the event the Borrower terminates this Agreement before expiration of the Revolving Maturity Date, a termination fee of .10% of the principal amount outstanding under all Credit Extensions will be due and payable.

2. SECTION 6.11 OF THE FIRST EQUIPMENT LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing. Borrower shall obtain new equity financing of at least $16,750,000 on a cumulative basis by September 30, 2004, portions of which shall be obtained in the amounts, and by the dates, set forth as follows: Borrower shall (a) have closed on a cumulative total of new equity financing of at least $6,750,000 by August 31, 2003; and (b) have closed on a cumulative total of new equity financing at least $16,750,000 by September 30, 2003. New equity financings include any and all new equity funds received after March 1, 2003.

3. SECTION 6.11 OF THE SECOND EQUIPMENT LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and substituting the following:

Equity Financing. Borrower shall obtain new equity financing of at least $16,750,000 on a cumulative basis by September 30, 2004, portions of which shall be obtained in the amounts, and by the dates, set forth as follows: Borrower shall (a) have closed on a cumulative total of new equity financing of at least $6,750,000 by August 31, 2003; and (b) have closed on a cumulative total of new equity financing at least $16,750,000 by September 30, 2003. New equity financings include any and all new equity funds received after March 1, 2003.

4. SECTION 6.11 OF THE REVOLVING LOAN EQUITY FINANCING/IPO, is hereby amended by deleting the subsection in full and SUBSTITUTING the following:

Equity Financing. Borrower shall obtain new equity financing of at least $16,750,000 on a cumulative basis by September 30, 2004, portions of which shall be obtained in the amounts, and by the dates, set forth as follows: Borrower shall (a) have closed on a cumulative total of new equity financing of at least $6,750,000 by August 31, 2003; and (b) have closed on a cumulative total of new equity financing at least $16,750,000 by September 30, 2003. New equity financings include any and all new equity funds received after March 1, 2003.

5. SECTION 13 OF THE REVOLVING LOAN DEFINITIONS, is hereby amended by amending the definition of "BORROWING BASE" by deleting the last sentence and substituting the following:

Notwithstanding the foregoing, (a) outstanding Advances shall not exceed $800,000 for Eligible Accounts from a single account debtor, and (b) Borrower may borrow up to $500,000 subject to availability under the Committed Revolving Line, but not subject to the Borrowing Base ("Non-formula Borrowings"), which Non-Formula Borrowings shall be repaid in full on or before July 15, 2003.

6. SECTION 13 OF THE REVOLVING LOAN DEFINITIONS, is hereby amended by amending the definition of "COMMITTED REVOLVING LINE" by deleting "$2,000,000" and substituting therefor "$3,000,000."

7. SECTION 13 OF THE REVOLVING LOAN DEFINITIONS is hereby amended by amending the definition of "REVOLVING MATURITY DATE" by deleting "March 19, 2003" and substituting therefor "March 19, 2004."

4. WAIVER OF DEFAULTS. The Bank hereby waives and releases the Borrower from any and all defaults under the Financing Agreements existing prior to the date hereof.

5. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

6. PAYMENT OF EXPENSES. Borrower shall pay to Bank all fees and expenses incurred in negotiating and drafting this Loan Modification Agreement and a loan modification fee of $24,000.

7. NO DEFENSES OF BORROWER. Borrower agrees that it has no defenses against the obligations to pay any amounts under the Indebtedness.

8. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Loan Modification Agreement, shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless the party is expressly released by Bank in writing. The terms of this paragraph apply not only to this Loan Modification Agreement, but also to all subsequent loan modification agreements.

9. CONDITIONS. The effectiveness of this Loan Modification Agreement is conditioned upon (i) execution by Borrower of this Loan Modification Agreement; and (ii) payment by Borrower of all fees and expenses required under this Agreement.

[Signature Pages To Follow]

SILICON VALLEY BANK

PROFORMA INVOICE FOR LOAN CHARGES

BORROWER: Stereotaxis, Inc.

LOAN OFFICER: Daniel Wallace

DATE: April 17, 2003

Facility Fee	$24,000.00
Legal Fees	
TOTAL FEE DUE	$

Please indicate the method of payment:

[ ] A check for the total amount is attached.

[X] Debit DDA #501569370 for the total amount.

[ ] Loan proceeds

Borrower Stereotaxis, Inc.

/s/ Nicola Young
By: ----------
(Authorized Signer)

/s/ Daniel Wallace
- ----------
Silicon Valley Bank (Date)
Accountant Officer's Signature

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
STEREOTAXIS, INC.	SILICON VALLEY BANK
By: /s/ Nicola Young	By: /s/ Daniel Wallace
Name: Nicola Young	Name: Daniel Wallace
Title: CFO	Title: Vice President

EXHIBIT 10.30

PROMISSORY NOTE

Principal Amount: $134,700

Date: November 20, 2001
St. Louis, Missouri

FOR VALUE RECEIVED, Doug Bruce ("Borrower"), an individual hereby promises to pay to the order of Stereotaxis, Inc. (the "Company") at its offices in St. Louis, Missouri, (a) on November 20, 2006 (the "Maturity Date") the principal amount of One Hundred Thirty Four Thousand Hundred Dollars ($134,700.00), (b) interest on such principal amount at a rate equal to 7.0% per annum, and (c) any and all other sums which may be owing to the Company by the Borrower pursuant to this Note. Interest shall be calculated on the basis of a 360-day year. This Promissory Note ("Note") and all accrued interest thereon shall be due and payable on November 20, 2006, five years after the date of the Note.

The Borrower shall have the right to prepay the principal of this Note, in whole or in part, at any time or times. Notwithstanding the foregoing, Borrower shall repay this Note ON DEMAND in the event Borrower, as applicable, (i) ceases to be an employee of the Company, whether voluntarily or otherwise, (ii) ceases to perform consulting services for Company.

The principal amount of, and all interest on, this Note are with recourse to Borrower. Any amounts paid pursuant to this Note are non-refundable and may not be re-borrowed.

If this Note is placed in the hands of an attorney for collection, or suit is brought on same, or same is collected through probate, bankruptcy or insolvency proceedings of any nature, or by other judicial proceedings, Borrower agrees to pay all fees associated with such collection including reasonable attorney's fee in addition to the principal and interest then owing.

Borrower hereby waives presentment for payment, demand, notice of nonpayment, protest and notice of protest.

No amendment, modification or waiver of any provision of this Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and separately acknowledged in writing by the Company, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Each and every right granted to Company under this Note or allowed to it at law or in equity is deemed cumulative and such remedies may be exercised from time to time concurrently or consecutively at Company's option.

No failure on the part of the Company to exercise, and no delay in exercising, any right under this Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect you (Borrower) and us (Company) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

This Note shall be governed by and construed in accordance with the laws of the State of Missouri.

BORROWER

/s/ DOUGLAS M. BRUCE
- ------------------------------
Douglas Bruce

11-20-01
- ------------------------------
Date

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated March 26, 2004 (except for Note 16, as to which the date is May __, 2004), in the Registration Statement (Form S-1) and related Prospectus of Sterotaxis, Inc. for the registration of its common stock.

Our audits also included the financial statement schedule of Sterotaxis, Inc. for each of the three years in the period ended December 31, 2003 listed in Item 16(b) of this Registration Statement. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

The foregoing consent is in the form that will be signed upon completion of the restatement of the capital accounts described in Note 16 to the financial statements.

/s/ Ernst & Young LLP

St. Louis, Missouri
May 3, 2004